



**Cabinet**

**Tuesday, 11 May 2021**

**Local Authority Delivery (LAD) Phase 2 funding**

## **Report of the Director Neighbourhoods**

### **Cabinet Portfolio Holder for Community and the Environment Councillor A Brennan**

#### **1. Purpose of report**

- 1.1. This report presents the current position to Cabinet regarding the allocation of Local Authority Delivery (LAD) Phase 2 funding. It provides details on where energy efficient measures will be delivered and what options are being considered for delivering the works.
- 1.2. The LAD scheme was announced in July 2020, by the Chancellor with the aim of saving householders money, cutting carbon and creating green jobs. Phases 1a and b of the funding allocation were released in August and October 2020.
- 1.3. Phase 2 was announced in early 2021. Funding was ringfenced for each district, with the allocation based on the number of properties that were energy inefficient (those with an EPC rating of E, F and G). The allocation for Rushcliffe is **£692,150** and was announced in April 2021.

#### **2. Recommendation**

It is RECOMMENDED that the Cabinet note and approve:

- a) the funding allocation has been accepted;
- b) the project is time pressured and must be delivered by the 31 December 2021;
- c) the potential target area for the project is initially focussed on East Leake; however, maybe extended across other areas in the Borough if uptake in East Leake is limited; and
- d) the Revenue Budget and Capital Programme are amended (as stated at paragraph 7.1.5) noting the net impact on the budget is zero due to funding via external grant.

### **3. Reasons for Recommendation**

Whilst the timeframe is tight and resources to deliver this project are limited, the allocation of funding provides an opportunity to target Rushcliffe's low-income residents currently residing in energy inefficient housing stock and is a project that the authority should make every effort to deliver for the benefit of our residents.

### **4. Supporting Information**

- 4.1 In Phase 1 of the LAD scheme, the Department of Business, Energy and Industrial Strategy (BEIS) provided £500m of funding for local authorities in England, to improve the energy efficiency of its worst performing homes under the Government's (LAD) element of the Green Homes Grant scheme. Rushcliffe did not submit a bid for funding for either Phase 1A or 1B of the scheme.
- 4.2 Phase 2 (announced late last year) comprised of a further £300m that is being allocated through Local Energy Hubs (Hubs) for regional delivery. A key objective of the scheme is to provide an economic stimulus over summer 2021 as part of the Government's plan to build back better, greener and faster in response to Covid-19. All funding must therefore be invested during 2021 and, where possible, at least half of the delivery should be completed by the end of September to maximise the impact on supporting green jobs this summer.
- 4.3 The Council must commit to retrofitting a minimum of 25 properties (which can be a mixture of tenure) The allocation will; however, cover retrofit works to approximately 64 properties (based on the maximum owner occupation allocation of £10k per property).
- 4.4 The primary purpose of the LAD Phase 2 scheme is to raise the energy efficiency rating of low income and low Energy Performance Certificate (EPC) rated homes (those with EPCs of E, F or G; although D is also in scope subject to a cap of 50% of Band D homes upgraded across each region).
- 4.5 LAD Phase 2 funding is available for all tenure types. This includes owner occupied, private landlords, registered social landlords, Housing Associations and local authority owned housing. Where a property is rented to a tenant (social or private), including a local authority owned property, there will be a minimum contribution by the landlord to the cost of upgrades of a third, with the average subsidy cost not to exceed £5,000 per property. Owner/occupied properties meeting the eligibility criteria are not required to make a contribution to the works. The maximum amount per owner/occupier is £10k (averaged over the number of retrofits).
- 4.6 It is the Government's aspiration that the LAD Phase 2 funding will result in the following outcomes:
  - Tackle fuel poverty by reducing energy bills for low-income households by improving the energy efficiency of their home;

- Deliver cost effective carbon savings to carbon budgets and progress towards the UK's target for net zero by 2050;
  - Support economic resilience and a green recovery in response to the economic impacts of Covid-19, creating thousands of jobs;
  - The phasing out of the installation of high-carbon fossil fuel heating and reducing emissions and improving air quality; and
  - Utilise the role of Local Energy Hubs to build local authority capacity and supply chains to deliver energy efficiency at scale.
- 4.7 Given the tight timeline and to attract contractors to Rushcliffe, an area approach to delivering the project has been taken. An estate in East Leake, consisting of non-standard housing of mixed tenure, has been identified as the potential project area (Appendix 1).
- 4.8 The retrofit proposal for these properties is a mixture of External Wall Insulation (EWI) and Solar Photovoltaics' (P.V's).
- 4.9 Other grants, such as 'Warm Homes', could be used to enhance the offering to residents; for example, the provision of loft insulation.
- 4.10 A project delivery proposal is in the process of being finalised and options on how this will be delivered are being considered. The proposal needs to be submitted by the 24 May 2021 to enable release of the allocation.
- 4.11 Funding for LAD Phase 3 has recently been announced which will see allocation of funding during the financial year 2021/22, with delivery continuing into financial year 2022/23.

## **5. Alternative options considered and reasons for rejection**

Consideration was given to not accepting the allocation due to resource and timeframe constraints. However, given the comprehensive support package available from the Midlands Energy Hub and that any unspent allocation would be sent back, it was agreed to accept the allocation.

## **6. Risks and Uncertainties**

- 6.1 Tight deadlines for project delivery. Half the project must be delivered by the end of September 2021, with the remainder completed by the end of December 2021.
- 6.2 Limited internal resource. Several options are currently being explored to negate this. Part of the funding allocation can be used to provide project delivery support.
- 6.3 Contractor shortage. Many local authorities will be competing for a small pool of skills resource to deliver retrofit works. This may result in the Council not achieving the minimum number of retrofits.

6.4 Planning and/or building regulations will be required on measures such as PV and external wall insulation. This may potentially slow the project delivery down.

## 7. Implications

### 7.1 Financial Implications

7.1.1 Table A details Rushcliffe's allocation of the Capital funding whilst Table B outlines the allocation timeline.

<b>Table A</b>	
Capital Grant Amount	£635,000
Capitalisation Allocation	£57,150
Total	£692,150

<b>Table B</b>	
10% of the total Grant Amount within 30 days of signing the letter. 9% of this can be used for capitalisation	£69,215
Mobilisation Payment (Used for stock analysis or modelling)	£2,750
30% released after approval of the proposal (it is not clear if this is 30% of the amount remaining or of the full grant allocation – for this purpose I have assumed full grant allocation)	£207,645
Quarterly payments within 30 days of 1 July, 1 October (reporting requirements must be met)	£207,645 (each payment)

7.1.2 Any unspent grant monies shall be returned to MEH within 25 calendar days of the end of the Grant Period unless otherwise agreed between the parties.

7.1.3 Confirmation has been received that VAT can be claimed back on privately owned properties.

7.1.4 To assist with the delivery of the project additional staffing maybe required in the future. Staff resources are currently contained within existing budgets; however, a portion of the funding can be used to support the delivery of the project if required.

7.1.5 The Capital Programme will need to be amended to include a provision of £635,000 to meet the grant outlay with a corresponding capital contribution to wholly offset these costs. The revenue budget will need to be amended to include a provision of £60,000 to cover associated ancillary administration and set-up costs, some of which may be allowed to cover internal staffing charges. Again, this will be wholly offset by grant income awarded to meet this.

## 7.2 Legal Implications

Initial advice has been provided on aspects of the project delivery. Whilst acceptance of the allocation is not considered to raise issues, further advice will be provided when project delivery is under way, in particular subsidy control and use of either a Dynamic Purchasing System or the potential direct appointment for contractors undertaking the works.

## 7.3 Equalities Implications

There are no equalities implications arising from this report.

## 7.4 Section 17 of the Crime and Disorder Act 1998 Implications

There are no implications arising from this report that impact on community safety in respect of Section 17 of the Crime and Disorder Act 1988.

## 8. Link to Corporate Priorities

Quality of Life	Tackle fuel poverty by reducing energy bills for low-income households by improving the energy efficiency of their home.
Efficient Services	
Sustainable Growth	Support economic resilience and a green recovery in response to the economic impacts of Covid-19, creating thousands of jobs
The Environment	Deliver cost effective carbon savings to carbon budgets and progress towards the UK's target for net zero by 2050.  The phasing out of the installation of high-carbon fossil fuel heating and reducing emissions and improving air quality.

## 9. Recommendation

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- d) the Revenue Budget and Capital Programme are amended (as stated at paragraph 7.1.5) noting the net impact on the budget is zero due to funding via external grant.

<b>For more information contact:</b>	Emma Georgiou Team Manager – Environment 0115 914 8441 <a href="mailto:egeorgiou@rushcliffe.gov.uk">egeorgiou@rushcliffe.gov.uk</a>
<b>Background papers available for Inspection:</b>	NIL
<b>List of appendices:</b>	Appendix 1 – Map and Streets of the target area

## Appendix 1

### Target area streets in East Leake

- Holme Avenue
- St Mary's Crescent
- Sharpley Drive
- Sweet Leys Drive
- Elm Avenue
- Ryeholme Close
- Manor Road

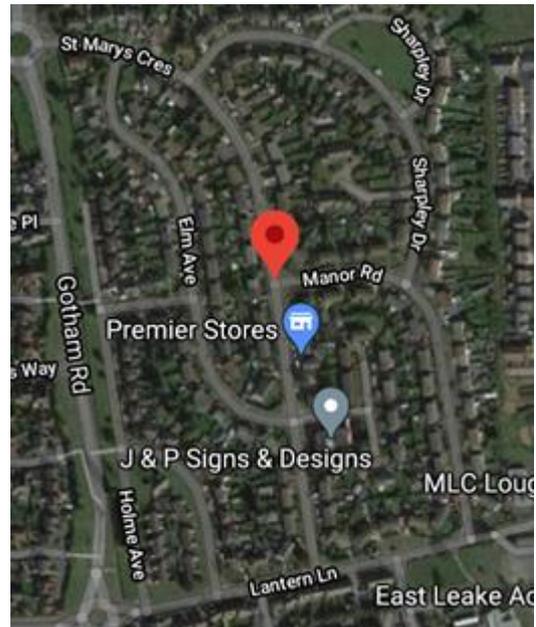


Image 1 - Map of target area in East Leake