

Meeting date: 15 February 2022

Report to: Cabinet Member for Climate Change, Planning and Housing

Subject/report title: Sustainable Warmth Programme

Report from: Mary Morrissey, Director of Economy and Infrastructure

Report author/lead contact officer: Austin Rodriguez, Head of Service, Stronger Communities

Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege
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Public/private report: Public

1. Purpose of Report

- 1.1 To request approval to accept £1.265 million from the Midland Energy Hub for the delivery of the Sustainable Warmth Programme during 2022/23.
- 1.2 To set out the scope and intentions for the Sustainable Warmth delivery programme for 2022/23 ahead of a detailed delivery plan being submitted to the Midland Energy Hub on 28 February 2022.
- 1.3 To report on progress from phase two of the Green Homes Local Authority Delivery Scheme (LADS2) during 2021/22, as well as subsequent learning and continuations to be applied to the proposed Sustainable Warmth programme.

2. Decision(s) recommended

- 2.1 The Cabinet Member is asked to approve the following recommendations:
- 2.2 To approve the acceptance of the Midlands Energy Hub's conditional grant offer to the Council for the delivery of the Sustainable Warmth Programme.
- 2.3 To delegate authority to accept the Council's final funding allocation for the delivery of

the Sustainable Warmth Programme to the Director of Economy and Infrastructure.

- 2.4 To approve the submission of the Council's delivery plan to the Midland Energy Hub, based on the scope and approach set out in this report.

3. Matters for Consideration

- 3.1 In May 2021, the Cabinet Member approved the Council's participation in the Green Homes Local Authority Delivery Scheme (LADS2) during 2021/22. This scheme aimed 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 Following LADS2, the Government's Department for Business, Energy and Industrial Strategy has committed to investing further funding via the Sustainable Warmth Competition. In total, £430m has been awarded across 57 projects, which will be delivered between April 2022 and March 2023. Solihull Council was part of the successful bid submitted by the Midland Energy Hub consortium and in order to access its £1.265m allocation of funding, is now required to submit a detailed plan to account for how the Sustainable Warmth Programme (SWP) will be delivered.
- 3.3 The SWP consists of two schemes, with differing eligibility and levels of funding available to households:
 - 3.3.1 LADS Phase 3: To support low-income households heated by mains gas. This funding builds on previous phases, with the majority of eligibility rules remaining largely consistent with LADS2.
- 3.4 HUG: To support low-income households off the gas grid through the Home Upgrade Grant (HUG).
- 3.5 The primary purpose of both schemes is to raise the energy efficiency rating of low-income and low EPC homes (E, F or G being prioritised and band D's will be capped at 30%), support economic resilience and a green recovery.
- 3.6 This new round of funding differs to LADS2 in terms of:
 - 3.6.1 Capping the proportion of spend on social housing properties to 10%;
 - 3.6.2 Reducing the proportion of funding that can be spent on Band D (EPC) properties from 50% to 30%;
 - 3.6.3 Introducing funding specifically for off-grid properties, with larger financial subsidies than offered by LADS2 and LADS3.
- 3.7 As per the guidance for the use of Sustainable Warmth funding, 90% of the properties included in LADS3 and HUGS need to be from the private rented sectors or home owners.

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

- 4.1 The Council is under no obligation to deliver the SWP, but its aims and delivery are consistent with the Council's climate change and sustainability goals. If delivered successfully, it will contribute to the domestic element of the Net Zero Action Plan that was recently approved by the Council.
- 4.2 The programme also provides significant investment, which can not only be directed to its housing stock, but also the private rented and owner occupier sectors. Elements of the funding can also be used to continue to grow household awareness and engagement with domestic energy efficiency and retrofit, as well as to continue to invest in the growth of workforce skills and knowledge.
- 4.3 The guidance sets out a number of rules, (see section 3 above), which need to be followed. However, there remains a number of choices available in how, where and to whom the Council delivers the programme. These are being informed by:
 - 4.3.1 The learning and successes from the delivery of LADS2, which are set out in Appendix 1;
 - 4.3.2 The delivery of the Net Zero Action Plan;
 - 4.3.3 The delivery of the Solihull Community Housing asset management and development programme;
 - 4.3.4 The delivery of the West Midlands Combined Authority (WMCA) Net Zero Neighbourhood programme (if Solihull is successful in applying to be included in the programme);
 - 4.3.5 The WMCA participation in the SWP (if Solihull is successful in applying to be included in the programme).
- 4.4 These factors have informed the outline of the proposed delivery plan for 2022/23, which is included as Appendix 2. This features the following:
 - 4.4.1 The inclusion of a small number of off-grid properties managed by SCH;
 - 4.4.2 Where possible, maximising the 10% cap on social housing properties, with a financial contribution to the SCH capital programme (including the roll-out of external wall insulation);
 - 4.4.3 The continuation of the LADS2 approach of inviting expressions of interest from eligible home owners, private rented sector tenants and landlords;
 - 4.4.4 The provision of a scheme to award grants to private rented sector landlords to provide retrofit measures to their properties;
 - 4.4.5 The introduction of a more directed programme, focusing on two neighbourhoods, to reflect the development of Net Zero Neighbourhood proposals. These are Chelmsley Wood and Elmdon;

- 4.4.6 Investment in training and development opportunities for the local workforce to build and increase technical skills and knowledge concerning domestic retrofit;
- 4.4.7 Directed communications and marketing to promote household interest, awareness and engagement in domestic energy efficiency and retrofit.
- 4.5 The total number of properties that will directly benefit from the SWP is difficult to determine due to the differing levels of funding available for rented and owner occupied properties. However, based on a property split of 20% rented and 80% owner occupied, approximately 140 properties may benefit from the programme.

5. Reasons for recommending preferred option

- 5.1 The preferred option is for the Council to participate in the SWP. This will build on the progress from LADS2, and support the delivery of the Council’s Net Zero Action Plan.
- 5.2 As set out in Appendix 3, the current domestic retrofit standards being applied to government funded programmes are a significant shift from previous requirements and practice. This has required the Council and SCH to make a number of adjustments and invest in new skills, practices and procedures. As a result, much of the learning and foundations to support the SWP and future programmes, have either been completed or are well underway.
- 5.3 The Council is required to submit a detailed delivery plan and profile to MEH by 28 February, to account for how it will spend its funding allocation and set out delivery targets. This will require significant work and has not yet been completed. Rather than wait until after the plan is submitted for approval to participate in the SWP, it is recommended that this decision is delegated to officers so that the Council can start delivery as soon as the plan has been approved by MEH.

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 the Sustainable Warmth programme 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 and physical environment. 5. Improve Solihull’s air quality. 6. Reduce Solihull’s net carbon emissions. 	<p>By improving the energy efficiency of properties, the programme will decrease their carbon footprint, making a contribution to the overall aim to reduce Solihull’s net carbon emissions. Additionally, fossil fuel</p>

Priority:	Contribution:
	heating systems are excluded, whilst green technologies, which reduce carbon emissions are eligible for inclusion.
People and Communities: 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.	Reducing fuel poverty is one of the main aims of the programme, 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.
10. Promote employee wellbeing	Enter text.

6.2 Consultation and Scrutiny:

6.2.1 The Cabinet Member and Strategic Housing Board were briefed about the Sustainable Warmth Competition in July 2021, following its launch in June. Approval was provided for the Council to be included in the MEH consortium bid.

6.2.2 To facilitate the delivery of LADS2, as well as to coordinate activity to reduce fuel poverty an officer Green Homes Warm Homes Group was established during 2021. This group consists of representatives from Stronger Communities (both housing and communities), Public Health, UK Central, Communications, Solihull Community Housing and Act On Energy. This group has contributed to the development of the outline plan for the Sustainable Warmth programme.

6.2.3 There has also been ongoing and regular engagement with the West Midlands Combined Authority Energy Capital and Net Zero teams to inform and shape the delivery of LADS2, which has also been reflected in the proposed approach to Sustainable Warmth. In addition there has been ongoing dialogue concerning the delivery of Net Zero Neighbourhoods and WMCA's allocation of Sustainable Warmth funding, which has informed the inclusion of directed activity in the Chelmsley Wood and Elmdon areas.

6.3 Financial implications:

6.3.1 A grant of £1.265million has been allocated to Solihull via the LADS3 and HUG elements of the Sustainable Warmth programme. The details of how this is split between the two schemes, as well as between capital and revenue budgets are included in Appendix 2.

6.3.2 The awarding of the grant and access to the funding allocated to the Council is subject to MEH approval of a detailed delivery plan, which the Council needs to submit by 28 February. This plan will set out how the Council intends to meet the requirements of the programme and comply with its conditions.

6.3.3 The Council will receive payments based on the following:

- (a) 10% of the total grant will be paid to the Council within 30 days of the submission of a signed grant letter and delivery plan to MEH.
- (b) 10% shall be released within 30 days of approval by MEH of the Council's Development Plan and any pre-conditions have been met to MEH's satisfaction;
- (c) Additional 20% quarterly payments will be released within 30 days of the 1st April, 1st July, 1st Oct and 1st Jan following receipt by MEH of ongoing timeline monthly reporting and maintaining 80% of the delivery profile provided in the Development Plan.

6.3.4 The Council will also not be able to claim VAT costs for any expenditure on private sector housing. This will mean that all works completed at owner occupied properties will need to incorporate the additional 5% or 20% VAT costs (depending on the type of measure) within the budget.

6.4 Legal implications:

6.4.1 The Council has no statutory duties or obligations to deliver 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 the programme.

6.4.2 The Council is responsible for the regulation and enforcement of energy performance legislation in private rented sector properties. Landlords are required to provide an EPC that also needs to have a minimum E rating, unless it is exempt. Where privately rented sector properties are identified without an EPC or with an EPC rating of F or G, the Council will work with the landlord to support compliance with the law, but may need to take an enforcement approach to ensure properties are legally compliant.

6.5 Risk implications:

6.5.1 Similar to the delivery of LADS2, where there has been significant amounts of learning and continuous development, 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. 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 the programme. To avoid this outcome local authorities must use contractors, which meet set industry standards including PAS 2035:2019 (retrofit standard) and are accredited by Trustmark.
 - (d) The Council is unable to source contractors to undertake work on its behalf to homes which are eligible for support. 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. 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 The programme will specifically benefit low income households, living in properties with an energy rating of D to G. This is with the aim of addressing a number of inequalities as these households are likely to experience the worst housing, health and financial inclusion outcomes.
- 6.7 Linkages to our work with the West Midlands Combined Authority (WMCA), the Local Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):
 - 6.7.1 If the proposals submitted to the WMCA's Net Zero Neighbourhoods and Sustainable Warmth programmes are successful, the Council will be working directly with WMCA to deliver the Solihull Sustainable Warmth programme in the Chelmsley Wood and Elmdon areas.
 - 6.7.2 Additionally, the focus of the programme is low income households and the Council will continue to particularly focus on the most vulnerable households who can benefit from the available funding. The delivery of LADS2 has included staff from Public Health, Adult Care and Support and the Primary Care Networks (including social prescribers) in order to promote access to scheme via household contact with these services. The intention is to continue these arrangements into the Sustainable Warmth programme.

7. List of appendices referred to

- 7.1 Appendix 1 – Progress and learning from LADS2
- 7.2 Appendix 2 – High level delivery plan for Sustainable Warmth
- 7.3 Appendix 3 – Overview of domestic retrofit process

8. Background papers used to compile this report

Green Homes Local Authority Delivery Scheme report to the Cabinet Member for Climate Change, Planning and Housing on 22 May 2021

9. List of other relevant documents

- 9.1 Sustainable Warmth Competition: successful local authorities - <https://www.gov.uk/government/publications/sustainable-warmth-competition-successful-local-authorities>
- 9.2 The Retrofit Academy, PAS 2035: What is it and what does it mean for you? <https://www.retrofitacademy.org/wp-content/uploads/2019/10/PAS-2035.pdf>