

SURREY COUNTY COUNCIL**CABINET****DATE: 28 SEPTEMBER 2021****REPORT OF CABINET MEMBER: MARISA HEATH, CABINET MEMBER FOR ENVIRONMENT****LEAD OFFICER: KATIE STEWART, EXECUTIVE DIRECTOR FOR ENVIRONMENT, TRANSPORT AND INFRASTRUCTURE****SUBJECT: GREEN HOMES GRANT LOCAL AUTHORITY DELIVERY (GHGLAD) FUNDING****ORGANISATION STRATEGY PRIORITY AREA: TACKLING HEALTH INEQUALITIES/ ENABLING A GREENER FUTURE****Purpose of the Report:**

The Cabinet report seeks authorisation for the Council to act as consortium lead and accept into the capital budget £3.2m grant funding from Government's Green Homes Grant Local Authority Delivery (GHGLAD) Phase 2 for the purpose of decarbonising low-income homes in Surrey. The report also requests that approval to accept additional funding streams with the purpose of decarbonising housing in Surrey is delegated to the Council's Capital Programme Panel; these funding streams include GHG LAD Phase 3 and the Home Upgrade Grant (HUG).

Recommendations:

It is recommended that Cabinet:

1. Approves the addition of £3.2m to the capital programme from Government's GHG LAD grant funding, for 21/22 (less 1% revenue costs for SCC admin).
2. Delegates the approval to accept any future government grant funding for the purposes of decarbonising housing in Surrey to the Capital Programme Panel.

Reason for Recommendations:

The recommendations in this report contribute towards the delivery of two of the dial up areas in the refreshed organisation strategy. The first is supporting a greener future in Surrey. Housing in Surrey accounts for 28% of the county's carbon emissions. This is a challenging sector in which to achieve net zero carbon by 2050 due to lack of funding and incentive for homeowners to install insulation, renewable energy and low carbon heating measures. The GHGLAD programme helps to overcome these issues by providing a full grant to low-income households for decarbonisation measures.

The second dial up area is tackling health inequalities. Approximately 7% of households in Surrey are in fuel poverty¹, which largely impacts upon low-income households and is linked to increased winter illnesses and deaths. The GHGLAD programme helps to reduce fuel poverty by providing grant funding to improve the energy efficiency of energy inefficient homes resided in by fuel poor households.

¹ The definition of fuel poverty is when a household is required to spend 10% or more of their annual income to adequately heat their home

Executive Summary:

1. In August 2020, Government announced £2b Green Homes Grant with the purpose of stimulating a green recovery through investment into the UK energy efficiency and low carbon sectors, significantly reducing CO₂ emissions from housing to mitigate climate change as well as reducing instances of fuel poverty.
2. Of this sum of funding, £200m has been allocated to a Green Homes Grant Local Authority Delivery (GHGLAD) programme. This funding is to be delivered by local authorities and targeted at low-income households (with a total income of £30,000 or less), living in the most inefficient homes (homes with an Energy Performance Certificate EPC rating of E, F or G). The funding can be used for measures which improve the EPC rating of these homes, such as energy efficiency lighting, insulation, and renewable heat technologies such as air source heat pumps. Under the funding guidance, households can receive a range of measures up to a total (average) value of £10,000.
3. In October 2020, a consortium made up of Action Surrey (acting as delivery agent), SCC and ten of the boroughs and districts were awarded £6.9m under GHGLAD Phase 1a. Woking BC were consortium lead as Action Surrey is owned and operated by the Borough Council. The funding received enabled approximately 600 fuel poor households to receive decarbonisation measures. GHGLAD 1a ran from October 2020 to August 2021.
4. Alongside GHGLAD Phase 1a, in October 2020, Surrey County Council allocated £750k to create a top-up fund to enable households engaged in the GHGLAD programme to benefit from more expensive energy efficiency and low carbon measures, which otherwise would fall outside of the remit of the GHGLAD scheme. These measures include solid wall insulation, which costs an average of £13,000 per dwelling and ground source heat pumps (a low carbon whole house heating solution) which costs approximately £10,000 per dwelling.
5. Subsequently, an additional phase of funding, GHGLAD 1b, has been issued. The Surrey consortium bid for and received a further £2.3m following the same funding model as 1a. For 1b Runnymede BC separately received £2.8m using Happy Energy as delivery agents. GHGLAD 1b commenced in March of this year and is due to run until December 2021.
6. Further details regarding grant expenditure and performance of the GHGLAD 1a and 1b phases are included in Annex 1. The GHGLAD funding criteria are included in Annex 2. In total, GHGLAD Phases 1a and 1b provided measures to 236 homes and granted £706K of investment to Surrey based installers which remained a priority for the Council whilst using Happy Energy as the delivery agent.
7. In early 2021, Government announced that GHGLAD Phase 2 would be delivered under a non-competitive model, managed by the Energy Hubs², who were also responsible for the procurement of delivery agents Happy Energy. GHGLAD 2 is scheduled to commence in September of this year and will run until March 2022. Following agreement from the eleven boroughs and districts, Surrey County Council is acting as lead authority on behalf of the county consortium in the delivery of GHGLAD 2.

² The Greater South East Energy Hub is one of five local Energy Hubs in England. These are funded by the Department for Business, Energy and Industrial Strategy. Each Energy Hub has an operations team of energy experts that provides Local Enterprise Partnerships, local authorities and others, with practical support to develop local energy projects. All local Energy Hubs have the overarching aims of bringing investment into local energy projects and working together to share best practice across the regions

8. The Government has calculated GHGLAD 2 grant funding allocations based upon fuel poverty statistics within tier two authorities. Surrey has been allocated a total of £3.2m. A breakdown of the total GHGLAD funding which has been received to date is included in Annex 3.
9. £232k of SCC's top-up grant was allocated to fund installation measures under GHGLAD 1a. In August of this year, the Council's Capital Programme Panel made a decision that the remaining unspent allocation, which was being held in the capital pipeline, be used as a top-up grant for GHGLAD 1b and 2, following the same grant conditions as GHGLAD 1a.
10. Additional tranches of funding for decarbonising homes, including GHGLAD Phase 3 and the home upgrade grant (HUG), which focuses on installing zero carbon heating in off gas grid homes, have been announced by the Government; however, grant details have yet to be made available. It is expected that the same delivery model for GHGLAD Phase 2 will be able to be used for these further rounds of funding, although this will be confirmed when the details of this funding is made available.

Consultation:

11. The decision to accept the grant funding was approved at the Council's Infrastructure Board on 22 June and Capital Programme Panel (CPP) on 20 July 2021.
12. The delivery mechanism for GHGLAD 2 was agreed by all of Surrey's boroughs and districts in collaboration with the Greater South East Energy Hub.

Risk Management and Implications:

13. The grant terms and conditions set out the role that the Council will undertake as the GHGLAD 2 consortium lead and have been developed in a way that minimises the risks to the Council. Officers in the Council's legal team have reviewed and approved the terms and conditions.
14. Risks to residents (both to persons and property) resulting from the installation of decarbonisation measures within their homes will be minimised through the contractual arrangement with the managing agent Happy Energy. As part of the procurement process, Happy Energy were required to demonstrate the processes in place to guarantee safety within their supply chains as well as meeting the minimum insurance requirements. The contractual agreement with the managing agent includes the following requirements:
 - The managing agent will have sufficient working capital, skilled staff, and other resources available to it in order to carry out the services.
 - The managing agent's Public Liability insurance has been set at not less than £10m and Works Insurance to cover professional fees has been set at not less than 15%.
 - All eligible installers must be Trustmark registered and certified to PAS2030:2019 standards and MCS accreditation for renewable heat and energy
 - All necessary consents, licences and permissions to enable the managing agent to carry out the services will be obtained

Financial and Value for Money Implications:

15. The purpose of this report is to authorise the acceptance of £3.2m grant funding (as well as any subsequent tranches of funding) in order to decarbonise housing in Surrey.

16. GHGLAD 1a and 1b to date received top up grants from the Council (£232K and 220K respectively) to leverage £2.14m of grant funding. This report seeks approval to further consolidate that leverage.
17. To minimise revenue pressures upon the Council, up to 1% of the grant is to be paid to the Council to cover the cost of administration tasks.

Section 151 Officer Commentary:

18. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium-term financial outlook beyond 2021/22 remains uncertain. The public health crisis has resulted in increased costs which may not be fully funded. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.
19. The Section 151 Officer supports the proposal for SCC to act as consortium lead and accept the 3.226m of grant funding for Greener Homes Grant Local Authority Delivery Phase 2. The capital project will be included in the capital programme, with the grant funding fully covering the cost.

Legal Implications – Monitoring Officer:

20. The Grant Terms and Conditions and Inter Authority Agreement have been reviewed by the Council's Legal team and approved. Both agreements will need to be executed with which Legal will assist.

Equalities and Diversity:

21. This project is included within the scope of the Equalities Impact Assessment, initial screening found no negative impacts upon any groups of residents or officers. The project will have a positive impact by reducing the fuel bills of Surrey's lowest income households. The final report is being produced for the Climate Change Delivery Plan which is due to be taken to Cabinet in October.

Climate Change and Greener Futures Impacts:

22. The project will directly contribute towards the delivery of the Climate Change Delivery Plan helping to create Energy Positive Communities and increased use of Renewable Energy. It will also directly contribute to a reduction in carbon emissions arising from the county's domestic sector. Detailed carbon reduction assessments will be completed by the delivery agents on completion of each of the GHGLAD phases. The total of all GHGLAD investment (£15m across all phases, including the one recommended for approval in this report) is estimated to reduce annual carbon emissions by 1314 tCO₂ per annum.

Other Implications:

23. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No significant implications arising from this report.
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report.
Environmental sustainability	The delivery of this project will result in carbon reduction from low income households in Surrey, helping to meet Surrey's net zero carbon targets and mitigate climate change.
Public Health	The delivery of this project will have public health benefits through the reduction of the number of households living in fuel poverty which is linked to increased winter deaths and morbidity

What Happens Next:

24. If Cabinet approve the recommendation in this report, the next steps in delivering the project include:

- Completion of the GHGLAD grant terms and conditions and grant agreement between SCC and Happy Energy which allows the payment of the top up grant
- Promotion of the funding scheme to residents
- Launch of GHGLAD 2

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Consulted:

Details of consultation are included above. Consultees include:

- Boroughs and district officers with responsibility for climate change and fuel poverty
- Greater South East Energy Hub
- Capital Programme Panel

Annexes:

Annex 1- GHGLAD Performance Details

Annex 2- Greener Homes Grant allocated to Surrey

Annex 3 - Greener Homes Grant allocated to Surrey

Annex 1 - GHGLAD Performance Details

Performance metric	GHGLAD 1a	GHGLAD 1b (to date)
Total installations approved	289	121
Total households receiving measures	236	
Total grant investment to Surrey based installers	£706k	

	Phase 1a	Phase 1b	Phase 2
Eligible Homes	<ul style="list-style-type: none"> Only properties with an EPC rating of E, F & G are eligible. Properties with a Band D can only be considered if part of an area based delivery (missing tooth affect). 	<ul style="list-style-type: none"> Delivery is focussed on EPC rating E, F and G however some successful applications include delivery to D rated properties (max 50% as policy aim). 	<ul style="list-style-type: none"> Delivery is focussed on EPC rating E, F and G however allow delivery to D rated properties (max 50%).
Eligible Residents	<ul style="list-style-type: none"> Households must be low income. LAs can either use household income below £30k, means tested benefits or ECO Flex statement where they have evidenced higher rental costs in their application. 	<ul style="list-style-type: none"> Same eligibility as Phase 1a 	<ul style="list-style-type: none"> Same eligibility guidance set as Phase 1a
Tenure Type –Subsidy Caps	<ul style="list-style-type: none"> Owner occupied, privately rented and social houses are eligible. Owner Occupied can obtain max LAD subsidy of £10k (this is average subsidy across project) Privately rented and social housing can obtain max LAD subsidy £5k with at least 33% of the total costs landlord contribution 	<ul style="list-style-type: none"> Same eligibility as Phase 1a 	<ul style="list-style-type: none"> Same eligibility guidance set as Phase 1a
Eligible Contractors	<ul style="list-style-type: none"> Installers must be certified to PAS2030:2017. It is not a requirement for installers to be Trustmark-registered. MCS Certified for heating. 	<ul style="list-style-type: none"> Installers must be certified to PAS2030:2017 (transition to PAS 2035:2019 by end of June). Bids using Trustmark-registered installers were preferred. MCS Certified for heating. 	<ul style="list-style-type: none"> Installers of energy efficient measures must be TrustMark registered and use PAS2035:2019 and PAS2030:2019. MCS Certified for heating.
Eligible Measures	<ul style="list-style-type: none"> Eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve EPC Band D, E, F or G rated homes. This includes, but is not limited to, measures such as wall, loft and underfloor insulation, as well as low carbon technologies and solar photovoltaics. All fossil fuel measures are excluded. 	<ul style="list-style-type: none"> Same eligibility as Phase 1a 	<ul style="list-style-type: none"> Same eligibility as Phase 1a

Annex 3 - Greener Homes Grant allocated to Surrey

The total grant funding from GHG LAD into Surrey currently stands at £15.483m.

GHG LAD Tranche	Surrey Consortium Grant Bids	Runnymede BC Grant Bids	SCC Top Up (across all tranches)
	£m	£m	£m
Phase 1a	6.267		0.75
Phase 1b	3.093	2.897	
Phase 2		3.226	
Total		15.48	0.75