

REPORT TO:	COUNCIL
DATE:	24 MAY 2023
SUBJECT:	SUSTAINABLE WARMTH GRANT ALLOCATIONS: HOME UPGRADE GRANT 2 (HUG2) AND LOCAL AUTHORITY DELIVERY (LAD3)
PURPOSE:	TO SEEK MEMBER APPROVAL TO ACCEPT THE ADDITIONAL FUNDING AWARDS AND AMEND THE CAPITAL PROGRAMME ACCORDINGLY.
KEY DECISION:	NO
PORTFOLIO HOLDER:	COUNCILLOR GRAHAM MARSH
REPORT OF:	GROUP MANAGER - CLIMATE CHANGE AND ENVIRONMENT
REPORT AUTHOR:	SARAH BAKER
WARD(S) AFFECTED:	ALL
EXEMPT REPORT?	NO

SUMMARY

Executive Board has previously agreed to accept £15.4 million secured from the Department for Energy Security and Net Zero, via Midlands Net Zero Hub, across the South and East Lincolnshire Councils Partnership (S&ELCP) for the next phase of Sustainable Warmth delivery known as HUG2. The First Contract Year Award Letter has now confirmed the 2023-24 allocation of £6,160,000 and agreement is sought to amend the capital programme and adjust the revenue budget accordingly in line with this.

In addition, due to underspend elsewhere at other local authorities, it has been possible to secure an additional £1.1 million of funding for LAD3 delivery under the current Sustainable Warmth programme. Agreement is sought to accept these additional funds and to amend the capital programme and adjust the revenue budget accordingly for the LAD3 award.

RECOMMENDATIONS

1. Council agrees to amend the capital programme and revenue budget to include HUG2 funding in line with the table set out in **2.2** (2023-24: Capital £5,600,000 and Revenue £560,000 / 2024-25: Capital £8,400,000 and Revenue £840,000)

2. Council agrees to accept the additional LAD3 funding and to increase the existing capital project and the associated revenue budget as outlined in **2.8** (2023-24: Capital £1,000,000 and Revenue £100,000)

REASONS FOR RECOMMENDATIONS

To update the relevant capital and revenue budgets to enable delivery to commence on HUG2 and continue on LAD3.

OTHER OPTIONS CONSIDERED

Not to accept the funding.

1. BACKGROUND

- 1.1. Sustainable Warmth is the overarching term for energy efficiency improvement grants, commonly referred to as Green Homes Grants, which are delivered by local authorities through funding from the Department for Energy Security and Net Zero (ESNZ).
- 1.2. The current phase which began in April 2022 has seen improvement works undertaken to circa 450 properties on two funding streams – HUG1 for properties without a mains gas connection and LAD3 for properties that are on-gas.
- 1.3. Following a successful bid submission, funding of £15.4 million has been secured for the next phase of Sustainable Warmth delivery, known as Home Upgrade Grant 2 (HUG2), across the three Partnership Councils of East Lindsey, Boston and South Holland via the Midlands Net Zero Hub. This programme will start on 1 June 2023.
- 1.4. The Award Letter details the First Contract Year allocation for 2023-24 which now needs to be added to the relevant capital and revenue budgets to enable delivery to commence.
- 1.5. In addition to this, the success of S&ELCP delivery on the current Sustainable Warmth LAD3 scheme has led to £1.1 million of underspend from other local authorities being secured to provide support to an additional 100 homes across the Partnership area. This is a roll on to the current programme which has been extended until September 2023 to allow delivery to take place.

2. REPORT

HUG2

- 2.1. The HUG2 funding award is for funding across a two-year programme which will run through until 31 March 2025. The funding will be released in batches with 40% delivery in Year One and 60% delivery in Year Two.

- 2.2. The Award Letter has confirmed the grant allocation for Year One and Year Two as set out in Table 1:

Table 1

	2023-24	2024-25	TOTAL
HUG 2			
CAPITAL ALLOCATION	£5,600,000	£8,400,000	£14,000,000
REVENUE ALLOCATION	£560,000	£840,000	£1,400,000
TOTAL	£6,160,000	£9,240,000	£15,400,000

- 2.3. The 2023-24 award is anticipated to support in the region of 311 homes allocated across the S&ELCP area. It should be noted that due to policy changes by ESNZ – funding is now only available to support ‘off-gas’ homes i.e. those without a mains gas grid connection.
- 2.4. The below table sets out the anticipated capital spend and outcomes by District for 2023-24.

Table 2

	ELDC	BBC	SHDC	TOTAL
HUG 2				
CAPITAL 2023/24	£3,200,000	£800,000	£1,600,000	£5,600,000
PROPERTY NUMBERS 23/24	177	43	91	311

- 2.5. ESNZ ringfenced 60% of available funding for HUG2 allocations on Defra’s Rural Urban Local Authority Classification and the weightings of funding awarded relate to the proportion of properties believe to be eligible in each District.

LAD3

- 2.6. The initial Sustainable Warmth allocation for 2022-23 for LAD3 was £2.2 million across Partnership area. In early 2023, ESNZ extended the delivery window to September 2023 to allow for local authorities who had been struggling to complete works by the initial 31 March 2023 deadline.
- 2.7. The S&ELCP LAD3 programme is now almost 70% complete and following discussions with MNZH it has been possible to secure £1.1 million of underspend from other local authorities in the programme to work on an additional 100 properties.
- 2.8. This funding has been confirmed as £1 million of capital spend with a further £100,000 revenue allocation for administration and ancillary costs. The table below sets out the anticipated capital spend and outcomes by District for 2023-24.

Table 3

	ELDC	BBC	SHDC	TOTAL
LAD3 (ADDITIONAL)				
CAPITAL 2023/24	500,000	250,000	250,000	1,000,000
PROPERTY NUMBERS 23/24	50	25	25	100

- 2.9. Given that Government policy has now moved away from support for on-gas properties, this will be an opportunity to help some of the cases on the Council's reserve applications list for grant funding.

3. CONCLUSION

- 3.1 The HUG2 year one funding award and the LAD3 additional funding have both been confirmed since the Council budgets for 2023-24 were set.
- 3.2 Council agreement is therefore sought to add amend the capital programme and revenue budgets in line with the awards.

EXPECTED BENEFITS TO THE PARTNERSHIP

Administering the Sustainable Warmth programme across the three Councils with East Lindsey as the lead accountable body will achieve economies of scale in terms of resourcing requirements and streamline the overall process through smoother financial and administrative processes.

This funding will place the Partnership at the heart of supporting eligible residents to improve the fabric of their properties, support a reduced cost of living and reduce carbon emissions from domestic properties.

IMPLICATIONS

SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP

The key implications arising from this report for the Partnership are that these awards are part of a high profile scheme with significant reputational implications of any failure to deliver. We do however have a proven track record and strong foundations to build the HUG2 programme on.

CORPORATE PRIORITIES

The Sustainable Warmth programme contributes towards the ambitions outlined in the Corporate Plans of all three Councils specifically in terms of tackling fuel poverty, reducing health inequalities, ensuring homes that are fit for the future and reducing carbon emissions.

STAFFING

As outlined in this report, acceptance of the Sustainable Warmth grant funding will require additional resourcing of the current Team. The external funding includes a budget for administration of the scheme which will be used to fund the positions through to the end of March 2025.

CONSTITUTIONAL AND LEGAL IMPLICATIONS

The conditions and eligibility criteria of the Sustainable Warmth programme will be published online and clearly communicated to all enquirers. Once approved, funding for measures will be subject to a signed offer letter setting out the financial and procedural obligations.

No funding is exchanged between the Council and the applicants. Instead, the Council will procure contractors which will invoice the Council directly. Payment will be made following a satisfactory

inspection of the completed works and confirmation that all necessary industry certifications and guarantees have been filed as appropriate. Monthly valuation reports from the contractors will be independently cross-checked against the agreed Schedule of Rates prior to payment certificates being issued. Procurement will be undertaken through a Framework Agreement.

DATA PROTECTION

Data Sharing Agreements will be established between the Council and ESNZ, MNZH and the Contractors with support from the Data Protection Officer to prepare and assess. Sharing of personal data will be done using a secure data sharing platform.

FINANCIAL

Funding for the Sustainable Warmth programme is from external sources and as such does not require any financial contribution from the Council.

As outlined in report, the Sustainable Warmth HUG2 and LAD3 funding will need adding to the Capital Programme for 2023/24.

RISK MANAGEMENT

Risk implications from this report are relatively low. The main risks are reputational rather than financial should delivery of the scheme fail.

A Risk Register and Fraud Risk Assessment for the programme have already been developed and will be reviewed regularly with any concerns addressed and/or escalated as appropriate.

STAKEHOLDER / CONSULTATION / TIMESCALES

The HUG2 funding award and delivery framework has previously been accepted by Executive Board and the Cabinet functions at both Boston Borough Council and South Holland District Council.

REPUTATION

There is a potential reputational risk should the Council fail to deliver the programme by the required deadlines to the scale and quality it demands.

CONTRACTS

The Council will need to enter into a contract with an approved supplier(s) to deliver the works. Procurement is currently underway.

CRIME AND DISORDER

None.

EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

This programme will help to tackle the inequalities associated with fuel poverty through helping the most vulnerable in our communities to make improvements to properties that would not be possible without significant financial support.

The Sustainable Warmth Team will also consider any safeguarding concerns that may arise from communication with owner occupiers, tenants and landlords and will refer through to relevant partner agencies where appropriate.

HEALTH AND WELLBEING

The improved insulation of properties has the potential to reduce health inequalities as a result of people living in cold, damp and hard to heat properties.

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

The Sustainable Warmth programme will have a positive impact on the carbon footprint of properties across our three districts, helping to reduce the carbon emissions of domestic properties through improving the insulation of buildings and through moving away from a reliance on fossil fuel heating towards more renewable technologies.

LINKS TO 12 MISSIONS IN THE LEVELLING UP WHITE PAPER

MISSIONS	
This paper contributes to the follow Missions outlined in the Government’s Levelling Up White paper.	
Skills	As part of the Social Value side of the contractor award, upskilling of young people through apprenticeships and on-the-job training alongside careers talks at local schools and colleges will be part of the credits agreed as part of the programme.
Health	Reducing the number of people living in cold, damp homes through improving the energy efficiency of their properties will help to reduce the likelihood of related health conditions
Wellbeing	Living in cold, damp conditions coupled with concerns about fuel poverty and increased costs of living are shown to have wider impacts on both mental and physical wellbeing. This scheme will help to improve living conditions for residents which in turn should lead to healthier, warmer properties, helping to lift people out of fuel poverty.
Housing	The scheme will provide opportunities for landlords to receive up to two-thirds of the cost of improvements to their properties. This will help prepare them for future policy changes to Minimum Energy Efficiency Standards, providing a better quality of accommodation for their tenants.

ACRONYMS

ESNZ – Department for Energy Security and Net Zero

MNZH – Midlands Net Zero Hub

HUG2 – Home Upgrade Grant 2

LAD3 – Local Authority Delivery 3

S&ELCP – South and East Lincolnshire Councils Partnership

APPENDICES

None

BACKGROUND PAPERS

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

CHRONOLOGICAL HISTORY OF THIS REPORT

None

REPORT APPROVAL	
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Report author:	Sarah Baker, Group Manager - Climate Change and Environment
Signed off by:	Christian Allen
Approved for publication:	Councillor Graham Marsh

FINANCE PROFORMA

PROFORMA FOR APPROVAL OF THE RELEASE OF RESOURCES

(CAPITAL AND REVENUE BUDGETS)

FROM:

THIS PROFORMA PROVIDES THE FINANCIAL IMPLICATIONS
IN RESPECT OF THE ATTACHED

REPORT:

REPORT DATE:

OPTION 1	£ Year 1 2020/21	£ Year 2 2021/22	£ Year 3 2022/23	£ Year 4 2023/24	£ Year 5 2024/25
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Revenue

Total Revenue Cost

Funding required:

Total capital cost £

Revenue cost £

Considered by:

Enter committee here

Enter Council or
Cabinet/Executive here

Date:

Financial Services Comments

Risk

Procurement

Value for Money Efficiency

This FP is valid for 3 months from FP date	If this FP is no longer required please advise Finance	If there are changes to the original report it may invalidate this document, it must be reviewed by Finance.