



Corporate Policy Resources

7th June 2023

Subject: Home Energy Upgrade Grant 2 (HUG2)

Report by:

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Purpose / Summary:

To provide information on West Lindsey's HUG2
(Home Energy Upgrade Grant 2) allocation and
seek approval to sign the grant funding
agreement

RECOMMENDATION(S):

1 Corporate Policy and Resources Committee agree to accept the award of funding for HUG2 from Midlands Net Zero Hub (MNZH), and authorise the signature, and return of the grant funding agreement.

IMPLICATIONS

Legal:

(N.B.) Where there are legal implications the report MUST be seen by the MO

MNZH will issue a grant funding agree to the Council. As accountable body, to the Central and South Lincolnshire Consortium, WLDC will seek a review of the grant funding agreement by Legal Services Lincolnshire.

The Council will need to ensure that HUG2 Delivery proposal is compliant with UK subsidy control rules. This will be reviewed by legal service Lincolnshire as part of the contracting procedure.

All procurement activity will be undertaken in line with the Council's Contract Procedure Rules (CPRs) and ultimately Public Contract Regulations 2015 (PCRs), which is embedded into UK Law. All frameworks which the Council are using and may consider using are PCR compliant.

Financial : FIN/20/24/SSC

Committee are asked to approve the signatory of the Grant Funding agreement, due to the value of the contract.

This project relies on securing of capital grant funding via Department of Energy Security and Net Zero (ESNZ) of £10mil to deliver the HUG2 scheme.

The Admin & Ancillary funding for 2023/24 will be received within ten (10) working days of signing the agreement and Information Sharing Agreement. A 5% deposit capital payment will be issued on approval of the Development Plan by MNZH. A 10% upfront capital payment will be issued on approval of the approval of MNZH Delivery Assurance Check with the Lead Funder (WLDC).

£92,286 (band 8) of the revenue allocation is ear-marked for the Fuel Poverty Project Officer (subject to job evaluation) hosted by West Lindsey District Council (WLDC). This will be a 24month contract.

Table below is an estimate costs based on Band 8 with estimate pay award of £1925 in 2023/24 and 2% each following year. However, this post is subject to Job evaluation and therefore the costs could change.

| Fuel poverty Project Officer | SCP | Salary with oncosts £ |
|----------------------------------|-----|-----------------------|
| 2023/24 for 9months | 8a | 32,400 |
| 2024/25 for 12months | 8b | 43,200 |
| 2025/26 for 3 months | 8c | 11,900 |
| Total costs for 24 months | | 87,500 |

The grant funding has a number of conditions with the most significant financial conditions being;

- No additional grant funding will be forthcoming if the scheme overspends and therefore would require the Council to meet these costs.
- The grant may be reduced if the profiled delivery, as set out in the proposals, is not met. This would be commensurate with the percentage of profiled delivery achieved and applied to both the capital and revenue element of the grants.
- Any amounts unspent after the grant period will need to be repaid.

Staffing :

(N.B.) Where there are staffing implications the report MUST have a HR Ref

The scheme will be delivered by the following:

- Current staff within Homes, Health and Wellbeing Team
- a new post funded by the HUG2 administration allocation, hosted by WLDC,
- customer journey support provided by Yorkshire Energy Services (YES) appointed by Midlands Net Zero Hub
- installations, and all other services via delivery partner, procured via Fusion 21 Framework.

HR Ref: HR195-5-23. The post will be subject to JE.

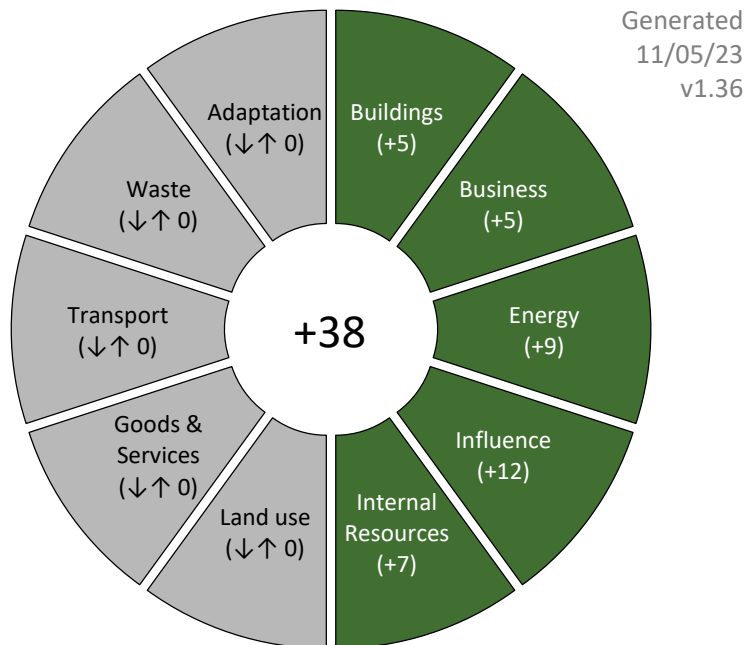
Equality and Diversity including Human Rights :

N/A

Data Protection Implications :

Data Sharing agreement in place with Midlands Net Zero Hub and Yorkshire Energy Services (YES)

Climate Related Risks and Opportunities:



West Lindsey District Council will be net zero by 2050 (26 years and 7 months away).

West Lindsey District Council has set an ambition to become a Green Council. The Council has set a net-zero carbon target across its operations by 2050.

Installing energy efficiency saving measures within the home can help reduce emissions, and support the council's Sustainability, Climate Change and Environment Strategy.

Initiatives such as HUG2 tackles households in fuel poverty and assists in reducing energy demand. To promote incentives, we'll develop a communication plan, raising awareness, and help influence others in tackling climate change.

Becoming a net-zero carbon Council is very important for the Council; it will help protect the natural environment that so many of us enjoy.

Section 17 Crime and Disorder Considerations:

N/A

Health Implications:

Living in a cold, damp home is harmful to physical and mental health. Installing household energy efficiency measures, will not only reduce carbon emissions, but will make it easier and more affordable for residents to maintain a warm, comfortable environment, thereby reducing cold-related illnesses and associated stress.

Title and Location of any Background Papers used in the preparation of this report :

Midlands Net Zero Hub Award letter

Mandatory skills (JD) for Energy Efficiency and Fuel Poverty Project Officer

Risk Assessment :

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

Executive summary

Midlands Net Zero Hub (MNZH) have secured more than £82m of Government funding through HUG2 and of that £10m has been allocated to the Central and South Lincolnshire Consortium comprising of West Lindsey, North Kesteven, City Of Lincoln and South Kesteven Councils.

It is intended that funding secured from the Department for Energy, Security and Net Zero (ESNZ) will be used to carry out a range of improvements on homes owned by low-income families in the district – making them warmer, reducing energy bills, and improving the quality of citizens' lives.

A delivery plan must be submitted to Midland Net Zero Hub for approval before 1st September 2023. Work is already underway on the delivery plan, but a decision is required to accept the grant award and sanction return of the grant funding agreement from the S151 Officer/ Chief Exec.

This approval will enable delivery of the scheme to start immediately, with installations commencing as soon as contracts are in place, and release spend from the administration allocation which will fund the new, joint, Energy Efficiency and Fuel Poverty Project Officer post hosted by WLDC.

1: HUG

The Home Upgrade Grant (HUG) is a government-funded grant scheme that provides energy efficiency upgrades and low carbon heating to low-income households living in the worst quality, off-gas grid homes in England. HUG has two key objectives:

- To deliver progress towards the statutory fuel poverty target for England, by improving as many fuel-poor homes as reasonably practicable to a minimum energy efficiency rating of Band C by 2030, with the interim milestone of Band D by 2025; and
- To enable the delivery of the wider Net Zero programme to phase out high-carbon heating for homes off the mains gas grid, by growing supply chains and ensuring such policies do not act to the detriment of fuel-poor households.

HUG 2 is the second phase of the HUG scheme and builds on the policy specification of HUG 1, which has been delivering as part of the Sustainable Warmth Competition from early 2022. EPC band F-G homes should be upgraded to at least band D. EPC band D-E homes should be upgraded to band C. In cases where this is not possible within the cost caps, the Recipient should evidence that they have taken a fabric first and value for money approach to upgrades.

Delivery will run from April 2023 to March 2025.

2: Background

Central and South Lincolnshire Consortium formed to deliver the Sustainable Warmth Competition grants (LAD3/ HUG1) with delivery partner Yorkshire Energy Services (YES) in 2022. Due to the success of the scheme and good working relationships formed, the consortium has expressed to MNZH their intention to continue with the consortium to deliver HUG 2

Under LAD2 and Sustainable Warmth Competition (SWC), YES, were appointed by MNZH to deliver on the Customer Journey Support (CJS), YES have also been successful in this bid for HUG2 procured by MNZH.

As YES are an Energy Company Obligation provider, to offer customers further financial assistance, a joint statement of intent has recently been published by all members of the consortium to participate in the ECO4 Local Authority Flexible Eligibility scheme (LA Flex) (approved via MT)

Having one point of contact for all energy related initiatives in West Lindsey provides a clear, and smoother service for the customer.

YES, submitted an application for the joint delivery of LAD/HUG scheme, at the East Midlands Energy Efficiency Awards, under the Large-Scale Project of the Year category, we were honoured and delighted to achieve first place. The consortium have developed a great working relationship with delivery partner, YES, whom are equally passionate about tackling fuel poverty to improve people's lives.

On 22nd March 2023, a grant offer letter was received from MNZH for £20k to enable mobilisation of HUG2. A brief was agreed by Director of Corporate and Financial Services, outlining initial proposals for WLDC to hold funds on behalf of all consortium members, and the new Energy Efficiency and Fuel Poverty Project Officer post to be hosted by WLDC (agreed via management team 15th May 2023). Final approval to sign and return the grant funding agreement, to be sought via appropriate governance to hold funds and host post. There is also a requirement for consortium members Chief Exec or Section 151 officer agree to pre sign off at project completion stage.

On 12th April the signed grant offer letter for was returned, confirmation has been provided to MNZH that funds have been used for WLDC staff costs, and services from YES as detailed below.

- HUG2 market research and measure mix identification
- Production of project development plan
- Scheme specific marketing plan and engagement
- HUG2 consultancy on eligibility requirements, risks, and processes

3: HUG2 allocation, delivery, and timeframes

The table below outlines individual districts indicative allocation for each consortium member.

| | Capital | Administrative Allocation |
|----------------------------------|----------------|----------------------------------|
| WLDC | £2,370,000 | £237,000 |
| COL | £575,000 | £57,500 |
| SKDC | £3,575,000 | £357,500 |
| NKDC | £2,815,000 | £281,500 |
| Total | £9,335,000 | £933,000 |
| Total Capital and A&A | £10,268,000 | |

The Grant in the First Contract Year is £4,107,400.00. The Grant in subsequent Contract Years will be confirmed by the MNZH in writing dependant on delivery assurance check of the first year.

Table below shows the total allocation for HUG 2 for the First Contract Year.

| Table 1 - HUG 2 (2023/24) Allocation and Deliverables | | | | | | |
|--|--------------|---------------------------------|--|---|---|---------------------------|
| Total Year Allocation | First | Total Capital Allocation | Admin & Ancillary Max (10%) | Capital upfront payment (15%) On completion of DAC | Total First Year Upfront payment | Expected No. Homes |
| £4,107,400.00 | | £3,734,000.00 | £373,400.00 | £560,100.00 | £933,500.00 | 208 |

A 10% Admin & Ancillary payment will be provided at the start of each financial year.

HUG can be provided to all tenures, but social housing for 'in-fill' purposes is capped at 10% of total number of homes and park homes are capped at 10% of total number of homes treated.

Eligible measures for installation include, but are not limited to, wall, loft and underfloor insulation, and lowcarbon heating technologies (excluding those that contain a fossil fuel component).

A delivery partner will be procured via Fusion 21 Decarbonisation Framework, it is anticipated this will be YES via a direct award to continue the positive working relationship and outcomes achieved in previous initiatives.

The MNZH require the Council to submit a local authority delivery plan, outlining how it intends to allocate the HUG2 grant to fuel poor households in the Consortium Districts. The Delivery plan must set out the number of properties, type of measures and cost of the retrofit works the council expects to be able to deliver by March 2025.

Deadline for returning the grant funding agreement and submitting the Council's Delivery Plan – 1st September 2023. As the lead authority, this will be led and submitted by WLDC but the plan will be drafted by the consortium as a whole.

The Council will be expected to submit monthly reports to MNZH on progress delivery.

Delivery of HUG2 will also be monitored via KPI'S and Housing and Wellbeing Programme Board as with SWC.

4 Decision and Next Steps

WLDC are required to sign and return the grant funding agreement and delivery plan no later than the 1st September 2023, however we wish to return as soon as possible for continuity of HUG1 to HUG2. On signing the grant funding agreement, the council will receive 10% admin and ancillary costs, followed by a 15% deposit payment (after Delivery Assurance Check approval by MNZH).

A new Energy Efficiency and Fuel Poverty Project Officer will be appointed on a 24-month contract, funded by the administration allocation. This will be hosted by WLDC.

A decision is being requested to seek approval for signing and returning the grant funding agreement.

Recommendations

1 Corporate Policy and Resources Committee agree to accept the award of funding for HUG2 from Midlands Net Zero Hub (MNZH), and authorise the signature, and return of the grant funding agreement.