

Executive Board
20 July 2021

Subject:	Sustainable Warmth Competition
Corporate Director(s)/Director(s):	Wayne Bexton, Interim Corporate Director for Growth and City Development
Portfolio Holder(s):	Councillor Sally Longford, Deputy Leader and Portfolio Holder for Energy, Environment and Waste Services
Report author and contact details:	Michael Gallagher, Head of Midlands Energy Hub Michael.Gallagher@nottinghamcity.gov.uk Ellen Cooper-Tydeman, Principal Fuel Poverty Project Officer Ellen.Cooper-Tydeman@nottinghamcity.gov.uk
Other colleagues who have provided input:	Not applicable
Subject to call-in: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Key Decision: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Criteria for Key Decision:	
(a) <input checked="" type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	
and/or	
(b) Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Type of expenditure: <input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital	
Total value of the decision: Up to £140million	
Wards affected: All	
Date of consultation with Portfolio Holder(s): Not applicable	
Relevant Council Plan Key Theme:	
Nottingham People	<input checked="" type="checkbox"/>
Living in Nottingham	<input checked="" type="checkbox"/>
Growing Nottingham	<input checked="" type="checkbox"/>
Respect for Nottingham	<input checked="" type="checkbox"/>
Serving Nottingham Better	<input type="checkbox"/>

Summary of issues (including benefits to citizens/service users):

The Midlands Energy Hub (MEH) has received a total of £60.95million of Government funding as part of Phase 2 of the Local Authority Delivery (LAD) scheme, which will run from March 2021 to December 2021.

The latest Phase of the funding was launched on 16 June as a competition. The MEH are planning to submit a regional bid for the Sustainable Warmth Competition to access funding (£350million available across England) as part of Phase 3 of the LAD and Home Upgrade Grant (HUG), which will run from January 2022 to March 2023. As a result of feedback from Phase 1, some Local Authorities do not have the capacity to submit an individual bid for funding, particularly within the required timescales. Therefore, a regional submission with the Midlands Energy Hub as the Lead Authority offers an opportunity for all Local Authorities in the region to access the needed funding to support thousands of fuel poor households.

The current delivery model developed and implemented through Phase 2 offers an effective route for the delivery of LAD3 and HUG1 across the Midlands.

This decision will generate an additional £150,000 in management fees to contribute towards 2021/22 financial returns from the CRES Division, supporting the Medium-Term Financial Plan projections.

Exempt information: None

Recommendation(s):

- 1** To approve the submission of a bid to the Sustainable Warmth Competition for a grant allocation of up to £140million from the Department for Business, Energy and Industrial Strategy (BEIS) to support regional delivery through the Midlands Energy Hub.
- 2** To delegate authority to the Director of Carbon Reduction, Energy and Sustainability to accept the funding, subject to a business case being submitted and approved, and the funding conditions being approved, by the Director of Legal and Governance and the Corporate Director of Finance and Resources (Section 151 Officer).
- 3** To note that any spend of the funding received will require further approvals prior to allocation.

1 Reasons for recommendations

- 1.1 The primary driver for the Sustainable Warmth Competition and LAD scheme is to tackle Fuel Poverty. The project will target citizens on the lowest incomes, in the worst performing households, aiming to increase thermal comfort and well-being in the coldest and most vulnerable homes. This directly supports our 2018-25 Fuel Poverty Strategy and will see fuel bills reduce.

- 1.2 Additionally, the project will drive retrofit measures to improve building fabric, decarbonise heating systems and see more renewable energy in homes across the city and region, supporting our Carbon Neutral by 2028 aspiration and national carbon reduction targets.
- 1.3 The project is also intended to stimulate the supply chain and facilitate a green economic recovery from COVID-19. These funds will help bring forward a range of works that would not otherwise take place, enabling homes in fuel poverty to reduce energy costs and improve EPC, addressing challenging stock and creating local jobs through transferring central government funding to the private sector.
- 1.4 The scheme would be delivered through 100% grant funding. The Hub will use a proportion of the admin budget to support project delivery, and the project will be governed by existing structures, reporting to the LAD Programme Board and Hub board monthly. The Hub have an existing risk register for Phase 2 and this will be used to inform Phase 3 and HUG.

2 Background (including outcomes of consultation)

- 2.1 The Council's Carbon Reduction, Energy and Sustainability division is the accountable body for the Midlands Energy Hub. BEIS commissioned the Midlands Energy Hub to deliver Phase 2 as set out in our commissioned sourcing strategy for this work (Delegated Decision 4034).
- 2.2 In February, a Leader's Key Decision ('Green Home Grants Local Authority Delivery (LAD) Phase 2', reference number 4116) was approved to accept funding from BEIS under the Green Homes Grant Local Authority Delivery (GHGLAD) Phase 2 programme, to a value of £60.95m, which will run from March 2021 to December 2021.
- 2.3 The Sustainable Warmth Competition is being launched to bring together two fuel poverty schemes (Local Authority Delivery Phase 3 and Home Upgrade Grant Phase 1) into a single funding opportunity. Both schemes aim to support low-income households in England, living in energy inefficient homes by installing energy efficiency and low carbon heating upgrades with a delivery timeframe of January 2022 to March 2023. Both on and off-gas grid properties are included under the schemes.
- 2.4 The bid will be for 100% of the funding required and would be via a Section 31 grant and associated Memorandum of Understanding. The funding will enable regional delivery helping thousands of fuel poor households across the Midlands and support the governments and the Council's carbon neutral target. Delivery will be supported through internal Council teams, including Energy Services, Procurement and Legal, with funding available for staffing as well as a management fee to the council as with the current funding through Phase 2. The MEH LAD 2 scheme has a team already in places to support regional delivery. Continuation of funding would enable extensions to existing fixed term contracts to April 2023.
- 2.5 LAD2 delivery has utilised regional energy hubs to use local knowledge and regional expertise to best identify households that are most likely to require support and would best benefit from energy efficiency upgrades. This is an effective delivery model as Local Authorities can benefit from continued support from the hub to ensure delivery is efficient

and achievable. Through the Hub's delivery model, citizens in the midlands can benefit from tailored customer journey support throughout the installation process. The customer journey support can also help with additional income maximisation measures such as energy tariff switching and information workshops about low carbon heating measures. This ensures citizens are able to understand and utilise home improvements to achieve maximum energy efficiency in the home and alleviate fuel poverty. The Hub have also set up two Dynamic Purchasing System (DPS) to help support Local Authorities procure accredited suppliers for delivery.

- 2.6 Regional delivery enables all Local Authorities in the region to access available funding, particularly those that do not have the capacity to bid and provides efficiencies through regional support. A regional application removes local competition to access funding and enable greater shared learning as more collaborative process helping to building capacity across the region both with regards Local Authorities sharing best practice, but also supporting the local supply chain by knowing the amount of funding available and available work in the area. The Hub approach offers a longer period of time for all Local Authorities in the region to develop their proposals and identify a pipeline for the schemes.
- 2.7 Existing contracts are in place to support regional delivery. Customer journey support was secured through an open tender in February. We will work with legal and procurement to compliantly extend our existing delivery model, including if successful providing award letters with terms and condition to each Local Authority within the consortium.
- 2.8 The final amount will be dependant of the scale of the submission. A proportional bid value would be around £70million. The Hub will work with all the Local Authorities to confirm the final value of the bid submitted to provide delivery assurance.

3 Other options considered in making recommendations

- 3.1 To do nothing: this option was discounted due to the failure to secure benefits to citizens, including reduced fuel bills, decreased fuel poverty rates and reduction in carbon emissions.
- 3.2 To identify alternative funding: this option was discounted as alternative funding sources which provide such favourable terms or ability for the Hub to bid have not been identified.

4 Finance colleague comments (including implications and value for money/VAT)

- 4.1 This decision aligns with the Council's 2018-25 Fuel Poverty Strategy and, if the grant bid/acceptance is successful, will see fuel bills reduce in fuel poor households across the region. The decision also supports national carbon reduction targets.
- 4.2 The Council will potentially be accepting this grant as part of its role as Lead Authority for the Midlands Energy Hub, with the Midlands Energy Hub distributing the grant to Local Authorities across the region.
- 4.3 Accepting this grant does not increase the Council's Capital Programme. Any grant allocated to the Council is required to obtain the necessary approval after

undergoing the Council's capital prioritisation process. Therefore, further approval is required before committing the Council to any projects.

- 4.4 If successful, the grant conditions allow the Council to recover a proportion of non-capital costs whilst acting in its Lead Authority role. The Director of Carbon Reduction, Energy and Sustainability is required to ensure all grant conditions are adhered to due to the Council's Lead Authority role, reducing the risk of any grant clawback.

Advice provided by Tania Clayton Pérez, Commercial Business Partner, on 30 June 2021.

5 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

Procurement Comments

- 5.1 Procurement is supportive of this application for grant funding. The dynamic purchasing systems put in place for Phase 2 of LAD were set up with a view to further funding becoming available and can be used to deliver this scheme, and additional support can be made available if necessary.

Advice provided by Jonathan Whitmarsh, Lead Procurement Officer, on 28 June 2021.

Legal Comments

- 5.2 Submission of the bid will seek to provide funding being available to the Council to be used across various projects and allocation routes, each focussed on addressing the Fuel Poverty concern in the city.
- 5.3 As is acknowledged within the report recommendations, a business case will be required prior to accepting any funding that can only be accepted in conjunction with the Director of Legal and Governance and the Section 151 Officer for approval. This will ensure that the use of the funding will be properly scrutinised prior to committing the Council to accepting any monies particularly in light of its role as Accountable Body for the Midlands Energy Hub.
- 5.4 Due to the potential scale of the funding, more detail will be required with respect to how the monies are proposed to be used upon receipt. This may be through procurement processes, grant awards or on internal spend. Legal, Finance and Procurement colleagues will need to review and advise upon the proposed allocation of the money to ensure scrutiny and compliance. Further approvals with more specific detail of proposed funding distribution will be required in due course.

Advice provided by Dionne Screatton, Senior Solicitor (Commercial, Employment and Education), on 1 July 2021.

6 Strategic Assets and Property colleague comments (for decisions relating to all property assets and associated infrastructure)

6.1 Not applicable.

7 Social value considerations

7.1 A series of contracts with option for extension have been procured and awarded as part of project delivery. All procurement exercises overseen by Council Procurement consider social value. This included job creation and Customer Journey Support offers, with added value services such as income maximisation, aiming to provide up to £4million in additional savings to residents through their support services.

8 Regard to the NHS Constitution

8.1 Improving energy efficiency of homes is linked to a reduction in cold-related health concerns and associated hospital admissions.

9 Equality Impact Assessment (EIA)

9.1 An EIA is not required because these proposals do not related to a new or changing policy, service or function.

10 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

10.1 Not applicable.

11 Published documents referred to in this report

11.1 Not applicable.