

Help to Heat Scheme

Date: 9 March 2023

Report of: Chief Officer Sustainable Energy and Air Quality

Report to: Director of Resources

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

Leeds has been awarded up to £15.5 million under a government Help To Heat scheme.

This grant funding will fund energy efficiency and low carbon heating upgrades to predominantly private homes that do not currently have gas heating and with below average household income.

Before we can commence the project, the council must enter into a grant agreement with BEIS and receive the necessary approvals to receive the funding, undertake necessary procurement activities and recruit staff to administer the scheme.

There is a government embargo covering certain aspects of this grant fund which are detailed in confidential appendix 1.

Recommendations

This report seeks authority for the Director of Resources to:

- a) Enter into a grant agreement with the Department for Energy Security and Net Zero
- b) Receive up to £15.5m of grant funding and inject the full value of the grant funding into the capital programme and provide authority to spend
- c) Provide authority to extend existing Housing Leeds contracts where appropriate to allow leaseholder or right to buy properties to be retrofitted using Help to Heat funding
- d) Provide authority to procure to secure a contractor via the new WYCA Energy Efficiency and Carbon Reduction Framework once available
- e) Note that the grant provides funding for staff resources and, subject to consultation with the Unions, agree to add up to 4 fixed term posts to the structure to support delivery of the Help to Heat project and provide authority to recruit these posts.

What is this report about?

- 1 LCC has successfully applied for up to £15.5m funding from a government Help to Heat scheme. This is to provide insulation and low carbon heating for up to 750 homes. Some of these homes are right to buy/leaseholders in ex-council properties in estates that are receiving decarbonisation works for which private homes aren't currently eligible. There will also be a citywide effort to identify eligible households, using targeted communications campaigns and setting out an attractive proposition to improve their home.
- 2 Eligible homes must have an EPC rating of D or worse and be off the gas grid for heating purposes or a park home. Households must also meet income eligibility criteria. This means they must either have a combined household income of under £31,000 or be in a neighbourhood in the bottom three deciles for economic deprivation according to the Indices of Multiple Deprivation 2019. The scheme is primarily intended for owner occupiers. Private rented sector dwellings are eligible but only for landlords with a portfolio of four properties or less. Social housing may only receive funding for in-fill purposes where it forms part of a cross-tenure area-based retrofit project.
- 3 The project will initially use existing Housing Leeds contracts to improve private tenure ex-council properties on estates where energy efficiency works for social housing are underway, but for which private properties aren't eligible for existing funding.
- 4 We will also deliver a citywide project open to homes across the city that meet the eligibility criteria. We will analyse housing stock data for the city to identify the communities with the highest concentrations of eligible homes and recruit households using targeted communications campaigns and referral networks to generate interest.
- 5 The council needs to sign the memorandum of understanding with the government by 17th March to secure the funding.
- 6 The council also needs to procure a delivery partner for the citywide element and extend contracts for existing schemes to include right to buy households.
- 7 The grant includes revenue support for staff time to help the council to manage the scheme. The Sustainable Energy and Air Quality Team will lead delivery, partly using existing staff resource. However, we intend to recruit up to 4 new fixed term posts to ensure we have sufficient internal resource to effectively deliver the project.

What impact will this proposal have?

- 8 The funding will provide insulation and low carbon heating to approximately 750 homes with lower-than-average household income across the city.
- 9 The project will run for two years from April 2023 to the end of March 2025.
- 10 It will make these homes cheaper to heat and reduce their carbon footprint. Homes off the gas grid tend to be more expensive to heat than those with gas heating and are likely to be worse affected by recent increases in fuel bills.
- 11 In doing so it will contribute to the council's net zero ambitions, reduce fuel poverty and lessen the impact of the cost-of-living crisis on the households that benefit from the scheme.
- 12 This project is likely to have a disproportionately positive impact on a number of protected characteristics; evidence indicates that fuel poverty is more prevalent in households containing people with disabilities and in those where the oldest occupant is aged 16-24, whilst the negative health outcomes of cold homes contain highest risk for elderly, pregnant, very young or disabled people.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 13 The scheme supports all three pillars of the Best City Ambition.
- 14 It will make homes warmer and cheaper to heat, cuts fuel poverty and reduces cold related illness.
- 15 Funding is targeted at low-income homes and reduces fuel poverty, promoting inclusion in the city.
- 16 The project will also create good quality jobs in the construction sector to carry out works to homes. These will be new green jobs in a sector with some of the highest potential for low carbon employment and where the switch to a green economy is most crucial and training needs are highest.
- 17 The project will reduce the energy consumption of 750 homes, making a substantial contribution to our net zero ambitions. We expect each property supported will increase by at least one EPC band, those with the lowest current EPCs are expected to increase by at least two bands.
- 18 Off-gas homes tend to have expensive and inefficient heating systems. Electric storage heaters are to be particularly inefficient, switching to efficient heat pumps will greatly reduce their carbon footprint.

What consultation and engagement has taken place?

Wards affected: Citywide

Have ward members been consulted?

Yes

No

- 19 Colleagues from legal, finance, procurement and information governance have been consulted on the grant agreement to provide assurance and raise issues where necessary ahead of sign-off.
- 20 The Unions have been alerted regarding the intention to add fixed term posts funded by this grant and consultation will conclude prior to releasing the roles.
- 21 The Executive Member for Infrastructure and Climate was consulted on 23rd February.

What are the resource implications?

- 22 The Council has been provisionally awarded a significant capital grant sum, as set out in Confidential Appendix 1, which will allow us to improve 750 homes. This grant also includes a revenue element to cover the ancillary and administrative work required to successfully deliver a project such as this. Further details of this revenue support are also included within Confidential Appendix 1, with the relevant procedure rule detailed in paragraph 33.
- 23 The internal resourcing element will fund up to 4 new fixed term posts within the Sustainable Energy and Air Quality team for the 2-year duration of the project. These are anticipated to be:
 - a) PO6 Project Manager to coordinate project delivery and oversee the internal delivery team and contractors.
 - b) PO4/6 Technical Officer (subject to grading) to provide essential PAS2035 coordinator skills to quality assure work.

- c) SO2/PO2 Marketing and Communications Officer to ensure that we generate sufficient interest from eligible households to deliver the grant.
 - d) C2 Admin Assistant to support data collection, monitoring and reporting.
- 24 Unlike recent similar BEIS schemes, funding will not be provided in a single upfront payment, rather it will be received in stages.
- 25 Funding for works to homes is subject to a batch funding process. This requires the council to apply for funding to government for a batch of homes that have been signed up, validated and assessed for suitable measures. If the batch passes government assessment for suitability and value for money, they will release the funding for works to be carried out to those homes. The council can submit batches for assessment as frequently as we see fit but payments from government will be released once a month at most.
- 26 The government will make an initial mobilisation payment to the council of 20% of the total funding requested for each of the financial years 2023/24 and 2024/25, paid at the start of each respective year.
- 27 There will be another payment at the start of each financial year worth 10% of the total funding requested for that year. This is a 'deposit' payment to enable the council to start work on approved batches of home immediately following approval, to avoid waiting for the payment to be received from government.
- 28 Works will be delivered by external contractors. A procurement exercise will be undertaken using the regional Energy Efficiency and Carbon Reduction Framework for a provider to deliver works for the citywide element of the scheme. Infill works to private properties excluded from ongoing Housing Leeds schemes will be delivered by extending existing contracts for those schemes.

What are the key risks and how are they being managed?

- 29 A risk assessment was submitted to government with the grant application. The five highest scoring risks it identified are:
- a) Inflation in materials costs
 - b) Telecoms equipment on properties causing technical difficulties with installation
 - c) Access issues/customer refusals
 - d) Higher costs and longer install timescales from PAS2035 requirements
 - e) Lack of supply chain capacity to undertake work at the scale required
- 30 The council will manage these risks with the contractor through regular meetings and reporting arrangements. We will maintain the risk register throughout the course of the project and include updates on key risks in regular reporting to government.
- 31 A separate fraud risk assessment will be completed and submitted to government to accompany the memorandum of understanding.

What are the legal implications?

- 32 In accordance with section 2.5 of the Executive and Decision Making Procedure Rules, this decision is being made under General Exception provisions. This is due to the time sensitive nature of the decision. If the decision were to be made in accordance with standard Key Decision rules (which require 28 clear calendar days between publication in the List of

Forthcoming Key Decisions and the decision being taken), this would mean that authority to sign the memorandum of understanding would not be in place at the point at which we are required to return all documentation to the government of 17th March.

- 33 Appendix 1 to this report has been marked as exempt under Access to Information Procedure Rules 10.4 (3) on the basis that it contains information placed under embargo by the government until a formal government announcement of the funding award is made. The information is exempt if and for so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. In this case the report author considers that it is in the public interest to maintain the exemption.
- 34 The decision is exempt from call-in on the grounds of urgency. The memorandum of understanding and all supporting documentation must be returned to government by 17th March. Observing the full call-in period will cause us to miss this deadline and will delay the initial grant payment to the council. To avoid seriously prejudicing the council's interest, this decision is therefore exempt from call-in.
- 35 Legal services have reviewed the grant documentation and approved it for signing. Highlighted points include:
- a) LCC must enter into a data sharing agreement with BEIS. This is currently under review by colleagues in IMG
 - b) Items relating to third parties involved in project delivery that will need to be reflected in contracting arrangements with delivery partners
 - c) LCC and delivery partners must adhere to a 'Code of Conduct for grant recipients'
 - d) There are various circumstances under which the government may request repayment of the grant, primarily relating to failure to administer the grant appropriately
- 36 None of these requirements are out of line with similar schemes like GHG LAD and SHDF that the council has successfully delivered.
- 37 The MoU must be signed and returned to BEIS by 17th March, otherwise receipt of the initial funding payment will be delayed.

Options, timescales and measuring success

What other options were considered?

- 38 The council could decide not to sign the grant agreement. Doing so would deprive the city of a large sum of funding to decarbonise homes and reduce fuel poverty and would be highly detrimental to our stated goals in these areas.

How will success be measured?

- 39 The main outputs of the project are the amount of grant funding discharged and the number of properties treated. In the bid we estimated 750 homes would be improved under the grant, although this figure will be refined in the process of drawing up a detailed delivery plan for the citywide element of the scheme.
- 40 The council is required to submit regular reports to government on delivery indicators to assess progress on the project. Some of these key indicators are:
- a) Number of homes signed up to the scheme
 - b) Number of homes assessed by a retrofit co-ordinator and design agreed

- c) Number of homes with completed installation
- d) Submission of reporting data within the deadline
- e) Total expenditure

41 All KPIs are RAG rated with performance management processes set out in the grant agreement.

What is the timetable and who will be responsible for implementation?

42 A detailed project plan was submitted with the grant application to government. Some of the scheduled key activities are:

- a) Feb-Jun 2023: Team mobilisation, procurement contracting
- b) Apr 2023 - Mar 2025: Marketing and communication
- c) May 2023 - Mar 2025: Installations to homes. Rate of installs will steadily ramp up reaching full capacity by mid-2024
- d) Apr 2023 - Mar 2025: Monthly monitoring and quarterly check-ins with BEIS

43 All installations must be complete by 31 March 2025. Provision is made in the grant agreement for extensions to the delivery window, but these are at the funders discretion and requests for extensions must be made no later than 31 December 2024.

44 SEAQ will lead the implementation of the project, co-ordinating with Housing Leeds Strategy and Investment on the works to leaseholder/right to buy properties

Appendices

- Appendix 1

Background papers

- None