



<u>Committee and Date</u>

Council

24 February 2022

<u>Item</u>

<u>Public</u>

Shropshire Council Sustainable Warmth Programme

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1. Synopsis

- 1.1. The report details all the successful funding bids made by the Affordable Warmth & Energy Efficiency Team (from Housing Services). The aim is to raise awareness with members as to the funding received to date as well as possible future bids.
- 1.2. The report also seeks permission for Shropshire Council to operate as the accountable body for 2 of the funding bids; Green Homes Grant Local Authority Delivery Phase 3 (LAD3) and Social Housing Decarbonisation Fund (SHDF).

2. Executive Summary

- 2.1. The "Sustainable Warmth" programme from BEIS is comprised of several funding rounds. The Council has been successful in bidding for funding under the Green Homes Grant Local Authority Delivery (LAD) and Home Upgrade Grant (HUG) categories of the Sustainable Warmth programme funding rounds that have been launched within the past 12 months.
- 2.2. The schemes aim to improve the energy efficiency of fuel poor homes, and target properties with the lowest energy efficiency ratings. The funding supports vulnerable householders across all tenures.
- 2.3. The funding takes a 'whole house' and 'fabric first' approach, improving insulation and helping to install low carbon heating solutions, such as air source heat pumps. Unlike previous schemes, funding cannot be used to install fossil-fuel heating systems.
- 2.4. The Council has been successful in securing £1,908,860 via the Green Homes Grant Local Authority Delivery Phase 3 (LAD3) bid. This has been undertaken in conjunction with Telford & Wrekin Council. This report seeks approval for Shropshire Council to be the accountable body for the scheme.

The Council recently led on a consortium bid to the Social Housing Decarbonisation Fund (SHDF) wave 1 competition. This bid was only possible with the involvement of a Local Authority, due to the funding mechanism BEIS use to disperse funding. The bid covered Shropshire, Telford and Wrekin and Herefordshire and included five local Registered Social Housing Providers with housing stock across the bid area. This report seeks approval for Shropshire Council to be the accountable body for the scheme.

- 2.5. This report details all the funding bids submitted to date as well as requesting permission for Shropshire Council to operate as the accountable body for the Green Homes Grant Local Authority Delivery Phase 3 (LAD3) bid and the Social Housing Decarbonisation Fund (SHDF).

3. Recommendations

It is recommended that the Council:

- 3.1. Note the bids received so far and the various work streams associated with them across Shropshire.
- 3.2. Agree permission for Shropshire Council to operate as the accountable body for the Green Homes Grant Local Authority Delivery Phase 3 (LAD3) bid awarded 18.11.2021.
- 3.3. Agree permission for Shropshire Council to operate as the accountable body for the Social Housing Decarbonisation Fund (SHDF) awarded 08.02.2022
- 3.4. Approve inclusion of the schemes and associated funding totalling £10,414,244 in the capital programme.

4. Risk Assessment and Opportunities Appraisal

- 4.1. The Opportunity Risk Management Strategy sets out the methodology for identifying opportunities/benefits and assessing these against the associated risks.
- 4.2. Detailed risk registers are in place which have identified key risks to delivering the outcomes of each funding bid. The risks recognise the impacts, and each risk has appropriate mitigation identified. The key risks across all funding bids are as follows:

- Continuing supply chain pressures
 - Mitigation: Existing contracts and relationships in place for the delivery of many of the measures mean that we don't have to tender for new installers for every measure. We will be running information days to try and attract local installers to involved in the scheme where possible. But this is a national issue not something we can solve in Shropshire alone.
 - Project under-delivery
 - Mitigation: Split delivery between area-based schemes and a County wide 'open offer' to provide flexibility.
 - Excessive ancillary costs
 - Mitigation: Benefit from economies of scale by delivering measures through several area-based schemes. Understanding of likely ancillary and preparatory works required.
 - Rising market costs
 - Mitigation: We have identified similar architypes and area-based schemes to benefit from some economies of scale.
 - Potential of clawback of funding for non-delivery
 - Mitigation: Legally binding documents will be in place with all partners to ensure they deliver the programme in line with the requirements of the funding body. Payment will be made in arrears to partners once the Council has confirmed the partner has incurred the expenditure on eligible items. The Council will be undertaking regular monitoring of the programme which includes monthly reporting. This will help to ensure the programme is on schedule and manage any non-delivery to ensure that the funding is spent in line with the timescales and requirements of the funding body.
- 4.3. The risk registers will remain under constant review with risks being closed when mitigated and emerging risks added and managed throughout the project cycle.
- 4.4. ESHIAs will be prepared to cover the Council's involvement in the delivery of the projects covered by the funding?

5. Financial Implications

- 5.1 The funding bids have limited financial implications for the Council. All works are fully funded by grants and no match funding is required. Each funding award includes an “administration allocation” which is intended to cover administration and ancillary works required prior to actual installations.
- 5.2 The Council will receive the grant funding in advance from the funding body and will pay the funding to partners in arrears once eligibility of the expenditure has been confirmed therefore there are no cashflow implications.
- 5.3 Shropshire Council is the Lead for 2 of the projects. We are the signatory for the legally binding documents with each funder and are responsible for reporting and ensuring all works meet the funders requirements.
- 5.4 Legally binding documents will be in place to ensure that all partners will be responsible for delivering to the exact standards and requirements BEIS requires. Contracts with installers will also reflect the standards and requirements put on the Council by BEIS.

6. Climate Change Appraisal

- 6.1 Energy Efficiency and Carbon Reduction: The SHDF bid will mean there will be a positive impact on the carbon emissions of Shropshire Council via the housing managed for the Local Authority by STaR Housing. However, many of the funding schemes target owner occupiers / residents or landlords in the private rental sector. This funding will be used to reduce carbon emissions and increase the energy efficiency of housing across the county. The scheme is based on a “Whole House” approach that looks to improve the fabric of the building by installing any appropriate insulation measures before moving on to look at installing low carbon heating measures. This will help to significantly reduce the carbon emissions for the county. It will also have a significant positive impact on fuel poverty rates. As part of the bid, funding has been included to allow a trial to better understand the potential of Solar PV combined with domestic batteries in managing the extra costs of electrically powered heating systems.
- 6.2 Reporting requirements of the SHDF funding bid include detailed information on the reduction in heating demand kWh/m²/pa, as well as the increase in the EPC rating of the properties that receive measures. As part of the schemes, BEIS require all properties tackled to reach a minimum of EPC D rating. A further target is that heat demand be reduced to 90kWh/m²/pa. It is also a requirement to include the reduction in carbon emissions achieved per property. This

will be facilitated by carrying out pre and post install assessments on all properties in line with PAS (Publicly Available Specification) 2035, the new national retrofit standard, requirements. Since this is an “open offer” to all residents of Shropshire it will not be possible to give meaningful estimates of savings in carbon or energy cost until properties have been identified and properly assessed. Once measures start to be installed, several properties will also be subjected to more detailed monitoring to understand the actual performance of these measures in “real”, lived in homes. The end of scheme report will include all savings generated.

- 6.3 Renewable Energy Generation: At least 25 Solar PV and domestic batteries systems are included in the schemes
- 6.4 Carbon capture & Storage: The schemes do not provide any specific opportunities to address this.
- 6.5 Climate Change Resilience and Adaptation: Improving the fabric of homes and adding insulation will also require improvement of the ventilation to homes. Combined these interventions will increase the resilience of homes to the implications of climate change.

7. Background

- 7.1 Shropshire has higher than average levels of fuel poverty, latest figures suggest 16,826 individual households which equals over 12.3% of all Shropshire households. The West Midlands average is 11.4%. Using an average figure across Shropshire disguises the fact that some areas of Shropshire have over 20% of households in fuel poverty. These high levels of fuel poverty are due to a combination of low income, high-cost heating fuels due to many Shropshire properties being off the gas network alongside large numbers of older hard to treat properties.
- 7.2 The funding under the Green Homes Grants Local Authority Delivery (LAD) and Sustainable Warmth bids is specifically aimed at increasing energy efficiency and reducing carbon emissions based on a “Whole House” approach. It is intended that funding will be used to install multiple measures starting with those to the fabric of the building before moving on to low carbon heating measures. To qualify recipients will need to be classed as “vulnerable”. This is defined as being in receipt of certain means tested benefits or having a combined income of £30,000 or less before housing costs.
- 7.3 This funding is the main approach by government to reduce carbon emissions in the domestic sector and the plan is for successive rounds of funding between now and 2030. The next round of Sustainable Warmth funding is due to open for bids in Spring 2022 and will consist

of LAD 4 and HUG2. The SHDF Wave 2 funding is also due to open for bids during Spring 2022.

- 7.4 Shropshire Council is well placed to make future bids due to the success we have had to date with the bids made.

8. Conclusion

To date Shropshire Council has been extremely successful in the bids we have applied for. We are hopeful this will continue and seek confirmation from Council that they are happy for us to be the accountable body for the 2 schemes

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

None

Cabinet Member (Portfolio Holder)

- **Ian Nellins** - Portfolio Holder for Climate Change, Natural Assets & The Green Economy
- **Simon P. Jones** - Portfolio Holder Adult Social Care and Public Health
- **Dean Carroll** - Portfolio Holder - Physical Infrastructure

Local Member

All – Countywide scheme

Appendices

Appendix 1 – Details of each funding bid received

Appendix 1

2.1 Green Homes Grant Local Authority Delivery Phase 2 (LAD2) – via Midland Energy Hub

- For this scheme MEH were provided funding by BEIS. Rather than us having to bid, we were allocated funding based on number of properties with E, F & G band EPCs and level of fuel poverty. We then had to submit a proposal for spending of the funds. This proposal had to be accepted before the first tranche of funding was released.
- MEH accepted the proposal on 19th April 2021.
- Value of total capital funding awarded - £2,267,200 which includes an administration and ancillary work allocation of £187,200 intended to cover administration and pre-installation requirements.
- The Funding was due to be released in 3 stages the first in advance and the remaining after meeting install targets. The project has now been extended twice.
- Any funds not spent will need to be returned to the funder.
- Approximate number of fuel poor households to be supported - 300
- Project duration – April 2021 to 30th June 2022
- There are no partners in this scheme

2.2 Green Homes Grant Local Authority Delivery Phase 3 (LAD3) – Direct from BEIS

- Consortium bid in partnership with Telford & Wrekin Council (this scheme involves an MOU between SC/T&W)
- Bids opened on 16th June 2021. The Bid was submitted on the 4th August 2021. Notification that the bid had been successful was received on 18th November 2021.
- Value of total capital funding awarded - £1,908,860 which includes an administration and ancillary work allocation of £248,860 intended to cover administration and pre-installation requirements.
- The funding has been paid in advance.
- Any funds not spent will need to be returned to the funder.
- Approximate number of fuel poor households to be supported - 160
- Project duration – January 2022 - 31st March 2023
- This bid was undertaken in partnership with Telford & Wrekin Council

2.3 Green Homes Grant Local Authority Delivery Phase 3 (LAD3) – Via Midland Energy Hub

- MEH confirmed they would be submitting a consortium bid on 7th July 2021. Participants had to confirm interest by 30th July 2021. The submission date was 4th August 2021. We were notified of success on 10th December 2021.
- Value of total capital funding awarded - £962,500 which includes an administration and ancillary work allocation of £87,500 intended to cover administration and pre-installation requirements.
- Funding will be paid in advance.
- Any funds not spent will need to be returned to the funder.
- Approximate number of fuel poor households to be supported - 88
- Project duration – January 2022 - 31st March 2023
- There are no partners in this bid though we are intending to work with some local RSLs especially around “right to buy” properties.

2.4 Home Upgrade Grant Phase 1 (HUG1) – Via Midland Energy Hub

- MEH confirmed they would be submitting a consortium bid on 7th July 2021. Participants had to confirm interest by 30th July 2021.
- The submission date was 4th August 2021. We were notified of success on 10th December 2021.
- Value of total capital funding awarded - £2,607,000 which includes an administration and ancillary work allocation of £237,000 intended to cover administration and pre-installation requirements.
- Funding will be dispensed in advance.
- Any funds not spent will need to be returned at the end of the scheme.
- Approximate number of fuel poor households to be supported - 125
- Project duration – January 2022 - 31st March 2023
- There are no partners in this bid though we are intending to work with some local RSLs especially around “right to buy” properties.

2.5 Social Housing Decarbonisation Fund (SHDF) Wave 1 – BEIS

- Consortium bid with five Registered Social Housing Providers. Shropshire Council as Lead Authority. This is the scheme where Shropshire Council is operating as the accountable body.
- The competition opened for bids on 23rd August 2021. The deadline for bids was 15th October 2021. We received confirmation the bid had been successful on 8th February 2022.
- **Total value of project - £6,023,801.76**
- Total capital funding requested from BEIS – £2,668,684 which includes an administration and ancillary work allocation of £329,853 intended to cover administration and pre-installation requirements.
- Registered Social Housing Provider Capital Contribution - £3,355,118 which includes an administration and ancillary work allocation of £109,951 intended to cover administration and pre-installation requirements.
- The funding will be paid in advance of the required signed paperwork being received BEIS.
- In the event of underspend, the funder will require repayment unless an agreement can be reached as to another suitable option
- Approximate number of fuel poor households to be supported - 249
- Project duration – January 2022 - 31st March 2023
- Partners include
 - Telford & Wrekin Council
 - Herefordshire Council
 - Connexus Housing
 - Housing Plus
 - Shropshire Towns & Rural Housing
 - Sanctuary Housing
 - Stonewater Housing