



Environment and Sustainable Communities Committee

25 October 2024

Title:	GSEnz Hub - Warm Homes: Local Grant Scheme
Report of:	Maxine Narburgh
Lead Member:	Cllr Bridget Smith
Public Report:	Yes
Key Decision:	Yes KD2024/055
Voting Arrangements:	A simple majority of voting Members

Recommendations:

A	<p>I) For the Environment and Sustainable Communities Committee (ESC) to note the national issues with delivery of previous retrofit schemes that the GSEnz Hub have delivered, the reputational and financial risk to the CPCA and the GSEnz Hub.</p> <p>II) For the ESC to agree to the GSEnz Hub undertaking a prompt engagement exercise with the Hub Board and consortia members alongside a risk assessment to inform a final decision whether to submit an expression of interest as the Contracting Authority and Accountable Body for the new Government's Warm Homes: Local Grant.</p>
B	The ESC is asked to recommend to the CA Board to delegate authority to the Executive Director of Place and Connectivity to work with the Chair of ESC to evaluate the engagement evidence and outcome of the risk assessment and to conclude whether to submit an Expression of Interest as the application timeline requires decision between committee dates
C	The ESC is asked to recommend to the CA Board that the 'GSEnz Hub is approved to apply on behalf of local authorities in the GSEnz Hub consortia to deliver the Warm Homes: Local Grant scheme'. On the condition that the outcome from recommendations A & B concludes this is the appropriate decision and to report this decision back to the CA Board.

Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

	Achieving ambitious skills and employment opportunities
	Achieving good growth
	Increased connectivity
x	Enabling resilient communities
	Achieving best value and high performance

The GSEnzH provides technical assistance and grant administration to support decarbonisation and net zero. Objective 5, Place & Connectivity Business Plan is to deliver the Local Net Zero programmes of work to:

- a) achieve good growth, b) build ambitious skills and employment opportunities and c) build resilient communities

1. Purpose

1.1	<p>The purpose of this paper is to outline a proposed approach to determine whether the GSEnz Hub through CPCA should act as Contracting Authority and Accountable Body for a consortium of local authorities in the GSE region. The GSEnz Hub has delivered previous schemes on behalf of local authorities that do not have the capacity of capability to directly deliver (Sustainable Warmth, HUG2). The GSEnz Hub has experienced significant challenges in the delivery of previous schemes, with reputational and financial risk.</p>
1.2	<p>This paper asks for the Environment and Sustainable Communities Committee to agree to the GSEnz Hub undertaking a prompt engagement exercise with the Hub Board and consortia members and a risk assessment before a final decision is made to submit an expression of interest as the Contracting Authority and Accountable Body for the Warm Homes: Local Grant. The engagement will ascertain what the impact would have on local authorities seeking to form a consortium with the GSEnz Hub against the risks to the GSEnz Hub and CPCA.</p> <p>The Executive Director of Place & Connectivity will work with the Chair of ESC to consider the feedback from the engagement alongside the risk assessment to conclude the appropriate course of action.</p>
1.3	<p>If the outcome of the engagement exercise concludes that the GSEnz Hub should submit an expression of interest on behalf of the consortia members, for the ESC to recommend to the CA Board that the GSEnz Hub is approved to bid into the Warm Homes: Local Grant fund on behalf of local authorities that have expressed an interest to join a GSEnz Hub consortia.</p>

2. Proposal

2.1	<p>A – Need, Demand & Risk Assessment</p> <p>This paper asks for the Environment and Sustainable Communities Committee to:</p> <ol style="list-style-type: none">i. consider the issues and risks to the GSEnz Hub and CPCA in the delivery of funded retrofit schemes on behalf of local authorities in the GSE region in the context of a new funding opportunity, Warm Homes: Local Grant.ii. Agree to the GSEnz Hub engaging with local authorities to determine if they could bid individually or as consortia into the Warm Homes: Local Grant and the Hub Board before a decision is made to submit an expression of interest as consortia lead.iii. Agree to the GSEnz Hub Board providing comments for consideration.iv. Agree to the GSEnz Hub/CPCA undertaking a detailed risk assessment.
2.2	<p>C – Applying for funding</p> <p>As the decision to apply for funding requires decision between committee dates, the ESC is asked to recommend to the CA Board that the 'GSEnz Hub is approved to apply on behalf of local authorities in the GSEnz Hub consortia to deliver the Warm Homes: Local Grant scheme'. If the following conditions are met:</p> <p>The Director of Place & Connectivity working with the Chair of ESC, listens to the engagement and reviews this evidence alongside the risk assessment to conclude the most appropriate way forward.</p>
2.3	<p>CPCA objectives: Delivery of the Warm Homes: Local Grant scheme will contribute to the Climate and Nature ambition (reducing carbon emissions) and to Reducing Inequalities (percentage of households living in fuel poverty). Retrofit is a key aspect of the Climate Action plan.</p> <p>GSEnz Hub objectives: The Hub is funded by DESNZ and is part of the capacity and capability support that the Department provides to local authorities to help local areas decarbonise. A key role is to support the delivery of government-funded local net zero programmes; Warm Homes: Local Grant is one such programme and follows work on other schemes such as HUG2 and Sustainable Warmth.</p>

3. Background

3.1	<p>The Warm Homes: Local Grant (WHLG) scheme is the latest domestic energy efficiency scheme to launch and will follow on from the last Government's HUG2, which closes in March 2025. The WHLG Scheme's primary outcome is to achieve energy bill savings, and the secondary outcome is carbon savings.</p> <p>The scheme will start in April 2025, and all Local Authorities who request funding and show evidence they will be able to deliver the scheme will have a funding allocation award. Key features of the scheme are that it will be open to properties:</p> <ul style="list-style-type: none">• On and off gas (HUG2 was off gas only)• In areas rated as 1 –2 using the Index of Multiple Deprivation• Or in any area where the resident is eligible based on income / benefit tests• and the current property EPC rating is D to G <p>Additional notable features of the scheme are that landlords may receive 100% funding for their first property, with additional properties receiving up to 50% contribution. Homes previously improved in earlier schemes may now also be eligible, and there are likely to be no limits on numbers of Park Homes to be improved. The cost cap on measures are £15k per home for energy performance upgrades and £15k per home for low carbon heating (maximum total £30k).</p> <p>Much of the detail of the scheme is still to be provided, including whether it is a 3 or 5 year scheme and whether each year will be accounted for individually, which makes a significant difference in the planning and delivery of improvements.</p> <p>No previous decisions have been taken with the CA Board on progressing with the new scheme which was announced on 23 September, but there is considerable expectation from our current HUG2 Local Authorities that the Hub will continue to support and deliver in a comparable way.</p>
3.2	<p>The GSEnz Hub has delivered four schemes:</p> <ul style="list-style-type: none">• Local Authority Delivery Phase 2 (LAD2),• Sustainable Warmth (LAD3/HUG1)• Home Upgrade Grant Phase 2 (HUG2) on behalf of and with local authorities. <p>Through CPCA, the Hub enters into the Memorandum of Understanding with DESNZ, procures and contracts suppliers to deliver the scheme and takes on all delivery, financial and reputational risk.</p> <p>The latest scheme HUG2 has significantly underperformed nationally and has been difficult and costly to deliver. Whilst DESNZ consider that the Warm Homes scheme has taken lessons from past schemes and is improved, there remain critical barriers that will hamper delivery in the GSE region, including, measure cost caps, value for money thresholds (preventing higher cost measures), income eligibility and the batch process.</p> <p>The impact of the policy barriers and scheme design is likely to result in:</p> <ol style="list-style-type: none">Only lower cost energy efficiency measures being eligible, measures such as external wall insulation will not meet the value for money threshold on the majority of properties. This will result in high administrative and fixed costs to service low-cost measures which could impact our ability to deliver the scheme within the administrative 15% of total costs overhead.High levels of attrition as the batch process will be used, this means that the customer journey is extended, if properties cannot be delivered within the cost cap, properties will be on a wait list pending sufficient head room to be delivered (assuming the cost of the measure is below the value for money threshold). Customers who are not able to get the higher cost wall insulation often withdraw from the scheme as they are not prepared to have invasive ventilation measures for low-cost measure such as a loft insulation top up.If insulation measures cannot be undertaken then clean heat measures such as heat pumps cannot be installed as this is likely to increase household fuel bills; heat pumps should only be installed when bill savings can be demonstrated. If clean heat cannot be installed and the measure cost is low, the sunk and fixed costs for the property are likely to be higher than the 15% administrative overhead allowance.The income eligibility threshold is £36K; from previous schemes we have identified that the threshold in many of our consortia areas needs to be in the region of £40K+; other calculations

	<p>can be used to determine income after housing costs but the supply chain are not utilising this as it is deemed complicated and time consuming. Hard to find eligible households increases the cost of referrals and results in high abortive costs for the supply chain.</p> <p>v) The batch process and selecting viable properties for submission to DESNZ is complex and supply chain/grant recipients are employing staff at a higher salary than administrative staff that support ECO4 project submission. We have not undertaken procurements where this cost and complexity is known by the supply chain, it is likely that supply chain costs will increase which may impact on the viability of the scheme delivery and value for money.</p> <p>The GSEnz Hub continuously seeks to improve delivery, undertakes lessons learned internally and with delivery partners, but we are restricted in what we can achieve by the Government policy, the delivery model and the housing stock and demographics of the region. It is anticipated that some of these issues will continue into the Warm Homes scheme.</p>
3.3	<p>The GSEnz Hub HUG2 consortia comprises 46 local authorities from across the GSE region. This includes all local authorities in the counties of Kent, Essex, Hertfordshire, Berkshire, Buckinghamshire and Northamptonshire and individual councils Oxford city, Bedford, Milton Keynes, Hart, Havering & Sutton.</p>
3.4	<p>The GSEnz Hub Regional Director working with the Executive Director of Place and Connectivity have led the production of the proposal, taking into account feedback from key stakeholders.</p> <p>The Energy Efficiency Team have engaged in future delivery models for retrofit schemes and CPCA procurement have been engaged in the development of the procurement strategy for post 2025 programmes.</p> <p>If the CA Board agrees to the Hub delivering the scheme, staff are in post within the Hub to mobilise and deliver. The Hub also fully funds staff from CPCA core finance (2), legal (1) and procurement (1) teams. The scale of team and roles required will be dependent on the level of funding allocated and most appropriate delivery model.</p>
3.5	<p>Not progressing a consortium approach with Local Authorities to deliver this scheme is an option, however, there is demand from local authorities for supported delivery and many would not be in a position to deliver the scheme otherwise.</p> <p>If the Hub does not bid, local authorities seeking to be in the consortia would need to submit individual bids or form consortia. There may be reputational damage for CPCA and GSEnz Hub resulting from local authorities who are not able to do this missing out on funding to support low-income households with energy efficiency measures in their area.</p> <p>At this stage we are seeking more information on the interest the Authorities have and the level of commitment and resource they have available to inform the delivery model and ensure the success in delivering any resulting bid.</p>

4. Appendices

4.1	N/A
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5. Implications

Financial Implications

5.1	<p>The Warm Homes: Local Grant is fully funded and the cost of all support is entirely chargeable to the grants and thus will not increase the Combined Authority net staffing costs.</p> <p>Whilst the grant will be fully funded it has been indicated (but not confirmed) that there will be, as in past schemes, mobilisation funding made available in or around February 2025, once a MoU has been signed.</p> <p>As the scheme is due to commence in April 2025 there is some development work needed to be undertaken prior to the commencement date. If no mobilisation funding is made available, there is a risk of expenditure being incurred this financial year that is not grant funded.</p>
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Legal Implications	
5.2	It is expected that the Warm Homes: Local Grant will be awarded through a Memorandum of Understanding (MOU) and Non-Disclosure Agreement (value for money thresholds). At the time of writing this report the terms and conditions of the MoU have not been published. If the bid is successful, the MoU will be reviewed by the Authority's legal team for approval.
Public Health Implications	
5.3	The report recommendations will have a positive impact on public health by improving the energy efficiency and heating systems in low-income homes, thereby improving health outcomes through better living conditions, reducing fuel poverty and improved thermal comfort.
Environmental & Climate Change Implications	
5.4	The report recommendations will have a positive impact on climate change through the delivery of energy efficiency measures and low carbon heating that will reduce carbon emissions.
Other Significant Implications	
5.5	<p>While the Grant is fully funded there are always potential risks to delivering programmes such as WHLG. These can be financial (as the sponsoring body is the employer and the MoU signatory), for example while the intention is that the WHLG is fully funded, the precise operation and funding rules applied to a scheme can still create risks of overspend.</p> <p>There are inherent reputation risks as the GSEnz Hub is often one of the largest Grant Recipients for such schemes, and so any challenges to achieving performance targets are important for DESNZ, and for our Local Authorities whose delivery for residents is associated with key corporate aims such as carbon reduction and cost of living support.</p> <p>Active risk management, reporting and assessment is key and risk associated with WHLG are already being considered and will be updated as more information on the scheme and a potential consortium bid becomes clear.</p>
Background Papers	
5.6	N/A