

Domestic energy efficiency and low carbon heating – Concept Paper

Investment Panel Target Date			19 September 2024
Draft to Investment Panel due to PMO			9 September 2024
Version	Approval required by	Date Sent	Comments
Draft v0.2	Adrian Cannard	23/8/2024	Comments received and follow-up meeting on 30/8/2024. Final comments made by Jo Dicks
Draft v0.3	Judith Barker	2/9/2024	2/9/2024 - Comments received and sent to project team
Draft V0.4	Jo Dicks	5/9/24	5/9/24 comments edits received Jo Dicks / Steph Salmon
Final draft v0.5	Judith Barker	6/9/2024	Awaiting legal feedback from PCC on contractual arrangements in their consortium. 10/9/2024 Judith approved to send to PMO.
Final Concept Paper sent to PMO v1.0	PMO	10/9/2024	



Domestic energy efficiency and low carbon heating Concept Paper

Submission Date	10 September 2024
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Exec Director Signoff?	Judith Barker, 10 September 2024

Key Project Information

Project/Programme Name	Domestic energy efficiency and low carbon heating		
Submitting organisation	Cambridge City Council (on behalf of Cambridgeshire County Council, Peterborough City Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council, South Cambridgeshire District Council)		
CPCA Directorate	Place and Connectivity		
CPCA Service	Climate		
Primary Strategic Objective	Enabling resilient communities by retrofitting homes.		
Accountable Owner	Adrian Cannard, CPCA Jo Dicks, Cambridge City Council		
Delivery Responsibility	Applicant: Cambridge City Council (on behalf of Cambridgeshire County Council, Peterborough City Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council, South Cambridgeshire District Council)		
Location of Project	Cambridge City, Peterborough City, East Cambridgeshire, Fenland, Huntingdonshire, South Cambridgeshire		
Funding type	CPCA funded	Included in the MTFP?	Yes - This funding will be from the Climate Programme budget approved in the MTFP at CA Board 2024

Brief Description Project/programme purpose: (single line only)

Enable the installation of energy efficiency measures and low carbon heating in domestic properties for low-income households by ensuring a continuity of retrofit delivery in-between Government funded schemes. This concept is for a delivery window of 6 months, between 1st January 2025 – 30th June 2025.

Detailed Description of the project/programme purpose: (be as full and descriptive as you can)

The grant will facilitate the installation of energy efficiency measures and low carbon heating in domestic properties. This is targeted for low-income households in the worst performing energy inefficient homes. The outcomes are climate change benefits and also helping households in fuel poverty.

The funding from CPCA would allow a continuation of retrofit delivery for homes which may have missed out on Government grant funding deadlines and would otherwise be eligible; would highlight a commitment to the supply chain that retrofit and decarbonisation is a high priority as well as ensuring delivery relationships can continue within the areas.

Government funding, via the Home Upgrade Grant Scheme 2 (HUG2) ends this financial year in March 2025. As part of the funding conditions, contractors are required to process all applications for the Government's Home Upgrade Grant 2 by 31st December 2024 and not accept additional homes after that date. With no replacement scheme announced this will create the situation that contractors are forced to divert existing established delivery capacity to other activity as a minimum for an undefined period. Even if a new scheme is announced there will still be a gap from December to start of new scheme.

In the Cambridgeshire and Peterborough areas, there are strong relationships have been built with contractors. This is managed by two mechanisms: for Peterborough, this is through a consortium of unitary and two tier councils across the country; and for Cambridgeshire this is through a partnership structure led by Cambridge City Council, under the brand name 'Action on Energy.' None of the local HUG funding is directed through the CPCA. These local delivery mechanisms are both historically separate from the Greater South East Net Zero Hub (GSENSH) who deliver HUG2 funding outside of the CPCA area, despite CPCA being the accountable body and host for GSENSH.

The C&P area has built a strong supply chain with a framework contract of trusted suppliers who have the appropriate training and expertise to carry out high quality installations. The Action on Energy framework took 2 years to procure and a further 18 months of consistently managing relationships within the supply chain to become an effective retrofit delivery mechanism. It would cause significant damage to these established relationships to not continue this working relationship, meaning it would be difficult to engage them in future rounds of Government funding at the beginning of new projects, leading to fewer than necessary upgraded homes overall. By not acting, this would instead have the detrimental effect of highlighting support to the "boom and bust" culture of a recovering retrofit supply chain that have also felt the effects of funding withdrawals in previous years. This fund would demonstrate both reputational benefits and provide confidence in the sector that the area is committed to continue to retrofit homes and its impact.

There are homes that are retrofit ready (already have an assessment completed) that will be in the pipeline but, due to the complexities of the HUG2 regime, will result in not all the applications being submitted by the 31 December deadline; or the scheme being over-subscribed given the number of properties in the area which require upgrading. This will mean there will be a funding gap and potential non-delivery of retrofit works, for an undefined period until any new iterations of Government grant funding are released, with the earliest, non-confirmed, possibility of release being 1st April 2025. With past experience of expected project setup times, there would be an extended delay to installation start dates.

The CPCA grant would put in place a follow-on scheme for retrofit from January 2025 for six months, that uses the same approach and broad criteria as HUG2 but also enabling whole house retrofit. Existing

capacity/expertise is available and would be retained to manage the programme. The contractor framework also enables this as it already extends for another 2 years.

Measures to be funded may include the installation of cavity and solid wall insulation, loft insulation, underfloor insulation, hot water cylinders, draughtproofing, double glazing, thermostats, smart heating controls, solar panels, heat pumps, biomass boilers, high retention storage heaters and wet central heating systems.

Eligibility for the 100% funding would follow the same criteria used for HUG2 funding which include those properties which have an Energy Performance Certificate (EPC) rating D-G and do not use gas as their main heating source. Households must be of low income, defined as those earning less than £36,000 or an equivalent indicator of low income as defined in the existing HUG2 guidelines.

CPCA funding would enable homes to be upgraded, increasing decarbonisation, enabling those in fuel poverty to heat their homes, and demonstrating to the local supply chain the established commitment to home retrofit. It is anticipated that funding will facilitate the decarbonisation of c.60 homes. These homes will undergo a whole house retrofit rather than individual insulation measures, providing a holistic and strategic approach to carbon reduction for a more resilient home. Further details will be provided in the business case.

This concept is for £950k to provide a solution to the ending of the HUG2 scheme and its impacts on supply chain. It will allow the retrofit of eligible homes that have missed out on the Government grant. It is anticipated the funding will assist circa. 60 homes with a whole house retrofit solution, averaging approximately £16K per home. This is in line with current delivery and expectation of the HUG 2 scheme.

It is anticipated that future iterations of government funded domestic retrofit schemes will be operational in Cambridgeshire and Peterborough. The new Government have yet to announced their new funding programme and it is unlikely that it would be in time to commence from April (and even that creates a problem as set out above).

Timelines

<i>Proposed Start Date</i>		<i>Expected Duration of Project</i>	<i>Details of factors driving start and duration (why proposed start and end date have been chosen)</i>
Proposed 100% CPCA funding from January 2025	1st January 2025		Given the uncertainty of the next government funding release we would be looking for a completion date of 30 th June 2025 – making this a 6-month project. If the Government funding is announced to start earlier than this, the projects will run concurrently ensuring that marketing and engagement for the new government scheme can commence to enable the supply chain to build their pipeline of work in preparation for the new project. This will further strengthen our commitment to showing the supply chain our support for creating a consistent approach to home retrofit.

Impact of not proceeding

Briefly describe the impact of not proceeding with this project

Should the funding not be awarded, this would negatively impact the ability to continue to deliver decarbonisation and support for those in fuel poverty, and non-delivery of the Climate Action Plan objective to target government decarbonisation scheme, private funding, and other competitions to support retrofits (focusing on low income/vulnerable homes and public buildings). The current delivery arrangements, that have been built up effectively over a 3 ½ year period, would be danger of being lost. Not continuing to deliver retrofit would result in a missed opportunity for the CPCA to deliver upon its strategic objective to enable resilient communities by retrofitting homes.

One contractor was asked about the consequences of a funding hiatus and had the following comments on the prospect of the CPCA offering a sign of commitment for retrofitting homes for the future:

We are dedicated to supporting local employment and sourcing materials from local suppliers. We have built a solid reputation and trust within the community, and we are committed to maintaining this momentum. Our workforce is comprised of local residents, and we take pride in our contributions to the regional economy.

We believe that the support and commitment [from CPCA] would not only benefit our company but also reinforce the community's resilience during this transitional period. It would demonstrate a shared commitment to local businesses and the well-being of our residents."

With the increasing complexity of delivering compliant retrofit and the associated administrative burden, a significant amount of Local Authority Officer time has been invested into supporting contractors and building their knowledge and ability – it would have a negative impact on all teams if there was to be a funding gap, with any new Government funded projects likely having to rebuild relationships and skills, which experience in the current project shows us takes a significant amount of time and resource, rather than continuing delivery and partnership working at scale and pace.

Financials (Estimates)

Current Estimate for Total Cost of project/ programme	Funding structure and CPCA Contribution	Estimated cost for creation of business case
<i>What is the total estimated cost for this project including any design work</i> £950k	<i>What is the funding structure for the total project budget and how much in the CPCA contribution to this – <u>what is the impact of CPCA not contributing?</u></i> CPCA £950k	<i>What is the total estimated cost for design work and creation of business case</i> There would be no cost to the CPCA of creating the Business Case.

Cap ex?	£950k	Rev Ex	No	Combination of Rev & Cap Ex?	No
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Assumptions or risks that could increase or decrease the total cost

The costs could increase due to any fluctuation in material or labour costs. This could be managed at the project level by adjusting the output, resulting in fewer homes being retrofitted. However, this is a low risk because the current contractors are on the framework and have established relationships and costs for measures within the existing programme of works. No revenue cost will be taken as this scheme will be run using the existing team structures delivering the current retrofit schemes.

Benefits (Benefits must be measurable)

Type	Description	Assumptions or risks that could increase or decrease the total benefits
Financial benefits	Reducing energy bills for low-income households through improvement of energy saving. Each property will be required to see an improvement in Standard	The homes that have retrofit measures manage their systems in the same way as previously, so not to incur additional costs.

	<p>Assessment Procedure score leading to an improved Energy Performance rating and resulting Energy Performance Certificate. Where possible, an increase in 2 EPC bands will be sought, i.e. pre installation EPC rating 'E', post installation EPC rating 'C.' It is recognised this is not possible in all cases, however, an improvement in SAP score will be achieved in all cases.</p> <p>Maintaining the supply chain and support local businesses growth</p>	<p>The contractors and material are available to install the measures required</p>
<p>Non-financial benefits</p>	<p><i>The following benefits are financial, but do not financially impact the CPCA:</i></p> <p>The following benefits are non-financial:</p> <p>Maintaining a strong retrofit supply chain within the area.</p> <p>Improving energy efficiency of homes (improved EPC rating), enabling fuel poor households to heat their homes, creating healthy environments to live in.</p> <p>Reduction in fossil fuel energy use, resulting in carbon reduction across the region.</p> <p>Maintaining delivery momentum of retrofit to aid acceleration of retrofit at scale and pace.</p>	<p>NA</p>

Risk, Assumptions, Issues and Dependencies (RAID)

Known Risks

The period for spend is potentially short therefore any delays arising during the business case approval and/or grant agreement process will impact the potential to provide a consistent delivery between Government schemes. Should the business case be approved later than the Investment Committee in October, it is likely that the spend will be delayed leading to a break in continuity of delivery between schemes. The initial view is that 60 home upgrades would be deliverable if that timetable is achieved.

	<p>There is limited risk of overspend as the draw down process will be managed by an experienced team, and funding be awarded up to the total grant value.</p> <p>There is a risk of underspend depending on the timing of CPCA funding award process however delivery partners have indicated that they would be able to spend the additional funding given the large numbers of home retrofit that is required across the area and the willingness of the supply chain to continue delivery.</p> <p>There is a risk that PCC contractual arrangements with AgilityEco, the project managing agent for the Warmer Homes Consortium to deliver this funding, will require a legal agreement in place and advice is being sought.</p>					
Known Assumptions	<p>There are sufficient low-income households which meet the criteria and need support that require the CPCA funding because the government grants are not in place to provide a consistent approach to retrofit delivery</p> <p>The existing Retrofit Officers at the local authority will manage the project.</p>					
Known Issues	<p>A process for funding to be drawn down by both delivery partners will need to be determined for inclusion in the business case.</p>					
Known External Dependencies	<p>There is sufficient contractor capacity and equipment to ensure retrofit delivery can continue.</p>					
Known internal Dependencies (tick which shared service is required)	<i>Comms</i>	<i>Procurement</i>	<i>Legal</i>	<i>Finance</i>	<i>HR</i>	<i>Policy&Insight</i>
			x	x		x