
Subject:	HOME UPGRADE GRANT 2 (HUG2)
Meeting and Date:	Cabinet – 5 December 2022
Report of:	Roger Walton, Strategic Director (Place and Environment)
Portfolio Holder:	Councillor Chris Vinson, Portfolio Holder for Finance, Governance, Digital and Climate Change
Decision Type:	Executive Key Decision
Classification:	Unrestricted

Purpose of the report: To approve the Council's participation in a consortium application with Dartford Borough Council to access the government's Home Upgrade Grant to raise the energy efficiency rating of off-gas grid homes and help these households transition to clean heat.

Recommendation:

- (1) To approve the Council's participation in a consortium project with Dartford Borough Council to access the Government's Home Upgrade Grant to raise the energy efficiency rating of off-gas grid homes and help these households transition to clean heat.
- (2) To authorise the Strategic Director (Place and Environment) to deliver the project and to take all actions and decisions in connection therewith.

1. Summary

- 1.1 The 2019 Conservative Party Manifesto included a proposal for the Home Upgrade Grant ('HUG') to tackle fuel poverty and decarbonise homes to help the UK achieve net zero by 2050. £1.1 billion was allocated to HUG with £218m already allocated to Phase 1. On 29 September 2002 the Department of Business, Energy and Industrial Strategy (BEIS) published details about the Home Upgrade Grant 2 (HUG2). A further £700m has been allocated for phase 2 of HUG, with delivery running from 2023 to March 2025.
- 1.2 The focus of the scheme is fuel poor households, living in the least efficient homes that are not heated by gas (off-gas). The primary aim will be to reduce the need for energy by taking a fabric first approach (insulation) and then installing clean heating technologies (i.e., Air Source Heat Pumps).
- 1.3 HUG2 is based on a Challenge Fund Process, which involves 2 application stages. The first being an outline application with two windows opportunity to submit outline applications, the first being by 18 November 2022, and the second by 27 January 2023. BEIS encouraged Authorities to submit applications in the first round, as if all £700m is allocated under the first round the second round (27 January 2023) will be cancelled.
- 1.4 Dartford BC and Dover DC have successfully delivered consortia based LADS1 and LADS2 projects. Local Authority Delivery Scheme 1 - Dartford BC lead a consortia on behalf of several Kent Councils under LADS1a and then included Dover Properties in the LADS1b funding round to deliver on properties in the district that had already been identified but could not have measures installed in the very tight timescales."

1.5 Dartford BC have the necessary governance and procurement process in place to enable mobilisation should BEIS agree funding in principle. Therefore, the partnership is tried and tested, has the ability to deliver almost immediately should the application prove successful.

2. Introduction and Background

2.1 The policy intent for HUG is to raise the energy efficiency rating of off-gas grid homes and help these households transition to clean heat. HUG2 follows on from the allocation of funding to HUG1 under the Sustainable Warmth funding that was awarded last year.

2.2 BEIS has transitioned away from competitive funding bids for HUG2 in recognition of the fact that many Local Authorities were not able to submit full detailed proposals by the application deadline, and that many of those who'd applied were unsuccessful (Dover District Council's bid for HUG1 which was part of the Sustainable Warmth fund was unsuccessful).

2.3 The first step of the Challenge fund process is submission of an Outline Application.

2.4 Assessment round 1 – deadline 18 November 2022 and Assessment round 2 – deadline 27 January 2023. BEIS have encouraged Local Authorities to apply early as should all of the funding be allocated in the first round, then the second round would be cancelled.

2.5 To ensure that DDC was able to submit an application ahead of the first round assessment deadline the Strategic Director (Finance & Housing) authorised the submission of a consortia-based Outline Application (under delegated Authority set out in [The Constitution](#)). The Outline Application submitted to BEIS proposed upgrading 100 homes (50 in each Council area). BEIS are calculating funding total based on £18,000 per home.

2.6 The outline application requires Councils to set out how they intend to deliver the project, detailing project baselines for monitoring, information on performance in previous schemes, forecast the number of homes to be treated, the approach to be taken to target and verify low-income households. To ensure plans can be realised (including questions on internal project resourcing, procurement, delivery and governance) BEIS will also carry out a Delivery Assurance Check.

2.7 Each section of the outline application will be scored and if it meets the strategic fit (closely aligns to HUG2 criteria) and the passes the Delivery Assurance Check (provides certainty that the commercial and deliverability element of the application can be met) then BEIS will grant funding in principle.

2.8 At this stage an MOU will need to be signed between the lead authority and BEIS to enable release of mobilisation funds.

2.9 The next stage is Batch Application, which allows Local Authorities to submit ready to retrofit homes and draw down funds for measures to be installed.

2.10 Dartford BC has contracted an installer to deliver the measures should the funding application prove successful. Once properties have been qualified (resident meets the relevant criteria, the property has been surveyed and measures identified) Dartford BC as lead authority will apply to BEIS for funding. Once the batch has been accepted BEIS will release funds to Dartford BC to enable measures to be installed on those properties.

2.11 The funding must be spent within the two-year timeframe – April 2023 to March 2025. The project is closely monitored by BEIS with monthly reporting breaking down capital costs and A & A spend to ensure projects are on track to deliver the measures and achieve spend forecasts.

- 2.12 Dartford BC and Dover DC have worked in partnership on several schemes over recent years for which Dartford BC has acted as lead authority, and entered into MOUs with BEIS, submitting the necessary progress and financial reports. Dartford BC also has the necessary procurement process in place with the installer DDC has procured to deliver ECO4 in the district. Dartford BC Senior Managers agree in principle with this approach. The Strategic Director (Place & Environment) and the Portfolio Holder for Finance, Governance, Digital and Climate Change supported this approach and the Strategic Director (Finance & Housing) has authorised an Outline Application being submitted for the first round.

3. Identification of Options

- 3.1 Option 1: To note the consortia application and authorise funding (if successful) to be spent. To delegate authority for HUG2 to the Strategic Director (Place & Environment)
- 3.2 Option 2: Not to agree funding spend.

4. Evaluation of Options

- 4.1 Option 1 This is the preferred option as the consortia approach provided the strongest bid given past successful delivery of funding streams via this joint approach. Dartford BC has all the necessary governance and procurement in place to enable quick mobilisation of the project. The added benefit is that Dartford BC contract is with the same installer that Dover DC has procured to deliver the Energy Company Obligation 4 (ECO4). This will mean that the one contractor can evaluate each qualifying household and should more than one measure be recommended in a household, different funding could be applied for individual measures, meaning that the property would benefit from a higher upgrade at one time, rather than in stages, providing a smoother customer journey and less disruption to the household. This approach also means that a Householder can be qualified using the ECO4 criteria and the most relevant funding stream can be used to ensure the maximum financial contribution available is obtained for each measure. Delegating Authority to the Strategic Director (Place & Environment) will enable negotiation on joint working with a view to formalising arrangements in a Collaborative Agreement between the two Authorities.
- 4.2 Option 2. It would mean BEIS would need to reconsider 'award in principle' decision if indeed the outline application is successful. BEIS have indicated that there are currently no plans for future HUG schemes, or indeed other energy efficiency/ decarbonisation schemes for fuel poor households other than ECO4. This is not recommended as the Council would miss an opportunity to help fuel poor households reduce energy costs in the longer term and to use its influence to cut carbon emissions from the worst performing homes (owner occupied and a limited number of privately rented properties) - approximately one third of district emissions are from the domestic sector.

5. Resource Implications

- 5.1 Dartford BC as Lead Authority would be the primary contact for BEIS for the consortia and would receive funding which would include administration and ancillary costs.
- 5.2 The outline application requires confirmation that the minimum resourcing assigned to the project will be 2 full time equivalent Officers for the whole project (i.e. between Dartford and Dover). In Dover the HUG2 work would form part of the Principal Climate Change & Sustainability Officer (drafting HUG2 application, Collaborative Agreement, supporting Dartford BC Officer leading the scheme) and the Energy Support Officer's Role (day to day running of the scheme, i.e. sending out eligibility forms dealing with the contractor/ resident as and when necessary, collating information for reports). It is envisaged that the current staffing levels at Dover should be sufficient to cover the roles and responsibilities of Dover as partner.

- 5.3 Administration and Ancillary costs can be claimed up to a maximum of 15% of the total cost of the project. Whilst the governance arrangements with BEIS, payments and final reporting will rest with Dartford BC learning from the recent LADS projects has highlighted the need for roles and responsibilities to be more clearly identified and formalised. Therefore, it is anticipated that there will be discussion between the two Councils with the aim of securing a percentage of the administration fee for Dover.
- 5.4 Dartford BC Legal team and S151 will review BEIS MOU and any risks to the Authorities. A Memorandum of Understanding or a Collaborative Agreement between Dartford and Dover will then be drafted and shared with DDC legal team. A risk register forms part of the monitoring requirements of the project and is reviewed on a monthly basis to mitigate and address project risks.

6. **Climate Change and Environmental Implications**

- 6.1 Improving the thermal efficiency of fuel poor homes in our district helps the resident to heat their homes at a lower cost, reduces the health inequalities and impacts of living in a cold/ damp home and reduces the carbon emissions as heating requirement from fossil fuels is reduced.
- 6.2 HUG2 aims to deliver on two main objectives. The first is to deliver progress towards the statutory fuel poverty target for England - the Council has a Statutory Duty under HECA 1995 Act to report on action taken to reduce fuel poverty and supports the Kent & Medway Energy and Low Emissions Strategy that includes the need for action to reduce fuel poverty. The second is to progress the UK's target to reach Net Zero by 2050 – reflecting the Council's own Climate Change Strategy and Corporate Plan to support the district to become carbon neutral by 2050.

7. **Corporate Implications**

- 7.1 Comment from the Director of Finance (linked to the MTFP): Accountancy has been consulted and has no further comment. (DL)
- 7.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.
- 7.3 Comment from the Equalities Officer: The report aims to reduce health inequalities within the district and supports the Council's duty to promote equality and eliminate discrimination. In discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149>
- 7.4 Other Officers (as appropriate):

8. **Appendices**

Appendix 1 – HUG 2 Customer Journey

9. **Background Papers**

[Sustainable Warmth: protecting vulnerable households in England](#)

[Home Upgrade Grant 2 guidance and application forms](#)

[Net Zero Strategy](#)

[Kent & Medway Energy & Low Emissions Strategy](#)

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