

Sustainable Warmth Financial Advice

The decision seeks to spend the BEIS Sustainable Warmth grant awarded to the Council up to a maximum value of **£82.442m** within a total grant project cost of **£86.669m** (the difference being Landlord Contributions, see **Table 1; Sustainable Warmth Grant Summary** below). The grant will be managed through the Midlands Energy Hub (MEH) within the CRES Directorate to pass-through grant to LAs and WMCA across the Midlands.

This decision aligns with the Strategic Council Plan 2021-23 [1] as per **Outcome 3; Carbon Neutral by 2028**, specifically:

- We will continue to reduce fuel poverty in Nottingham, by helping households to save on their energy bills, through improving energy efficiency and energy generation

The grant combines two fuel poverty schemes, HUG1 and LAD3 to upgrade homes with EPC ratings of D,E,F or G, both on and off the gas grid.

Financial Breakdown

A summary of the full grant breakdown is shown below in **Table 1**. A detailed breakdown of the grant is also contained in the MoU for Sustainable Warmth Competition Annex 7; Approved Application Proposal

Table 1; Sustainable Warmth Grant Summary

Sustainable Warmth Grant Breakdown	£m		
	LAD3	HUG1	Total
Capital Pass-through	47.015	24.675	71.690
Admin/Ancillary LAs & NCC	7.052	3.700	10.752
Sustainable Grant Award to the Council	54.067	28.375	82.442
Landlord Contributions	2.502	1.725	4.227
Total Project Costs (including Landlord Contributions)	56.569	30.100	86.669

The actual grant awarded to the Council is **£82.442m**, as in the table above. Of this, **£78.859m** can be allocated to grant pass-through and ancillary costs related to successful LA applicants.

Landlord contributions will be collected by successful LAs where applicable.

Revenue Consideration

There is allocation within the grant for administration and ancillary costs which can be utilised by the Council. This totals **£3.583m** of the **£10.752m** Admin/Ancillary LAs & NCC total in **Table 1** above.

The proposed breakdown of the Council administrative & ancillary costs is summarised below in **Table 2; Sustainable Warmth NCC Financial Summary**. Further detail is also laid out in the attached PID, section 2.3 Project Budget.

Table 2; Sustainable Warmth NCC Financial Summary

Sustainable Warmth Budget Headings	£m
Customer Journey support – contract extensions	2.250
Employee Costs (summarised in PID)	0.809
NCC management fee	0.150
Consultancy (Ad hoc – additional approval sought when required)	0.125
CRM system (update and license) and support services	0.100
Technical Assistance Panel	0.075
Events, Marketing, Equipment and Travel	0.074
NCC Financial Total	3.583

Employees are expected to be employed on a FT contract basis to approximately Jun 23. Future pay awards are not yet known therefore any increase to base salary costs will need to be captured within the current financial estimate and contract lengths reduced accordingly.

However, any employee with 2+years NCC service may be entitled to redundancy costs therefore this should be taken into consideration and be provided for under the grant (if allowable), or if not allowable, redundancy costs will need to be met within future CRES resource allocation.

There is scope to revise these budget heading allocations if needed over the length of the project and this can be addressed through the corporate virement process.

Capital Consideration

Accepting this grant does not increase the Council's Capital Programme. However, any grant pass-through allocated to the Council itself through its own potential bid to access funding *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 allocation of grant pass-through and capital programme commitments.

Risks

CRES/MEH will need to put in place internal financial and other systems due to its accountable body role in order to meet the grant conditions and returns defined in the MoU to minimise the risk of grant clawback, all aligning to NCC Financial Regulations & Contract Procedure Rules, including any relevant CPAs.

A requirement of the grant is that LAs will need to ensure landlord contributions are captured in order to match grant spend. This is an additional burden on LAs regarding contribution collection, and an additional requirement on the accountable body regarding claims and reporting.

As MEH has experience in administering large grants, existing systems may be used in order to assist efficient start-up.

Recommendation

If successful, it is recommended an earmarked cost centre under the remit of MEH is allocated with analysis codes to track the various funding elements of the grant to assist financial monitoring.

Processes will need to be put in place to ensure records are kept for the required 10-year period to comply with BEIS audit requirements.

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References

[1] Pg 16, [strategic-council-plan-2021-23_final.pdf \(nottinghamcity.gov.uk\)](#)