
Cabinet
Council

29th August 2023
5th September 2023

Name of Cabinet Member:

Cabinet Member for Jobs, Regeneration, and Climate Change - Councillor J O'Boyle

Director Approving Submission of the report:

Director of Transportation, Highways and Sustainability

Ward(s) affected:

All Wards

Title:

Home Upgrade Grant 2 and Homes Retrofit Programmes Update

Is this a key decision?

Yes - the report involves financial implications in excess of £1m per annum and significantly affects residents in all electoral wards of the city

Executive Summary:

Coventry's draft Climate Change Strategy, published earlier this year, sets out an ambitious vision for how the city intends to 'tackle the causes and consequences of climate change', which is a key priority of the One Coventry Plan. To accompany the strategy, a Net Zero Routemap for Coventry was produced, which identifies emissions from homes as the biggest contributor to the city's carbon footprint, totalling 30% of all emissions.

Over the past 18 months, the Council has been accelerating action on domestic retrofit to help make homes more energy efficient, successfully attracting almost £30m external grant funding to support residents across all housing tenures in the city, including social housing, homeowners, and privately rented tenants. The challenges to this sector are huge, the funding secured to date will improve the energy efficiency of 2,500 homes, but with 143,000 properties across the city activity needs to be significantly scaled up to help reduce our carbon footprint and to support the alleviation of fuel poverty, The Council's Strategic Energy Partnership will help to support these ambitions.

This report seeks approval to accept £2.8 million of Homes Upgrade Grant 2 (HUG2), awarded by the Midlands Net Zero Hub (MNZH), which will help to improve the energy efficiency of up to 150 homes. The report also provides an update on progress to domestic retrofit in Coventry to date, highlighting schemes that this funding will align with and complement.

The Homes Upgrade Grant Phase 2 scheme will support the retrofit of energy efficiency measures for low-income households and those with low Energy Performance Certificate (EPC) ratings and no gas central heating within Coventry.

The funding is available for up to 100% of both capital and revenue costs associated with its delivery, subject to eligibility criteria being fulfilled. The Council will ensure it aligns and complements both the existing 'Keeping Coventry Warm' scheme, as well as the other domestic retrofit schemes being delivered across the city.

The funding is essential to support some of the most vulnerable residents in our community to improve the energy efficiency of their homes and reduce the levels of fuel poverty across the city. This will in turn lead to:

- 1) reduction in Coventry's domestic carbon emissions.
- 2) reduction in health-related morbidity and mortality associated with living in cold homes.
- 3) reduced demand placed on health and care services.
- 4) improved energy efficiency, reduced energy bills and increased thermal comfort.

Recommendations:

Cabinet is requested to recommend that Council:

- 1) Approves acceptance of MNZH's HUG2 allocation to Coventry totalling £2,810,500. To enable the Council to deliver a scheme of domestic retrofit measures to off-gas fuel poor and low-income households in Coventry as set out in this report.
- 2) Delegates authority to the Director of Transportation, Highways and Sustainability, following consultation with the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer, to undertake the necessary due diligence, finalise the terms and conditions of the HUG2 grant, and enter into any legal agreements required to facilitate delivery of the project.
- 3) Agrees that delegation be given to the Director of Transportation, Highways and Sustainability to pursue and accept further funding opportunities up to £5 million that may be offered to support further decarbonisation of the city's domestic buildings, following consultation with the Cabinet Member for Jobs, Regeneration, and Climate Change and the Cabinet Member for Strategic Finance and Resources.

Council is recommended to:

- 1) Approve acceptance of MNZH's HUG2 allocation to Coventry totalling £2,810,500. To enable the Council to deliver a scheme of domestic retrofit measures to off-gas fuel poor and low-income households in Coventry as set out in this report.
- 2) Delegates authority to the Director of Transportation, Highways and Sustainability, following consultation with the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer, to undertake the necessary due diligence, finalise the terms and conditions of the HUG2 grant, and enter into any legal agreements required to facilitate delivery of the project.
- 3) Agree that delegation be given to the Director of Transportation, Highways and Sustainability to pursue and accept further funding opportunities up to £5 million that may be offered to support further decarbonisation of the city's domestic buildings, in consultation with the Cabinet Member for Jobs, Regeneration, and Climate Change and the Cabinet Member for Strategic Finance and Resources.

List of Appendices included:

None

Background papers:

None

Other useful documents

Home Upgrade Grant Phase 2 Guidance Notes -

<https://www.gov.uk/government/publications/home-upgrade-grant-phase-2>

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel, or other body?

No

Will this report go to Council?

Yes – 5th September 2023

Report Title: Home Upgrade Grant 2 and Domestic Retrofit Programmes Update

1. Context (or background)

- 1.1 Earlier this year, the Council published its draft Climate Change Strategy, which sets an ambitious vision for how the city intends to 'tackle the causes and consequences of climate change', which is a key priority of the One Coventry Plan. The strategy aims to protect the most vulnerable, mitigate the impact of climate change and will help build resilience across the city.
- 1.2 To accompany the strategy, the Council commissioned the creation of a Net Zero Routemap for Coventry. This identified emissions from homes as the biggest contributor to the city's carbon footprint, totalling 30% of all emissions. Furthermore, the report identified six of the top ten list of most-carbon effective options are related to domestic retrofit. This highlights the importance of a coordinated effort to scale-up retrofit across all housing tenures in the city.
- 1.3 The Council will ensure alignment with the new Strategic Energy Partner. Using their expertise, this will lead opportunities for the scale-up of retrofit and enable more innovative approaches. Therefore, a key consideration of this and future retrofit programmes will be whether it can be managed and delivered by the Strategic Energy Partner.
- 1.4 The Home Upgrade Grant 2 (HUG2) programme is a government-funded grant scheme that provides energy efficiency upgrades and low carbon heating to low-income households living in the worst quality, non-gas-heated homes in England.
- 1.5 It 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.
 - enable the delivery of the wider Net Zero programme to phase out high-carbon heating for homes off the mains gas grid.
- 1.6 Up to £630 million of grant funding has been made available nationally. The Midlands Net Zero Hub (MNZH) was successful in a regional bid for HUG2 from the Department of Energy Security & Net Zero (ESNZ), formally Department for Business, Energy, and Industrial Strategy (BEIS).
- 1.7 A proportion of this funding was allocated to Coventry City Council which we are now seeking approval to accept. Subject to acceptance, Coventry City Council's allocation will be c.£2.8 million, which will need to be spent by March 25 and deliver improvements to up to 150 homes.
- 1.8 We have worked with Midlands Net Zero Hub in a similar capacity to deliver previous domestic retrofit grants (LAD2, Sustainable Warmth Competition). We have also worked with the Midlands Net Zero Hub procured customer journey support organisation, Act on Energy, on previous retrofit programmes, including with our own public health funded programmes.
- 1.9 Fuel poverty is a significant problem for some Coventry households, with many low income and vulnerable people affected. The latest statistic (2021) indicates that 20.8% of all households are fuel poor, and consequently are unable to afford to stay warm in their homes. This will have been exacerbated further by the recent cost of living crisis, which will be reflected in future statistics published by the government. Living in cold homes can

cause or worsen a range of serious health conditions such as heart attacks, strokes, bronchitis, and asthma. Each year, around 10,000 people die in England as a result of living in a cold home, a higher percentage of these from fuel poor and low-income families.

- 1.10 Improvement of the insulation of homes is also important for climate adaptation and resilience, with the world facing warmer summers. Improvements to the insulation and ventilation of homes will lead to a reduction in the overheating risk summers.
- 1.11 The funding will be used to support some of the city's most vulnerable residents aiming to improve the energy efficiency of their homes, make their homes warmer and reduce the levels of fuel poverty across the city. The measures will include:
 - external wall insulation
 - solar PV
 - cavity wall insulation
 - loft insulation
 - heat pumps
 - room in roof insulation
 - windows & doors
 - other (in agreement with the Midlands Net Zero Hub)
- 1.12 To be eligible for the scheme, the households must:
 - have a combined income below £31k. If it is a private rented property, the tenant needs to fulfil this criteria.
 - Or be located within an eligible area (Those living in income deciles 1-3).

In addition, the property must be eligible by being a dwelling with an energy performance certificate of D or below and be off gas-grid.

Other eligibility criteria includes where rented sector is supported, landlord must contribute a minimum of one third of the project costs. Funding will also be limited to landlord with 4 or fewer properties and funding can only be used to support rented properties with an energy performance certificate of D or E. If the property is rated F or G the landlord must have a registered exemption under the Energy Efficiency Regulations 2015.

- 1.13 During the delivery, the Council will ensure it aligns with and complements other domestic retrofit schemes currently being delivered.
- 1.14 The following section provides an overview of schemes which have been and are currently being delivered in the city. It highlights the extent to which the Council are working to scale up retrofit.

Social Housing Decarbonation Fund (SHDF) Wave 1

In October last year, work started to improve the energy efficiency of 95 homes in partnership with Citizen Housing, with funding (c.£1.1 million) from the Social Housing Decarbonisation Fund. Citizen Housing led on the delivery of these works which improved 95 properties from an EPC D up to a C. The work, which was co-funded by Citizen Housing, enabled us to follow a fabric-first approach, installing external wall insulation, energy efficient doors and windows, increased loft insulation and improving ventilation to reduce the potential for mould growth. The project was successfully completed in June 23.

Social Housing Decarbonation Fund (SHDF) Wave 2

Building on the successful partnership with Citizen Housing for Social Housing Decarbonisation Fund Wave 1, the Council and Citizen have significantly scaled up for Social Housing Decarbonisation Fund Wave 2. The Council and Citizen have been awarded c. £23.8 million to improve the energy efficiency of more than 2,000 Citizen

homes in Coventry over the next two and half years. Similarly to Wave 1, the homes will be improved using a fabric first approach. This will ensure they have the fabric measures ready to able them to be 'net zero' within the future once solar PV and air source heat pumps can be installed. Work has recently started, and the project needs to be completed by September 2025.

Sustainable Warmth Competition (SWC)

The Sustainable Warmth Competition is a government-funded grant programme of c.£2.18 million which aims to support the retrofit of energy efficiency measures for low income and low Energy Performance Certificate (EPC) rated residential households within the City (both on-gas, and off-gas). The Sustainable Warmth Competition which was awarded in early 2022 is set to complete by September 23 and by completion should have supported over 160 low-income private homes with energy efficiency measures including a range of insulation measures, solar PV and low carbon heating.

Local Authority Delivery 2

In September 2022, the Council also concluded its LAD2 programme. This supported 98 households with energy efficiency measures including a range of insulation measures and solar PV. The scheme enabled lessons to be learnt that were carried over to future retrofit programmes.

Energy Company Obligation (ECO) 4

ECO4 is a government energy efficiency scheme designed to tackle fuel poverty and help reduce carbon emissions. Large and medium energy suppliers are required by the government to install a number of energy efficiency measures such as insulation and heating upgrades to support vulnerable, fuel poor and low-income households to heat their homes. The Council has recently begun an initial pilot scheme and will seek opportunities to maximise delivery by developing relationships with energy suppliers and managing agents. With ECO4 delivery until March 26, the Council intend to drive significant activity through this stream, which could lead to large investment from energy suppliers to fulfil their obligation within Coventry.

- 1.15 Over the last 18 months, the Council (working with partners) will have secured almost £30 million in grant funding to be delivered by March 25, with further investment from ECO4. This is a significant amount and will help improve the energy efficiency of 2,500 homes, supporting those potentially living in fuel poverty, whilst also scaling up retrofit skills and supply chain capacity across the city. Despite this success, the funding will still only go a small way to achieving the challenging targets set for improvement of EPCs and net zero.
- 1.16 There are however still significant challenges that need to be addressed regarding domestic retrofit in Coventry. There are 143,000 homes across the city and the majority of residents do not have access to funding in order to carry out energy efficiency improvements to their homes. It is estimated that over 108,000 of these homes are below an EPC C. In addition to lack of funding, there are other challenges including resident engagement including accessing hard-to-reach groups, a lack of skills to deliver domestic retrofit at scale, alongside technical and planning challenges associated with Coventry housing stock. The Council is working to address all of these across the Council, but also at a regional scale. For example, the Council are trying to build trust in the community by hosting resident engagement events ensuring communication direct from the Council. The Strategic Energy Partnership will provide a significant opportunity to address these challenges and support long term planning of a city-wide retrofit programme.

2. Options considered and recommended proposal

2.1 Option 1 – Do nothing / Do not accept grant funding (Not Recommended)

2.1.1 This option would not enable the Council to meet key objectives, namely tackling fuel poverty and reducing carbon emissions within the City. The HUG2 scheme supports all three of the One Coventry Plan priorities by:

- Tackling the causes of climate change – reducing carbon emissions of houses.
- Tackling inequalities – reducing fuel poverty and supporting low-income households across the city.
- Increasing economic prosperity – developing the retrofit supply chain and increasing the amount of green jobs in the sector.

2.1.2 Significant investment is required to retrofit the entirety of the city to meet carbon targets (e.g., UK's net zero target by 2050; WMCAs pledge to achieve net zero by 2041) and the Council should take the opportunities to support this work whenever available.

2.2 Option 2 – Accept the grant funding (Recommended)

2.2.1 The acceptance of the grant funding would provide the financial capability to support households within the City. This will support all three of the One Coventry Plan priorities, as mentioned above.

2.2.2 In addition to supporting fuel poor residents in the city and reducing carbon emissions, the acceptance of this funding will also improve employability for local contractors who will be engaged with the project, building a larger and more resilient low carbon sector in the city and surrounding areas.

2.2.3 The risks associated with the HUG2 are low compared to other grant schemes as the scheme will fund 100% of both capital and admin/ancillary costs. Any underspend will need to be returned to MNZH.

3. Results of consultation undertaken

3.1 There will be an opportunity to consult with various parties (Inc. our delivery partners Act on Energy, and the nominated contractor) during the creation of the development plan. Tight timescales in the bidding process prevented further opportunities for more detailed consultation.

3.2 However, the delivery of this funding will help to support several aims of the Council's draft Climate Change Strategy. Consultation of this strategy has identified retrofit as a key areas partners and residents alike want focus on. It also supports all three priorities of the One Coventry plan.

4. Timetable for implementing this decision

4.1 The MNZH were notified of the successful bid earlier this year. They have requested that development plans are submitted by 1st September. The Council will submit the development plan on approval of Cabinet.

4.2 The delivery of the scheme will need to be completed by 31st March 2025.

5. Comments from the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer

5.1 Financial implications

- 5.1.1 The approval of the c. £2.8 million grant funding from MNZH will cover all costs including capitals costs, admin costs and ancillary costs. HUG2 does not require any capital or revenue match funding to be provided locally by the City Council, but all investments and outcomes must be achieved by the end of March 2025.
- 5.1.2 A breakdown of the c. £2.8 million funding is provided below:
- 1st Year
£843,000 (£766,500 capital and £76,650 admin and ancillary)
- 2nd Year
£1,967,250 (£1,788,500 capital and £175,850 admin and ancillary)
- 5.1.3 The Council will procure in line with the grant conditions and enter into a contract with the procured contractor to ensure there is minimal financial risk.
- 5.1.4 If approved, the Council will be required to create a development plan indicating how the grant will be spent, as well as signing and returning a Grant Award Letter to MNZH. Grant payments can be made under Section 31 of the Local Government Act 2003.
- 5.1.5 Funding will be drawn down by submitting batch applications of properties. At the batch application stage, LAs will provide housing stock data, measure mixes, and costs for a batch of homes that are 'ready-to-retrofit'.
- 5.1.6 If the batch is approved, the LA will be able to draw down the requested funds to complete the respective upgrades for that batch. This final step will be repeated numerous times throughout the delivery window, with exact funding released in batches to fit the set cost archetype caps for energy efficiency measures (£3k-24k) and clean heat measures (£5k-£14k)
- 5.1.7 Funding is available for 100% capital and revenue costs associated with the delivery of the programme, subject to eligibility criteria being met.

5.2 Legal implications

- 5.2.1 The Council will need to sign a Grant Agreement with MNZH, outlining the conditions by which the grant must be spent, as well as other appropriate documentation (e.g., Data Sharing Agreement, Privacy Notice etc.) approved by the Council's legal and governance services.
- 5.2.2 To ensure full compliance, the terms and conditions will be devolved to and approved by our delivery partners. The agreed terms and conditions will ensure that the appropriate conditions and obligations imposed by CCC are carried out.
- 5.2.3 The Council will be required to enter a contractual agreement with the nominated delivery partner, which will require approval by the Council's legal services.
- 5.2.4 There is a small risk of clawback in the event of non-compliance with the terms and conditions set out in the Grant Award Letter. However, the Council will work with

delivery partners to ensure strict monitoring of compliance, which will be spot-checked by the Council (in addition to the measures identified in paragraph 6.2 of this report) to minimise this risk.

- 5.2.5 Any procurement exercise will be conducted in compliance with the Council's policy and legal obligations, specifically in compliance with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015 and Subsidy Control Rules and supported by relevant officers.
- 5.2.6 The Council will work with legal to ensure all aspects of the scheme comply with the new subsidy controls rules, brought into force earlier this year.

6. Other implications

6.1 How will this contribute to the One Coventry Plan?

<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>

- 6.1.1 The HUG2 scheme supports all three of the One Coventry Plan priorities. The scheme helps to tackle the causes and consequences of climate change by improving energy efficiency and reducing carbon emissions within the city's housing stock. The city's housing stock currently accounts for approximately one third of carbon emissions and is often seen as the most difficult sector to achieve net zero.
- 6.1.2 The HUG2 Programme will also 'Improve outcomes and tackles inequalities within our communities' by supporting the most vulnerable, including those living in fuel poverty. The scheme is aimed at supporting low-income and fuel-poor households and will continue to target these residents.
- 6.1.3 The scheme will also 'Increase the economic prosperity of the city and region' by supporting businesses associated with retrofit to grow and scale up. This will create more local jobs, and helping people develop skills once they are in work.
- 6.1.4 The HUG2 Programme (and other programmes being delivered by partners) also ensures the Council will continue to act as a leader and enabler for the city and achieving the best results for residents in the city.

6.2 How is risk being managed?

- 6.2.1 The Council will be responsible for ensuring that the funding is spent in compliance with the programme's regulations and before 31st March 2025.
- 6.2.2 The main risk is related to delivery within the allocated timeframes, however working closely with delivery partners will ensure there is capacity in the management side, and contractor side of the project to deliver within this timescale.
- 6.2.3 For the duration of the scheme, a project board comprised of members from all delivery organisations will be in operation. The board will meet to discuss: Progress against KPIs, evaluation of marketing, issue logs, project risk registers and individual cases where necessary. Progress of retrofit programmes will also be regularly reported to the Strategic Lead for Green Future, bringing additional strategic support to the programme.

6.3 What is the impact on the organisation?

- 6.3.1 The scheme will be delivered within existing staff resources. Where possible, a proportion of the grant funding will be used to increase staff capacity (on a fixed term contract) within the Climate Change and Sustainability Team.

6.4 Equality Impact Assessment (EIA)

- 6.4.1 Fuel Poverty disproportionately affects householders who are vulnerable and on low incomes, and particularly those with ill-health or disabilities. Increasing the capacity of funding available to support these residents is of vital importance.
- 6.4.2 Many of the equalities identified within the Climate Change Strategy EIA will be of relevance. This will be consulted during the delivery of the HUG2 scheme.
- 6.4.3 A separate EIA is currently in development and will be published once the approval for funding has been granted.

6.5 Implications for (or impact on) climate change and the environment

- 6.5.1 The housing sector is responsible for a substantial proportion (c.34%) of carbon dioxide emissions in the city. Energy efficiency improvements to the housing stock will play an important part in reducing carbon emissions. This is in line with the Council's existing Climate Change Strategy. The scheme will also support additional jobs in the low carbon sector, by helping engaged businesses to grow and scale up. The ultimate aim of this project is one to reduce fuel poverty and tackle the causes and consequences of climate change. An independent ['Net Zero Carbon Route Map for Coventry'](#) identified the top ten most carbon-effective options to reduce carbon emissions. Six of these ten were related to domestic retrofit, including installation of external wall insulation as the most effective. Where possible, the Council will aim to ensure the programme is fabric-first, making homes 'net zero ready'.

6.6 Implications for partner organisations?

- 6.6.1 The customer journey and delivery of the scheme will be completed by organisations outside the council due to the expertise and accreditations these organisations can provide. Where possible these organisations will be local to Coventry and the Midlands providing opportunities to use a local workforce.

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