



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Agenda Item No: 2.1

Green Home Grant LAD2

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| To: | Cambridgeshire and Peterborough Combined Authority Board |
| Meeting Date: | 31 August 2022 |
| Public report: | Yes |
| Lead Member: | Mayor Dr Nik Johnson |
| From: | Maxine Narburgh, Regional Head of Greater South East Net Zero Hub |
| Key decision: | Yes |
| Forward Plan ref: | KD2022/039 |
| Recommendations: | <p>The Combined Authority Board is recommended to:</p> <ul style="list-style-type: none">a) Note the ongoing work with BEIS to manage the recovery plan for the Green Homes Grant (LAD2 programme) and the revised forecast covering the scheme extension by an additional three months to complete installations by 30 September 2022.b) Approve the return of additional underspend to BEIS of £33.35m that is detailed in an MOU variation attached as Appendix 1.c) Delegate authority to the Interim Chief Executive, the Monitoring Officer and the S73 Officer to return any remaining unspent capital funds at scheme end in line with the revised MOU and scheme conditions. |
| Voting arrangements: | <p>A simple majority of all Members present and voting.</p> <p>To be carried, the vote must include the vote of the Mayor, or the Deputy Mayor when acting in place of the Mayor.</p> |

1. Purpose

- 1.1 This report is to update the Board on current status of the LAD2 scheme delivery, noting new forecasts for the out-turn.
- 1.2 To inform the Board of the request from BEIS and ask for decision on early return of funds which will remain unspent in this scheme.
- 1.3 To ensure the scheme can close in October 2022 in line with the requirements in the MOU without recourse to further decisions from the Board.

2. Background

- 2.1 On the 26th January 2022 a Board paper with an exempt appendix was presented to the CPCA Board explaining the delivery status of the Green Homes Grant Local Authority Delivery (LAD2) programme, which highlighted an expected project underspend of c. £25,000,000-£30,000,000 against the overall programme funding of £78,350,000. £22,000,000 was returned to BEIS on 31st March 2022.
- 2.2 The purpose of the Green Homes Grant, also known as the Local Authority Delivery (LAD2) programme is to raise the energy efficiency rating of low income and low EPC rated households (those with E, F or G although D is also in scope subject to a cap of 50% of Band D homes upgraded across the region), to deliver the following outcomes.
 - a. Tackle fuel poverty by increasing low-income household's energy efficiency rating while reducing their energy bills
 - b. Deliver cost effective carbon savings to carbon budgets and progress towards the UK's target for net zero by 2050
 - c. Support clean growth and ensure homes are thermally comfortable, efficient, and well-adapted to climate change,
 - d. Support Local Authorities to build capacity and capability to deliver large scale energy efficiency projects to low-income households,
 - e. Support economic resilience and a green recovery in response to the economic impacts of Covid-19, creating thousands of jobs, and
 - f. Use learnings from the delivery experience to inform the development and design of further energy efficiency and heat scheme
- 2.3 The full £78.35 million capital plus £1million mobilisation fund that was awarded to the GSENGH on 12 February 2021 will not be allocated into homes. This is due to delays in contracting, availability of a national supply chain and local authority capacity to deliver projects which has resulted in the inability to spend the funding allocation within the project timeframe (now September 2022).
- 2.4 The LAD2 scheme has been extended again by three months. We received the most recent extension letter (Appendix 2) on 15 June 2022 to allow installations to continue until 30 September 2022. This will be the final extension of the delivery period as confirmed by letter (Appendix 3) from the responsible Minister (Lord Callanan) to the Mayor on 11 July 2022.

- 2.5 The recovery plan in January 2022 predicted ~£45m delivery against the £78.35m target. £22m funding was returned to BEIS following CPCA Board decision as part of an MOU variation signed in February 2022.
- 2.6 Despite recent signs of progress only ~£7.5m has been spent to end of June 2022, the ~£2.5m achieved in June reflects some late billing of work in previous months. This late billing behaviour will lead to a variance that will emerge at the end of the scheme reducing the accuracy of forecasts. This adds risk to our forecasting as the volumes of work allocated and delivered are increasing and we may see greater impact of this behaviour.
- 2.7 Work is ongoing to maximise our delivery of LAD2. This involves building both the project team, and installer, capability and capacity. It must be noted that this will have minimal impact in the time remaining on this scheme and will provide larger benefits to the delivery of Sustainable Warmth and future projects.
- 2.8 The scheme has delivered 1,376 measures to 860 households (end of July).
- 2.9 Using actuals to end of June 2022 and applying various delivery scenarios our current forecast gives a range of ~£16m - £21m at scheme end. Once the forecast is risk adjusted for late billing variance, and potential increasing impact from it, we have an upper end forecast around £24m. Note that the upper forecast is extremely unlikely, and we require performance to improve compared to June 2022 delivery to achieve the lower forecast of £16m.
- 2.10 Unspent funds must be returned to BEIS. The Department is asking for early return of £33.35million by end of September 2022 and this requires CPCA Board agreement to the MOU variation dated 15 July 2022.
- 2.11 Returned funding may be made available to similar schemes or these monies may be returned to HM Treasury to reinvest or reduce the capital sum against which this was funding was borrowed 2 years ago. This demonstrates effective management of public money as we have identified we cannot spend the funds in this scheme.
- 2.12 Local Impact: The return of £22million plus £33.35million from a fund of £79.35million is split across the collection of smaller funding allocations across 136 Local Authorities. The large impact seen in the whole scheme translates to a reduction of less than £2million across Cambridgeshire and the Local Authorities that constitute the Combined Authority region.
- 2.13 We agreed with BEIS to allow flexibility in the amount of funds returned early if monitoring of performance can evidence that the scheme can deliver more than the upper end of the forecast range, that is exceed £24m outturn. This evidence has not been seen in June delivery figures or the early indications from July delivery performance. We must return the full amount requested; no further data is expected in the timescale that will impact the forecast.
- 2.14 At the end of scheme delivery, 30th September 2022, there is a 30-day period to finalise submissions from installers, managing agents, make final payments, and reconcile data and reporting for the final outturn of the scheme. This means that by 30th October 2022 any remaining unspent funds are to be returned to BEIS as per the conditions of the scheme. Any further underspend will be returned at that point.

- 2.15 Despite the underperformance of delivery in the LAD2 scheme it has allowed a supply chain to be developed for LAD Phase 3 and HUG1 projects running under the banner of the Sustainable Warmth Fund. A further phase of HUG funding is being discussed to run from March 2023.
- 2.16 Green Skills are an important part of the future for the region through the delivery of Net Zero targets for 2050 and lower carbon businesses. The Combined Authority has worked to improve these through

Capital projects

We have supported the College of West Anglia in the development of their proposal to be included in the Fenland District Council's Levelling Up Fund (LUF) bid to develop a Carbon Net Zero Centre at their Wisbech campus. The College through this process has also secured £2m of the Business Board's Recycled Local Growth Funds, which will act as match funding for LUF if that is successful.

We are also supporting Peterborough College (part of Inspire Education Group) in the development of a new Centre for Green Technology. A funding request is currently being considered as part of the recycled Transforming Cities Fund.

Combined Authority revenue funding

We have recently undertaken two procurement exercises; one for the Adult Education Budget (AEB) contracted provision and one for Skills Bootcamps – both procurements have allocated lots for the provision of green skills including those to support the work and skills required by the NetZero Hub.

Additional funds – Department for Education (DfE) Strategic Development Fund (SDF)

We worked with our partner colleges in the development of a successful bid to the SDF for c£2m. "Themed Green Skills for a Sustainable Future" will deliver the following:

- Introducing new green technology to campus locations, to allow for accelerated hands-on learning
- Immersive technology in specialist areas developed and delivered by each of the colleges
- The collaboration will develop modules in green technologies & sustainability for all learners, embedded in core curriculum areas
- CPD for all delivery teams across the whole FE estate to support the delivery of Green Skills
- Establish a regional employer forum. Promoting continuous improvement in the Themes

- 2.17 It is important to learn lessons from the operation and performance of this scheme and look specifically at the complexity, difficulty, and risk in the approach to deliver across such a large and varied territory with a centralised approach. There is good evidence of local delivery across many Local Authorities and managing the funding into local delivery where possible should be reviewed as part of all future bids.
- 2.18 Using the lessons learned to improve delivery on these types of scheme will not only improve the outcomes for homeowners across the region it will also improve our

relationship with BEIS as the Grant Authority, placing GSENZH in a better position for future projects.

- 2.19 Government is also seeking to extend the value of funds in the Energy Company Obligation Scheme (ECO4 from 2022-2026) from £650m a year to £1billion a year. Investment in retrofit to meet Net Zero targets is a major policy strand for Government. Funding for LAD schemes is separate to ECO4 and funded from specific HMG reservations, however this is an indication of the level of commitment and expansion required in this area.
- 2.20 Additionally, work from the LAD2 scheme that has not yet been delivered can be transferred into the LAD3 component of the Sustainable Warmth Fund where it meets eligibility criteria, forming an initial pipeline of qualified demand.
- 2.21 The timing mandated in the MOU for the closedown of the scheme and requirement to return funds quickly at the end of a reconciliation process in October does not work well alongside the governance timings for the production and publication of papers for the Combined Authority Board. Recommendation C is to approve a delegation to the Interim Chief Executive and Monitoring Officer to execute the return of any remaining unspent funds as per the MOU without seeking a further decision from the Board. The final return of funds would be reported at the next available meeting.

Significant Implications

3 Financial Implications

- 3.1 As per recommendation b) the reduction of the grant award and the reprofiled spend of the LAD2 budgets is requested. As the outturn is currently forecast there are enough funds available to maximise the GSENZH delivery of the LAD2 scheme. As GSENZH are unable to fully deliver against the grant award (as discussed in section 3) there are changes required to both the income and expenditure.
- 3.2 There will be a repatriation of funds to BEIS to reflect the forecast underspend for the LAD2 programme which will occur during this financial year. For this paper, approval is requested to reduce the grant award by the sum agreed with BEIS as we have completed the recovery plan and subsequent discussions. The funding has already been received by the CPCA and is held within the treasury management resources, and therefore holds no risk regarding the repayment.
- 3.3 The project has received a further extension to the delivery deadline of three months across all Energy Hubs who have experienced similar issues, which extends the spend profile to September 2022 rather than June 2022. This extension and the repatriation of funding, which results in a reduced spend profile. This transaction is in the current financial year and does not require any further reprofiling of spend across years.

4 Legal Implications

- 4.1 No legal implications noted as the decisions are all within the scope of the MOU between the Combined Authority and BEIS.

- 4.2 The Authority has the requisite power to enter into the proposed Memorandum of Understanding (MoU). The terms and conditions of the MoU attached at Appendix 1 have been reviewed by the Authority's legal team and approved. This will need to be signed with which the legal team will assist with.
- 4.3 Section 111(1) of the Local Government Act 1972 gives a local authority the power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions. This will include doing anything that, in its opinion, is in the interests of, and will bring direct benefit to, its area or any part of it or all or some of its residents. In addition to this, section 1 (1) of the Localism Act 2011 gives local authorities general power to do anything individuals may do unless it is specifically prohibited in legislation.

5 Public Health Implications

- 5.1 The recommendations have neutral implications for public health.

6 Environmental and Climate Change Implications

- 6.1 The report recommendations have a neutral implications for the environment and climate change. While the report identifies that delivery of energy efficiency retrofit is underperforming on the LAD2 scheme. The recommendations are a result of that and will not impact the delivery.

7 Other Significant Implications

- 7.1 Engagement and Consultation discussion on the proposals has taken place across the Combined Authority through the Chief Executives group and Leaders Strategy Meeting and their views taken into consideration.

8 Appendices

- 8.1 Appendix 1 – MOU Addendum Clawback of Funds
- 8.2 Appendix 2 – Green Homes Grant LAD Phase 2 Memorandum of Understanding 17 June 2022 (signature redacted)
- 8.3 Appendix 3 – Letter from Lord Callanan 11 July 2022 (signature redacted)

9. Background Papers

- 9.1 [CA Board 26 January 2022 - Item 3.5 - Greater South East Energy Hub Mobilisation of Schemes and Re-profiling of Budget](#)