

Meeting date: 20th May 2021
Report to: Cabinet Member Climate Change,
Planning and Housing



Subject/report title: Green Homes Local Authority Delivery Scheme
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Wards affected:

All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
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 Lyndon | Meriden | Olton | Shirley East | Shirley South |
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Public/private report: Public

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1. Purpose of Report

1.1 To inform and agree Solihull Metropolitan Borough Council's participation in the Green Homes Local Authority Delivery Scheme during 2021 to improve energy efficiency across social housing, private rented sector and owner occupier tenures.

2. Decision(s) recommended

2.1 To note the agreement that Solihull Metropolitan Borough Council has entered into with the Midlands Energy Hub, formally expressing its interest to participate in the Green Homes Local Authority Delivery Scheme.

2.2 To approve the submission of the Council's delivery plan to the Midland Energy Hub by 24th May 2021, based on the principles and approach set out in this report. This will confirm the Council's participation in the Scheme.

2.3 To approve the prioritisation of the Council's housing stock, which is managed by Solihull Community Housing, for investment through the Scheme. This is subject to subsequent property and household eligibility.

2.4 That the Council uses the experience, evidence and learning from the Green Homes Local Authority Delivery Scheme to inform its future retrofit ambitions and delivery models for the Borough. This would include consideration for the development of

local skills, apprenticeships, business investment and in-house options within a report to Cabinet at a later date in 2021.

3. Matters for Consideration

- 3.1 The Green Homes Local Authority Delivery Scheme, also referred to as “LADS2” aims to raise the energy efficiency of low-income and low Energy Performance Certificate (EPC) rated homes, delivering progress towards reducing fuel poverty, the phasing out of high carbon fossil fuel heating and the UK's commitment to net zero by 2050.
- 3.2 The Government has made funding available to all local authorities to deliver LADS2 until December 2021, though there are no obligations on local authorities to participate in it. Funding allocations have been calculated to reflect the number and proportion of EPC Band E, F & G properties within each local authority. Solihull's allocation is £875,000, with an additional 9% allocation to support the management and administration costs of the scheme.
- 3.3 LADS2 can be delivered to all tenures, including owner occupiers, private rented sector and social housing, such as property managed by Solihull Community Housing. There are potentially up to 2,688 properties, for example, which are managed by SCH and may be eligible for investment through LADS2.
- 3.4 In total there are estimated to be as many as 40,000 homes in Solihull, which are predicted to be eligible for support through LADS2, based on their energy rating and household income. Details of this are set out in Appendix 3, including geographic distributions and property types that are most likely to be in scope for investment through LADS2.
- 3.5 Eligible measures include energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve the EPC rating. This includes wall, loft and underfloor insulation, as well as low carbon technologies and solar photovoltaics. This is with the exception of fossil fuel heating systems. A list of potential measures, with estimated costs and considerations are included in Appendix 2.
- 3.6 Funding must be targeted at low-income households likely to be in fuel poverty. Generally, this is households with a gross annual income of less than £30,000, when considering housing costs and the inclusion of benefits. Local authorities are given some license to determine a local definition of a low-income household and can consider whether properties are situated in areas of high deprivation or the costs of local housing compared to national averages, for instance.
- 3.7 Landlords will be required to make a financial contribution of one third of the total cost of the measures provided through the scheme to their property. Across the whole of the Solihull scheme the maximum subsidy provided to landlords should not average more than £5,000. This is with an accompanying £2,500 contribution from landlords for works delivered at properties that they own.
- 3.8 The Council has expressed its intention to participate in LADS2 and has entered into an agreement with the Midlands Energy Hub, for these purposes. In order to confirm participation and access capital funding, the Council is required to submit a delivery

profile and plan to the Midland Energy Hub by 24th May 2021. This delivery profile needs to set out the following:

- 3.8.1 How the Council intends to meet the strategic aims and outcomes of the scheme, and comply with the eligibility requirements;
 - 3.8.2 Specific delivery details, including partners and selected measures;
 - 3.8.3 Proposed targets across the selected measures, households and tenures
 - 3.8.4 Identified costs, risks and fraud prevention measures.
- 3.9 Due to the level of detail required, and the breadth and depth of planning work that is needed to complete the delivery profile, it has not been possible to include it in this report for approval. Therefore, delegated authority is recommended to officers, in conjunction with the Cabinet Member for Climate Change, Planning & Housing to submit the completed delivery profile and proposal before the 24th May 2021 deadline. A high level delivery plan is set out in Appendix 1.
- 3.10 The delivery of LADS2 also provides a great opportunity for the Council to develop its longer term plans and strategies to promote and improve energy efficiency and reduce carbon emissions across the Borough's housing stock. Whilst there are elements of the scheme that are very challenging, particularly within the current market, there are a number of potential benefits and learning points that will prove beneficial in the long-term. This particularly includes developing local capacity and capability to maximise future schemes, which the government is expected to formally announce later this year.
- 3.11 Some of the specific learning points, intelligence and benefits that the Council will gain through the delivery of LADS2 include:
- 3.11.1 Promotion of greater public, householder and landlord awareness of and engagement with measures and technologies that can improve home energy efficiency. This might be particularly helpful in nudging households and landlords to new and different heating systems, such as air based heat pumps, for instance.
 - 3.11.2 Learning and insight about public and landlord views and attitudes towards climate change, greener and more energy efficient homes. This information can be used to inform future marketing, communication and engagement strategies.
 - 3.11.3 Learning and insight about the market capacity to supply and provide green technologies and energy efficiency measures in the housing market. This information can be used to identify labour and skills gaps to improve local employment and skills or economic growth plans. It might also inform a business case for the Council to consider developing its own capacity and capability to deliver green technologies and energy efficiency measures in the housing market.
 - 3.11.4 A better knowledge and understanding of the Borough's housing stock, through data, surveys and analysis. This is likely to include increasing the number of properties with current EPCs, for instance and inform the Council's response to future delivery programmes.

3.11.5 Through the expression of interest process, households can be identified that are ready for energy efficiency measures and considered for future delivery schemes and programmes. This might be because they couldn't be included in LADS2 or to benefit from further work to their homes.

3.11.6 Options and opportunities to integrate retrofit programmes and projects into other pathways, services and activity concerning low income and potentially vulnerable households.

4. What options have been considered and what is the evidence telling us about them?

4.1 Whilst the Council has entered into an agreement with the Midlands Energy Hub to deliver LADS2, it is under no obligation to join the scheme. The implication of not joining it would be the redirection of funding from Solihull to other participating local authorities in the West Midlands.

4.2 The extent to which the Council maximises its funding allocation is dependent on the demand from households for measures offered through the scheme, along with the supply and costs of contractors available to install those measures. Evidence suggests that both of these areas will be challenging, not just in Solihull, but across all local authorities.

4.3 From a demand perspective there are two particular considerations. Firstly, many households, which might be eligible for support through the scheme, might not yet be ready to engage with green technologies such as solar photovoltaics or heat pumps. This is due to a lack of knowledge and trust in these new technologies, and may limit the range of measures that the Council can consider for inclusion.

4.4 The second demand consideration is the financial contribution that landlords are required to make and the average financial contribution they will receive through the scheme. Landlords will be required to make a financial contribution of one third of the total cost of the measures provided through the scheme to their property. This is up to a maximum value of £2,500 and an average maximum subsidy across the whole scheme of £5,000. These are costs that landlords may not wish to or be unable to pay at this time, particularly as a result of the adverse financial consequences of the COVID pandemic.

4.5 There are also two supply considerations, which are likely to have an impact on the scheme. Firstly, there is the availability of contractors that are eligible for inclusion in as delivery partners and who have capacity to deliver the measures. The Green Homes scheme, which the Government ran during 2020-21 has shown the lack of market capacity to meet the demand for retrofit measures. Additionally, there will be a significant number of local authorities entering the market at the same time, competing for the limited market capacity available. This is likely to affect the scope and availability of measures that can be delivered to Solihull households through LADS2.

4.6 In terms of contractor eligibility for inclusion in the scheme, there are several specific stipulations set out by the government that are not currently available or quickly achievable across the industry – particularly amongst small and medium size enterprises. These include the requirement for contractors to be accredited by

Trustmark and able to deliver measures to the PAS 2035:2019 retrofit standard, PAS2030:2019 (insulation) & MCS (renewables and heat pumps). This is a significant issue, which the Midlands Energy Hub and West Midlands Combined Authority have both recognised and which is now informing regional work to develop greater market capacity and the necessary skills to deliver retrofit programmes. The Council may also want to consider how it invests in the skills and delivery options to increase local capacity for future schemes.

- 4.7 The second consideration is the impact of the excess demand compared to supply on prices. One of the implications of this is that costs of some measures, such as external wall insulation (EWI), is increasing and potentially making them unaffordable for inclusion in the Solihull scheme. Current market intelligence is indicating that due to the demand for EWI that prices have increased by 33% in recent months. Whilst there is no maximum limit on the installation costs for individual properties, the Council will be expected to deliver a scheme where the average financial contribution to owner occupiers is no more than £10,000 and the average financial contribution to landlords, per property, is no more than £5,000. The estimated costs of various measures are included in Appendix 1.

5. Reasons for recommending preferred option

- 5.1 The preferred option is to submit a delivery profile that aims to maximise the funding allocated to the Council to deliver LADS2. This will provide scope to revise this down if there are challenges with delivering the expected outputs. Conversely, if delivery exceeds expectations there may be scope to increase Solihull's funding allocation during the year, if funds are redirected from other local authorities.
- 5.2 The Council will be required to provide a monthly update to the Midland Energy Hub on actual delivery compared to delivery profile that is submitted on 24th May 2021. Payments will be made to the Council to reflect delivery and the Council will in turn make payments to contractors. This will minimise the risks of the Council being required to payback funding for any failures to meet planned targets.
- 5.3 There are approximately 40,000 homes in Solihull, which are predicted to be eligible for support through LADS2, based on their energy rating and household income. Details of this are set out in Appendix 3. In the long-term all of these properties will be required to install measures that will improve their energy rating to a Band C or greater. It is therefore a question of how many of these properties and households are ready and willing to receive those measures during LADS2, rather than a later date. This will be dependent on the supply and demand issues set out in paragraphs.
- 5.4 Delivery of retrofit measures across such a significant number of homes will require a sustained and long-term programme of investment. By investing in LADS2 the government is indicating its intentions to provide some of the funding that this will require. The delivery of the scheme during 2021 will help inform the scope and scale of the long-term investment and options the Council can consider to enable all homes to improve their energy efficiency and rating – particularly those with the lowest incomes.

6. Implications and Considerations

6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
<p>Economy:</p> <ol style="list-style-type: none"> 1. Revitalising our towns and local centres. 2. Deliver UK Central (UKC) and maximise the opportunities of HS2 3. Increase the supply, quality and energy efficiency of housing, especially affordable and social housing 	<p>The purpose of LADS2 is to improve the energy rating of properties with an Energy Performance Certificate of Bands D to G. This is specifically for households with an income of less than £30,000 per annum.</p>
<p>Environment:</p> <ol style="list-style-type: none"> 4. Enhance Solihull's natural environment. 5. Improve Solihull's air quality. 6. Reduce Solihull's net carbon emissions. 	<p>By improving the energy efficiency of properties, LADS2 will decrease their carbon footprint, making a contribution to the overall aim to reduce Solihull's net carbon emissions. Additionally, fossil fuel heating systems are excluded from LADS2, with green technologies, which reduce carbon emissions being eligible for inclusion.</p>
<p>People and Communities:</p> <ol style="list-style-type: none"> 7. Take action to improve life chances and health outcomes in our most disadvantaged communities 8. Enable communities to thrive. 9. Sustainable, quality care and support for adults & children with complex needs 	<p>Reducing fuel poverty is one of the main aims of LADS2, through reducing the domestic energy costs of low income households. This can potentially increase the affordable warmth available to households which might be more susceptible to poor health outcomes, particularly during the winter months.</p>

6.2 Consultation and Scrutiny:

- 6.2.1 Senior Council officers and officers of SCH were consulted on the aims, scope and implications of LADS2 through the Strategic Housing Framework Board on 22nd April. Support was given to accept the Midland Energy Hub's invitation for the Council to participate in LADS2.
- 6.2.2 A working group, made up of representatives from Stronger Communities, Public Health, SCH and Act On Energy (the Council's contracted third party energy efficiency partner) has formed to prepare the Council's delivery plan. This is to develop a cross-tenure approach, with considerations for private rented sector landlord engagement, public health outcomes and inequalities, investment in housing stock managed by SCH, as well as emerging ideas and good practice from across the region.

- 6.2.3 Further consultation is planned with landlords through the landlords' network and forum, which is administered by SCH, as well as the Solihull Financial Inclusion Group. This will help inform and create the reach of LADS across the private rented sector and home owners across the Borough.
- 6.2.4 Building on work being initiated by the West Midlands Combined Authority, Midlands Energy Hub and Greater Birmingham and Solihull Local Enterprise Partnership, the Council will also engage and consult with Solihull College, small and medium sized enterprises, as well as other industry representatives to inform and develop its longer term plans and options for delivering retrofit programmes. This will particularly focus on developing local market capacity, skills and employment opportunities, including directly through the Council.
- 6.2.5 The Council has also participated in several workshops and events, which have been hosted by the West Midlands Combined Authority to promote and share ideas and guidance concerning LADS2. This has facilitated discussions across local authorities to identify potential risks, opportunities and collaboration.
- 6.3 Financial implications:
- 6.3.1 A total of £956,500 (£875k plus a 9% administration fee) has been allocated to Solihull Council to deliver eligible measures to eligible households through LADS2. This includes an initial payment of £2,750 to assist local authorities with initial mobilisation and covering costs associated with stock analysis and modelling.
- 6.3.2 From the total allocation, £78,750 can be used to support revenue costs associated with the management, administration and delivery of the scheme. This can include staff costs associated with project management, as well as the costs of marketing and promoting the scheme to households.
- 6.3.3 Due to a lack of in-house capacity to project manage LADS, including elements of stakeholder advice and coordination, the Council will be procuring a third party provider to take-on significant elements of the running of LADS2 on its behalf. This will be done within the available revenue budget provided by MEH and following the Council's procurement policies and procedures.
- 6.3.4 The revenue budget may also be used to procure additional works during the scheme as the need arises. This may include EPC surveys for properties where households have submitted an Expression of Interest but do not have a current EPC to inform their eligibility for inclusion or the appropriate measures for the property to improve its energy efficiency.
- 6.3.5 The capital budget of £875,000 will be used to provide installations and upgrades to properties that qualify for funding through the scheme. The Council will need to procure a range of contractors to deliver these measures, as well as retrofit coordinators, which are an essential part of the LADS2 process. This work will be undertaken as the delivery profile is developed and measures are identified through the receipt of Expressions of Interest from private rented sector and owner occupier properties. The procurement of contractors to undertake work on behalf of the Council will be done through its procurement policies and procedures and engagement with existing and relevant frameworks. Work is currently being

progressed through the Council's contractors for Mechanical & Electrical Works and Building Repairs, Maintenance & Construction, as well as SCH contractors to advise and confirm what may be possible.

- 6.3.6 A significant portion of the capital budget will be allocated to SCH to undertake external wall insulation and storage heater upgrades. This will be delivered by their existing contractors. Further work is needed to determine how many properties are eligible for inclusion in LADS2, which will inform the amount of budget allocated to SCH. One of the requirements of the scheme is that a maximum of 50% of available funding is spent on properties with an EPC rating of D. Most of the SCH managed properties in scope for LADS2 are definitely or likely to be rated at a D.
- 6.3.7 Financial contributions will be required from landlords, which will need to be the equivalent of 50% of the subsidy received through the scheme, up to a maximum of £2,500. Though it is not capped, the average financial contribution which the Council is expected to make to private rented and social rented sector properties can be no more than £5,000.
- 6.3.8 The financial contribution that SCH needs to make will be deducted from the payments the Council makes to them on the completion of the scheme. A process and formal agreement will need putting in place for private rented sector landlords to guarantee a financial commitment, before works commence at properties they own. This work will be included as part of the project mobilisation.
- 6.3.9 10% of the grant has been paid to the Council, following its acceptance of the agreement with Midlands Energy Hub. These funds can be used to support start-up and mobilisation costs, such as staffing and third party costs, for instance.
- 6.3.10 A further 30% of the grant shall be paid to the Council once it has submitted its delivery profile and proposal on 24th May, if the Midlands Energy Hub determines that it meets the minimum requirements of LADS2.
- 6.3.11 Additional quarterly payments will be released to the Council, based on monthly reporting of progress compared to the expectations set out in the delivery profile. To continue receiving the maximum payment available the Council will be required to maintain a delivery level, which is equivalent to 80% of the delivery profile.
- 6.3.12 As set out in paragraph 4.5, landlords are required to make a financial contribution of one third of the costs of the measures installed in their properties, up to a maximum of £2,500 and an average maximum subsidy across the scheme of no more than £5,000. This also applies to Solihull Community Housing and all properties they manage, which are included in the scheme. At the time of writing there are up to 117 properties under consideration for inclusion for measures such as insulation and storage heater replacements, for instance.
- 6.4 Legal implications:
 - 6.4.1 The Council has no statutory duties or obligations to deliver LADS2 or other schemes to promote energy efficiency across Solihull's housing stock. It does have a statutory duty to ensure that all properties it rents to tenants, through Solihull Community Housing, have a minimum Energy Performance Certificate rating of "E". Properties,

which are within its housing stock and at risk of being rated an “E” will be eligible for inclusion in LADS2

6.5 Risk implications:

- 6.5.1 As set out in paragraphs 4.3 to 4.7, there are considerations in how the scheme is promoted and delivered, which also present risks to the Council and the viability of LADS2. A significant consideration is the short timetable provided to Local Authorities by the government to deliver LADS2. The Council only received notification on 4 February 2021 of the government’s intentions concerning LADS2, with a subsequent grant letter not being received until 5 March. This has provided a very short time-frame for mobilising a scheme that needs to be delivered in full by 31 December 2021. With this comes a number of risks and challenges concerning the Council’s ability to deliver the scheme and available funding in full.
- 6.5.2 Additionally, and as set out earlier in the report the scale and scope of the retrofit challenge is significant with as many as 40,000 low income households potentially requiring some form of investment over the coming years and decades. This includes the 2,688 Council properties managed by SCH. The financial investment required is going to be extremely significant and will require all available funding to be maximised – particularly programmes like LADS2 being made available by the government. Based on the challenges associated with delivering LADS2, there is a risk that the Council won’t be able to maximise all of the funding available and may then need funding from future sources to deliver the work that was not possible during 2021.
- 6.5.3 There are some specific financial and delivery risks for noting and consideration, which include:
- (a) Households or landlords withdrawing from the scheme during the process. This might incur costs to the Council and its contractors which might not be recoverable through the scheme. This can be mitigated through the selection processes for nominating and confirming households and properties eligible for measures delivered through the scheme.
 - (b) Contractors appointed by the Council being unable to deliver planned works within the timeline allowed by LADS2. This might be as a result of excess demand and waiting times or the movement of staff between contractors in an increasingly competitive labour market. The risk can be reduced and mitigated by selecting measures available to households and properties based on the available contractor supply and capacity.
 - (c) Contractors appointed by the Council deliver poor quality or ineligible work, which cannot be paid for through LADS2. This has been mitigated for in the overall LADS2 approach by permitting local authorities to only use eligible contractors, which are those which meet set industry standards including PAS 2035:2019 (retrofit standard) and accredited by Trustmark.
 - (d) The Council is unable to source contractors to undertake work on its behalf to homes which are eligible for support through LADS2. This would likely impact on the Council’s ability to meet its targets with MEH, but will be mitigated for by delivering a process that considers a range of measures and which will aim to

match demand coming through expressions of interest to available supply in the market.

- (e) Landlords fail to make payments to the Council to account for the financial contribution they need to make for work undertaken at their properties through LADS2. This will have a financial implication on the Council as there is a limit to what it can claim from MEH. To mitigate this work will not commence at private rented sector properties without the necessary commitment and formal agreements being signed between landlords and the Council.

6.6 Equality implications:

- 6.6.1 LADS2 will specifically benefit low income households, living in properties with an energy rating of D to G. This is with the aim of addressing inequalities for those households, which may experience the worst housing, health and financial inclusion outcomes.

7. List of appendices referred to

- 7.1 Solihull LADS2 high level delivery process and plan
- 7.2 Estimated costs of activities and measures eligible for inclusion in LADS2
- 7.3 Property and household eligibility for LADS2

8. Background papers used to compile this report

8.1

9. List of other relevant documents

- 9.1 Green Homes Grant Local Authority Delivery: successful local authorities - <https://www.gov.uk/government/publications/green-homes-grant-local-authority-delivery-successful-local-authorities>