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Title of meeting:	Cabinet Member for Climate Change and Greening the City
Subject:	Warmer Homes Project Update
Date of meeting:	22 nd November 2023
Report by:	James Hill, Director of Housing, Neighbourhood and Building Services
Authors:	Gareth Williams, Head of Energy Services Antonia Craze, Senior Energy Officer,
Wards affected:	All

1 Requested by

1.1 The report was requested by the Cabinet Member for Climate Change and Greening the City, to provide an update on the Warmer Homes project, following the award of further funding through the second phase of the Home Upgrade Grant (HUG).

2 Purpose

- 2.1 To update the Cabinet Member for Climate Change and Greening the City on the delivery of the Warmer Homes project, funded by the Department of Energy Security and Net Zero (DESNZ), which enables free energy efficiency interventions to be made into private residents' homes.
- 2.2 To detail the latest progress made and grant monies spent throughout the Warmer Homes Consortium of Local Authorities under the LAD3 and HUG1 funding streams following their closure; the numbers and types of interventions made in Portsmouth, including solar panels, air source heat pumps and insulation measures and the number of completed households across the consortium.
- 2.3 To inform the Cabinet Member for Climate Change and Greening the City on the award of the Home Upgrade Grant Phase 2 (HUG2) Scheme, which funds energy efficiency and clean heating measures in off-gas heated private households and to detail the projected spend, measures available and procured delivery partner.



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- 2.4 To provide assurance that domestic energy retrofit, as a priority area for the Council, is providing demonstrable benefits to the city; and that the additional funding awards will enable help to be provided to more households to reduce their carbon emissions and energy expenditure.

3 Background - Overview of the Warmer Homes Project:

- 3.1 The Warmer Homes project is delivered on behalf of a consortium of 23 local authorities, of which Portsmouth City Council is the lead. The consortium is primarily made up of councils in Hampshire and West Sussex including Southampton, Fareham, New Forest, Gosport, Havant, Isle of Wight, East Hampshire, Eastleigh, Winchester, Basingstoke and Deane, Brighton and Hove. A full list of consortium members is detailed in Appendix A.
- 3.2 The Warmer Homes Project launched in early 2021 being funded by various phases of DESNZ funding, including the Green Homes Grant Local Authority Delivery (LAD) phases 1 and 3 for homes with gas heating, and the Home Upgrade Grant (HUG) for homes not heated by mains gas. The projects received a combined £50.3 million that has successfully delivered energy and carbon reduction schemes across the consortium authorities.
- 3.3 In 2023 Portsmouth City Council, acting as the lead member for the consortium of 23 local authorities, secured up to £41.4 million of further funding for this project via the Home Upgrade Grant phase 2 to extend the scheme for homes not heated by gas until March 2025. This funding that will be spent across all 23 authorities, will replace the offer that was available via the LAD3 and HUG1 funding, which ended in September 2023 and July 2023 respectively. Since the closure of the LAD3 funding, there is no further funding for homes heated by gas.

4 LAD3 Summary

- 4.1 The LAD3 funding offered energy efficiency measures to low income homes whose primary heating source was mains gas. Access to this funding closed on the 30th September 2023.
- 4.2 At the end of the scheme, £14.4m has been spent in 1,855 homes across the consortium, and 2,489 measures were installed. The project successfully met its target of installing measures in 1,661 homes, and even managed to support 194 households over this target.
- 4.3 In Portsmouth, the funding has allowed 114 measures to be installed, free of charge to 89 homes. The measure installed are as outlined in the table below;

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Measure Type	No. of measures completed
External Solid Wall Insulation	1
Internal Solid Wall Insulation	3
Cavity Wall Insulation	18
Room in roof insulation	2
Flat Roof Insulation	1
Loft Insulation	24
Heating Controls	1
Solar PV (average 3kWp)	55
Hybrid Air-Source Heat Pump	9
TOTAL MEASURES	114

5 HUG1 Summary

- 5.1 The HUG1 funding offered energy efficiency measures to homes whose primary heating source was not mains gas. This scheme ended on 31st July 2023.
- 5.2 Initially £16.2m of funding was provided to the consortium to install measures, with a target number of properties of 1054.
- 5.3 During the scheme the consortium experienced significant issues that impacted the number of properties that were eligible for the scheme and subsequently reduced the number of measures installed and overall spend.
- 5.4 The issues impacting the consortium were replicated nationally. The funding parameters initially required unobtainable goals to be met, which prevented eligible households from being able to access the funding. This included low-cost caps for expensive measures and a requirement to improve the EPC rating by 2 SAP bands.
- 5.5 As lead consortium member, the Council worked closely with the funders to change the funding requirements, and successfully did so halfway through the funding period. The delays resulted in a re-forecasted target of installing measures in 220 homes across the consortium.
- 5.6 Upon completion of the scheme, £4.2m was spent in 372 homes across the consortium, with 551 measures installed. Whilst spend was below the initially awarded amount, the project over-delivered on the revised 220 homes target by 69%.
- 5.7 In Portsmouth, the funding has allowed 13 measures to be installed, free of charge to 10 homes. The measures installed are as outlined in the table below;

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Measure Type	No. of measures completed
Cavity Wall Insulation	2
Loft Insulation	2
Solar PV	3
Air Source Heat Pump	3
High Heat Retention Storage Heaters	3
TOTAL MEASURES	13

6 HUG Phase 2

Background

- 6.1 In early 2023 the Council, as consortium lead was awarded up to £41.4 million by DESNZ under the Home Upgrade Grant funding phase 2 scheme. This funding is to install energy efficiency measures in up to 2,000 homes across the 23 consortium local authorities.
- 6.2 50% of the funding is ringfenced for rural LAs, defined by [DEFRA's Rural-Urban Local Authority Classification](#) where 26% to 100% of the population reside in rural areas.
- 6.3 The expected base spend of capital funds within Portsmouth is £1.8m based on its urban location and the proportion of off-gas properties compared to the rest of the consortium. This is not a set limit of spend and can be increased if we see enough demand from households. To maximise within Portsmouth an extensive marketing campaign to promote take up of the offer will be going ahead benefit, including a door knocking campaign, letter dropping and community engagement events.
- 6.4 The Council can receive up to 2.5% of capital spend in administration fees to cover staff time spent on the project. This funding has allowed us to bring an Energy Officer in to post for the scheme delivery period, to ensure a member of staff is dedicated entirely to the project and the Council partnerships.
- 6.5 When measures are installed to Portsmouth properties, this will have a positive impact supporting Portsmouth's target of being net zero by 2030.

Scheme Details

- 6.6 The funding provides grants of an average of £18,000 per household, up to a maximum of £38,000. This covers the installation of energy efficiency measures and clean heat upgrades following a 'fabric first, whole house' retrofit approach. The amount of funding

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awarded to a household is dependent on the measures being installed and the property type.

6.7 'Energy efficiency' measures include insulation, solar PV and heating controls.

6.8 'Clean heat' measures include air source heat pumps, and any other non-fossil fuel-based heating systems.

6.9 The tables below show the allowed cost caps for measures under the project:

Owner Occupier Energy Efficiency Cost Caps

Archetype	Cavity Wall	Solid Wall
Flat	£3k	£9k
Mid Terrace	£8k	£15k
End of terrace/semi/detached	£12k	£24k

Clean Heat cost caps

Archetype	Amount
Flat	£5k
Mid-Terrace	£14k
End of terrace/semi/detached	

6.10 Private rental properties can receive measures under the scheme, subject to the eligibility of both the tenant and the landlord. The landlord must contribute at least 1/3 of the cost of the measure and will receive less of a subsidy than an owner occupier, subject to the below cost caps:

Private Rental Energy Efficiency Cost Caps

Archetype	Cavity Wall			Solid Wall		
	Grant	Landlord Contribution	Total	Grant	Landlord Contribution	Total
Flat	£2k	£1k	£3k	£6k	£3k	£9k
Mid-terrace	£5.33k	£2.67k	£8k	£10k	£5k	£15k
End of terrace/semi/detached	£8k	£4k	£12k	£16k	£8k	£24k

Archetype	Amount		
	Grant	Landlord Contribution	Total

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Flat	£3.33k	£1.67k	£5k
Mid-terrace	£9.33k	£4.67k	£14k
End of terrace/semi/detached			

6.11 The qualifying criteria for households under the scheme include owner occupiers and private rented sector tenants which:

- Are off-gas dwellings (electricity, oil, coal, LPG or solid fuels used for heating purposes rather than mains gas - there can be a gas connection to the building).
- Has an Energy Performance Certificate (EPC) rating of 'D' or lower

And either:

- Have a total combined household annual gross income of £31,000 or less, **or:**
- Have a total combined household annual income of £20,000 or less after housing costs (mortgage/rent and council tax), **or:**
- Receive a means-tested benefit, **or:**
- Is within a Lower Super Output Area (LSOA) 1-3 postcode area

The LSOA eligibility criteria is new to the HUG2 funding, and allows an area based approach to targeting households. See Appendix B.

Landlords with more than 4 properties in their portfolio are ineligible for the funding.

Current Position

6.12 Since the funding award we have procured a delivery partner in AgilityEco to deliver the installation of measures and have undertaken extensive liaison with consortium members to develop marketing and implementation plans.

6.13 6.13 As part of the overarching funding criteria, the Council and AgilityEco were required to complete a Delivery Assurance Check (DAC) to demonstrate that robust processes are in place and that there was sufficient installer capacity to delivery at the scale set out in the bid.

6.14 The original application envisaged undertaking the DAC in May 2023 with installations commencing in June 2023. Due to delays in the appointment of the delivery partner, this subsequently delayed meeting the requirements of the DAC meaning that installations did commence until October 2023.

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- 6.15 Due to the delay in commencing installations, through liaison with DESNZ, the consortium delivery target has been reforecast to a lower figure of 1650 households with £34.5m available.
- 6.16 The revised target has scope to revert back to the original 2000 household, however, this will need to be reviewed alongside the 2024/25 allocation once more installation data is gained for 2023/24 and will need agreement from DESNZ.
- 6.17 The planned month on month forecast for delivery across the consortium area during financial year 2023/24 can be seen in the table below:

Month	Number of homes treated
October	20
November	55
December	70
January	135
February	125
March	120
TOTAL	525

7 Key Impacts

- 7.1 As a result of the measures installed within a household under the project, the average household will realise savings of up to £500 per annum. This saving will be vital to support households through the cost-of-living crisis, where the average fuel bill is still double what it would have been the same time last year.
- 7.2 Properties are likely to see at least a 1 SAP band improvement after having a measure installed under the scheme. The improvements will support the national fuel poverty strategy, and the Council's own Energy and Water at Home Strategy which aims to improve all households to an EPC of D as a minimum.
- 7.3 The HUG2 project expects to realise carbon savings of up to 1,000 tonnes CO₂e per annum across the consortium, equivalent to the entire emissions of over 160 domestic households.
- 7.4 Under our Domestic Energy Efficiency Delivery Partner framework, social value is delivered by ensuring that local contractors are offered works under the scheme, and that the grant is spent within the local economy to support local green jobs.

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8 Secondary Impacts

- 8.1 As well as the primary deliverables detailed in Section 6, the HUG2 scheme will also be successful in delivering several other beneficial outcomes to the Council and its partners.
- 8.2 The scheme supports the Council's supply chain within the local area. Additional support is offered to small local installers via our delivery partner to ensure they have the required accreditations and training to install new energy efficiency measures, such as Air Source Heat Pumps, which will improve the readiness to deliver further domestic energy efficiency projects.
- 8.3 The properties treated, particularly those with insulation measures, will improve thermal comfort and health of the residents of those buildings.
- 8.4 Available marketing spend will further improve the Switched On Portsmouth website and brand, with increased promotion and development of new marketing materials.
- 8.5 Additional local authority partners have joined the Council led consortium for the HUG2 project, improving our relationship with neighbouring council areas, such as the Isle of Wight.
- 8.6 The successful delivery of previous phases of funding under the Warmer Homes project to date has strengthened our relationship with DESNZ as the Council has proven its ability to deliver large-scale projects and have created a 'best-practice' customer journey which DESNZ have since shared with other Councils across the country. This will improve our ability to receive future funding, as evidence of deliverability is a scored part of applications.
- 8.7 The delivery partner will provide pro-rata donations of £5,000 per £million in turnover to local community projects and equipment or resources for voluntary or community sector organisations during the scheme period.

9 Next Steps

- 9.1 The Council will continue to treat the delivery of domestic energy retrofit as a priority area of activity, as identified in the *Energy and Water at Home Strategy (2020-25)* and *Home Energy Support Service*. This is to alleviate fuel poverty, reduce household bills, create local green jobs and reduce carbon emissions within the city.
- 9.2 The Switched On Portsmouth team will continue to use the foundation of the Warmer Homes project to attract further grant funding to support the delivery of retrofit measures and energy saving advice.



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- 9.3 The Switched On Portsmouth team will, on behalf of the Council, continue to build on its partnership relationships with other local authorities within the Warmer Homes consortium to ensure success of the Warmer Homes project and all future schemes.
- 9.4 The Switched On Portsmouth team will continue to build a brand and reputation for delivering support in Portsmouth through the Warmer Homes project and the other services available to households in the city.

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Signed by James Hill - Director of Housing, Neighbourhood and Building Services

Appendices:

- Appendix A - Consortium Local Authorities
- Appendix B - Lower Super Output Area (LSOA) 1-3 postcode areas in Portsmouth

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Home Energy Support Service – Update to the Report of October 2020 (Cabinet, January 2021)	Home Energy Support Service progress update from October.pdf (portsmouth.gov.uk)
Warmer Homes Project (Cabinet, November 2021)	Warmer Homes Project.pdf (portsmouth.gov.uk)
Warmer Homes Project Update (Cabinet, November 2022)	Warmer Homes report.pdf (portsmouth.gov.uk)
The Energy and Water at Home Strategy (2020-25); March 2020	Energy and water at home (portsmouth.gov.uk)



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Appendix A - Consortium Local Authorities

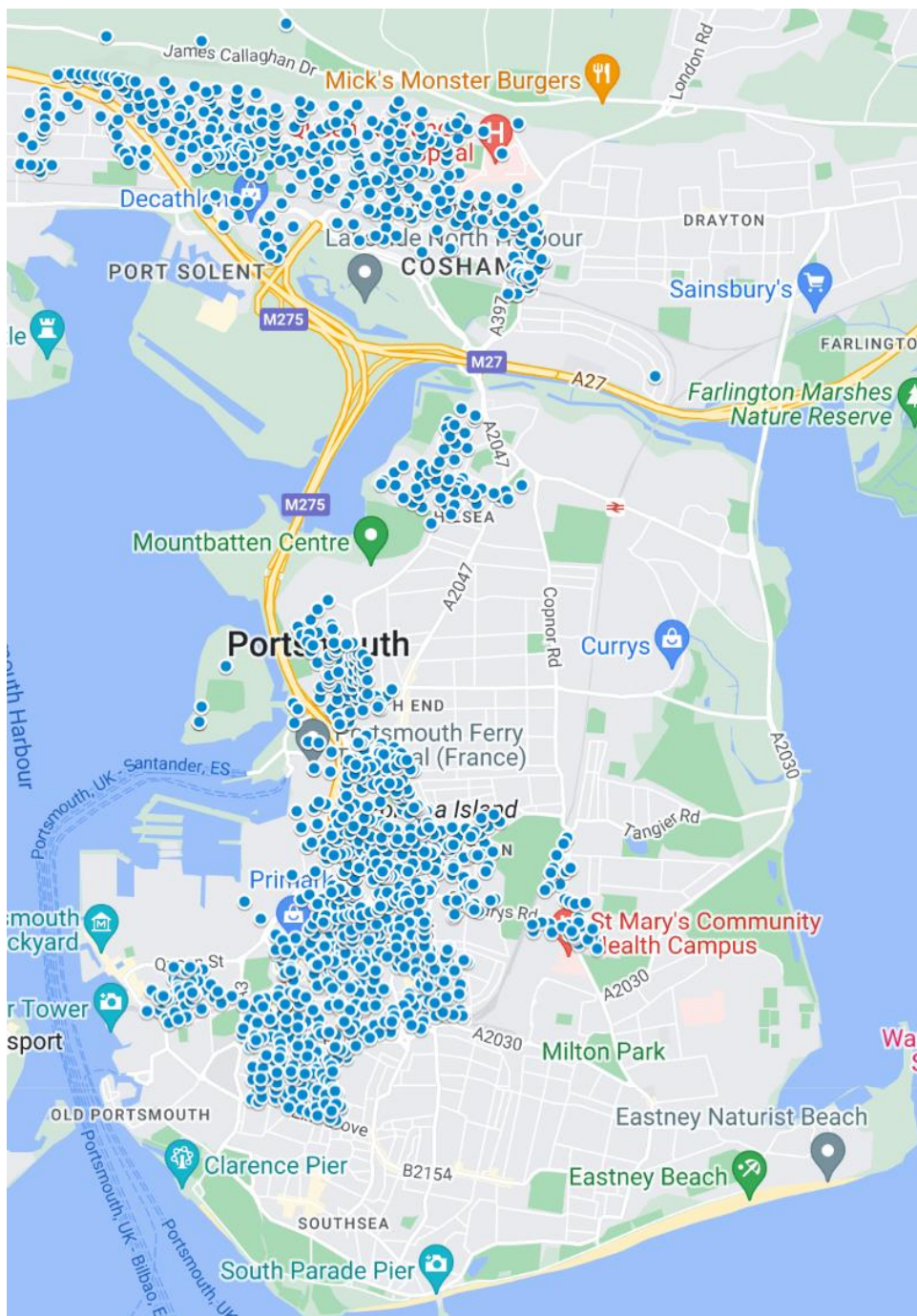
- Portsmouth City Council (Lead Consortium member)
- Adur and Worthing Councils
- Arun District Council
- Basingstoke and Dean Council
- Brighton and Hove City Council
- Chichester District Council
- Crawley Borough Council
- Croydon Borough Council
- East Hampshire District Council
- Eastleigh Borough Council
- Fareham Borough Council
- Gosport Borough Council
- Havant Borough Council
- Horsham District Council
- Isle of Wight Council
- Mid Sussex District Council
- New Forest District Council
- Peterborough City Council
- Rushmoor Borough Council
- Rutland County Council
- Southampton City Council
- Winchester City Council
- Test Valley Borough Council

Appendix B - Lower Super Output Area (LSOA) 1-3 postcode areas in Portsmouth



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- Official -