

# LIVERPOOL CITY REGION COMBINED AUTHORITY

To The Metro Mayor and Members of the Combined Authority  
Meeting: 21<sup>st</sup> January 2022  
Authorities Affected All  
Key Decision Yes  
EXPEMPT/CONFIDENTIAL No

## JOINT REPORT OF THE EXECUTIVE DIRECTOR OF INVESTMENT AND DELIVERY AND THE PORTFOLIO HOLDERS: HOUSING & SPATIAL FRAMEWORK AND CLIMATE EMERGENCY & RENEWABLE ENERGY

### HOUSING RETROFIT FUNDING

#### 1. PURPOSE OF REPORT

The Government has announced several new housing retrofit funds over the last year as part of the Net Zero Carbon agenda, acting as an economic stimulus and supporting the creation of green jobs. This report asks for approvals to accept the new funding gained at both North West and City Region level. The report deals with three different aspects of the funding. For this, Combined Authority means:

- (a) In its capacity as an accountable body
- (b) When working with its constituent authorities, and
- (c) When working with social housing registered providers.

#### 2. RECOMMENDATIONS

It is recommended that the Liverpool City Region Combined Authority:

##### 2.1 As Accountable body for the NW Energy Hub:

- approve the acceptance of an additional £10.5m Local Authority Delivery 2 funds as outlined in paragraph 3.2 of the report;
- approve the revised allocations across the five LEP areas as outlined in paragraph 4.2 and Table 2 and delegate authority to the Executive Director of Investment and Delivery any future change in allocations between the LEPs for this programme;

## 2.2 Working with the constituent authorities approve both:

- the acceptance of the £28.5m Sustainable Warmth Fund for Liverpool City Region Combined Authority and the allocations for each of the six Local Authorities as set out in paragraph 1.3; and
- that the Combined Authority will enter into Funding Agreements with Liverpool and Sefton Metropolitan Borough Councils to devolve their funding elements.
- delegate authority to the Executive Director of Investment and Delivery to make a call off from the North West Retrofit Dynamic Purchasing System retrofit assessments so that the pipeline of retrofit work can be developed;
- delegate authority to the Executive Director of Investment and Delivery in consultation with the Portfolio Holder for Housing & Spatial Framework and the Portfolio Holder for Climate Emergency and Renewable Energy to procure and award contracts to enable retrofit works to be delivered against tight timescales for spending this funding; and

## 2.3 Working with Registered Providers for Social Housing:

- subject to a positive outcome of the Social Housing Decarbonisation Fund bid, delegate authority to the Executive Director of Investment and Delivery to accept the funding and approve entering into Funding Agreements with the nine Registered Providers as set out in this report in paragraph 4.7.

## 3. BACKGROUND

### **Combined Authority in its Capacity as Accountable Body for the NW Energy Hub**

- 3.1 In April 2021, the NW Hub was granted £53m from BEIS under the Local Authority Delivery 2 programme to allocate funds across the five Local Enterprise (LEP) areas. The funding is aimed at improving the energy performance of poorly performing homes (under EPC Band C) to low income households to address fuel poverty and make carbon savings.
- 3.2 The deadline for expenditure was originally intended to be December 2021, however the over-run of earlier LAD programmes and the introduction of new quality standards initially extended the deadline to March 2022 and it has been extended again to the end of June 2022. Even with this second extension, some areas are unable to spend their allocated funds and the NW Energy Hub has applied for additional funding from BEIS of up to £10.5m to meet the requests of two regions to increase spend and outputs – Lancashire and the Liverpool City Region.
- 3.3 The funds were initially allocated under Grant Funding Agreements to the four external LEPs on the following basis with trigger points on payments and a review mechanism at the mid-point of the programme to potentially re-allocate funds on

the basis of performance which occurred in December 2021. The Combined Authority as the accountable body did not require an agreement but has been subject to the same monitoring regime.

*Table 1 – Initial LEP allocations of LAD2 funds*

Trigger points	%	Upon signature of the Funding Agreement	Upon signature of the Funding Agreement	Trigger Point 1	Trigger Point 2	Totals
Budget		Design and Mobilisation Budget	20% capital allocation	40% Capital allocation	40% capital allocation	
Cumbria (Eden)	12.20%	£150,000	£984,811	£1,969,622	£1,969,622	£5,074,056
Cheshire & Warrington (Cheshire East)	9.60%	£150,000	£1,251,531	£2,503,062	£2,503,062	£6,407,655
Greater Manchester (GMCA)	34.00%	£150,000	£3,487,873	£6,975,746	£6,975,746	£17,589,365
Lancashire (Blackpool)	22.40%	£150,000	£2,297,893	£4,595,786	£4,595,786	£11,639,464
Liverpool City Region (LCRCA)	21.80%	£0	£0	£0	£0	£11,331,711

### 3.4 Combined Authority working with its Constituent Authorities

The City Region was invited to bid for Local Authority Delivery 3 and Home Upgrade Grant (HUG) 1 directly to BEIS under the Sustainable Warmth Fund. Following discussions with each Local Authority, a bid for £28.5m was submitted by the Combined Authority on behalf of the City Region in August 2021. BEIS announced on 8<sup>th</sup> December that the bid was successful in its full ask. Both programmes continue to target low income households with poor energy efficiency ratings but the HUG1 funds are to treat only off-gas properties to change to renewable energy sources. The LAD 3 funds are limited to spend an average of £10k per home on improvements as set out in a retrofit assessment whereas the HUG1 funds are to varying maximums dependent on the starting Energy Performance Certificate (EPC) Band and the type of fuel currently used to heat the home, as per Appendix 1.

### Combined Authority working with Registered Providers of Social Housing

- 3.5 The first wave of Social Housing Decarbonisation Fund was also launched by BEIS in autumn and Registered Providers could only access in partnership with a Local Authority or Combined Authority. After publicity and discussions with LAs and RPs, the Combined Authority submitted a bid to BEIS on behalf of nine Registered Providers in October 2021 for £11.1m grant funding to retrofit 1,242 homes. The outcome of the bid is anticipated in mid-January 2022.
- 3.6 The Combined Authority has been instrumental in setting up suitable governance for all the above programmes with regular working groups and Retrofit Programme Boards. Both groups have suitable Local Authority and Registered Provider representation and are administered by the Combined Authority or the NW Energy Hub.

## 4. IMPLEMENTATION

4.1 Nationally, LAD2 delivery has been slower than anticipated. The opportunity for the City Region to submit a recovery plan to BEIS was taken in November 2021. This recovery plan:

- extended the programme to the end of June 2022;
- allowed for the opportunity to estimate any underspend which might be recycled within regions or go back to BEIS for redistribution; and
- to see if any additional funds could be spent in the new timeline.

The performance of each LEP area was analysed as part of the mid-point to the programme and in light of the requested recovery plan.

4.2 In the North West, Greater Manchester Combined Authority agreed to reduce their expenditure by £2.5m. Two other areas – Lancashire and Liverpool City Region requested additional funding of up to £13m. As other regions have offered funding back to BEIS, the NW has been granted the net additional funding of up to £10.5m in December 2021 to meet all increased expenditure enabling a further 1,110 homes to be retrofitted. The new allocations per LEP area are set out in the table below for approval.

*Table 2 – New LEP financial allocations*

LEP area	Original grant allocation*	Deduction from original allocation	Additional allocation to June 2022*	Additional A&A budget from NW Hub**	New total
Cumbria (Eden)	£5,074,056	£0	£0	£40,000	£5,114,056
Cheshire & Warrington (Cheshire East)	£6,407,655	£0	£0	£40,000	£6,447,655
Greater Manchester (GMCA)	£17,589,365	-£2,500,000	£0	£40,000	£15,129,365
Lancashire (Blackpool)	£11,639,464	£0	£9,375,000	£40,000	£21,054,464
Liverpool City Region (LCRCA)	£11,331,711	£0	£3,625,000	£40,000	£14,996,711
NW Hub	£757,750	-£200,000	£0	£0	£557,750
<b>TOTAL</b>	<b>£52,800,001</b>	<b>-£2,700,000</b>	<b>£13,000,000</b>	<b>£200,000</b>	<b>£63,300,001</b>

4.3 The NW region through the Hub is seen as a well performing area nationally and the LEPs will continue to work with the Hub to ensure this new funding is spent on time. There is a potential if the programme goes well, that additional funds may be available at the end of March 22. To both ensure that all the funds are spent on time, and the potential for additional funds to be realised very quickly, the Liverpool City Region Combined Authority is asked to delegate any further amendments to LEP allocations to the Executive Director of Investment and

Delivery in consultation with the NW Retrofit Programme Board as set out in recommendation para 2.1(b).

- 4.4 The bid for the Sustainable Warmth Fund is detailed in the table below and each Local Authority will initially be receiving the capital amounts set out. The details of the delivery programme are under discussion with each Local Authority to determine delivery models. It is anticipated that the Combined Authority will enter into Funding Agreements with Liverpool and Sefton Metropolitan Borough Councils to devolve their funding elements. The other four Local Authorities within the City Region will work with the Combined Authority to determine the best programme to meet their needs.

*Table 3 – Sustainable Warmth Fund allocations*

Local Authority	LAD3	HUG	Total Homes	LAD3	HUG	Total
Knowsley	91	43	134	£909,719	£944,999	£1,854,718
Halton	317	105	422	£3,074,780	£1,578,330	£4,653,110
Liverpool	687	0	687	£6,618,032	£0	£6,618,032
Sefton	232	75	307	£2,299,297	£1,075,000	£3,374,297
St. Helens	230	25	255	£2,059,438	£383,332	£2,442,770
Wirral	499	50	549	£4,543,735	£746,664	£5,290,399
<b>Totals</b>	<b>2057</b>	<b>298</b>	<b>2355</b>	<b>£19,505,000</b>	<b>£4,728,325</b>	<b>£24,233,325</b>
	<b>Admin &amp; Ancillary</b>			<b>£3,442,500</b>	<b>£829,249</b>	<b>£4,271,749</b>
					<b>Total Bid:</b>	<b>£28,505,074</b>

- 4.5 The success in the LAD2 programme of fast tracking the identification of eligible homes and completing retrofit assessments prior to appointing a contractor is to be used again by the Combined Authority. It is proposed to delegate the procurement of contractors to deliver the services required to achieve the fund outputs to the Executive Director of Investment and Delivery in consultation with the Housing Retrofit Programme Board (the Board) to get a fast start to this new programme of works. The scheme will again be delivered by the Combined Authority through a competitive use of the NW Housing Retrofit Dynamic Purchasing System (DPS) to meet procurement requirements.
- 4.6 Delegation is also requested to ensure that the subsequent works contracts will also be awarded through a suitable competitive process for works under the DPS. The retrofit assessments determine the eligible and accepted works for each home. This then determines the type of contract for works. Again, in consultation with the Board, suitable numbers of works parcels to deliver a comprehensive

programme including external wall insulation, internal wall insulation, heat pumps, solar PV, loft insulation as well as new doors and double-glazed windows will be determined. The programme of works is quite seasonal. The optimum timing of external wall insulation in particular is in the summer months for example. This leaves very tight timescales to deliver a new programme during these optimal months, with other measures available throughout the winter of 2022/23.

- 4.7 The Social Housing Decarbonisation Fund (SHDF) bid is set out in the tables below with the plans for each of the nine RPs submitted as part of this consortium bid. Should the Combined Authority be successful in receiving this funding, a Funding Agreement will be entered into with each RP and a new governance structure will be established with a working group and Programme Board with each RP represented to oversee the delivery of another strand of retrofit funding in the city region. Each RP will be responsible for their element of funding and they have already entered into a Collaboration Agreement with the Combined Authority prior to the bid being submitted. The programme will continue to be reported to Local Authorities through the Housing Retrofit Programme Board which also has an RP representative.

Table 4 – Breakdown of SHDF homes in bid per LA

RP	Halton	Knowsley	Liverpool	Sefton	St. Helens	Warrington	Wirral	Total
Halton Housing	18							18
Livv		322						322
Magenta Living							165	165
One Vision Housing				204				204
Onward Homes	129							129
Plus Dane Housing Group							44	44
Prima				115				115
Regenda					25		50	75
Torus			138			32		170
<b>Total</b>	<b>147</b>	<b>322</b>	<b>138</b>	<b>319</b>	<b>25</b>	<b>32</b>	<b>259</b>	<b>1242</b>

Table 5 – Breakdown of Grant per Registered Provider

	Total Project Cost	Capital Grant Request	Revenue Grant Request	Total Grant Request
<b>Halton Housing</b>	£310,500	£180,000	£27,000	£207,000
<b>Livv Housing</b>	£2,898,000	£1,700,160	£233,000	£1,933,160
<b>Magenta Living</b>	£1,855,338	£1,104,366	£144,000	£1,248,366
<b>One Vision Housing</b>	£518,468	£153,518	£223,213	£376,731
<b>Onward Homes</b>	£2,878,909	£1,290,000	£32,077	£1,322,077
<b>Plus Dane Housing</b>	£1,892,926	£630,012	£61,518	£691,530
<b>Prima Housing</b>	£1,897,086	£1,224,000	£151,766	£1,375,766
<b>The Regenda Group</b>	£1,363,450	£792,000	£116,967	£908,967
<b>Torus Housing</b>	£11,690,352	£1,706,000	£896,945	£2,602,945
<b>Sub-Totals</b>	<b>£25,305,029</b>	<b>£8,780,056</b>	<b>£1,886,485</b>	<b>£10,666,541</b>
LCRCA Resourcing	£446,032		£446,032	£446,032
<b>Total</b>	<b>£25,751,061</b>		<b>£2,332,517</b>	<b>£11,112,573</b>

- 4.8 BEIS have indicated that early in 2022 there will be another bidding round for Home Upgrade Grant 2 and Social Housing Decarbonisation Fund Wave 2. The Combined Authority has already engaged partners in discussions on appetite and support required to bid for these funds once full details are known. The Portfolio Holder for Housing & Spatial Planning has written to BEIS to highlight the resource pressures and lack of long-term ability to plan, of bidding and delivering different rounds of funding. If all funds outlined here are successful there will be three separate programmes running concurrently in 2022 with another two bidding rounds early in the new year.

## **5. RESOURCE IMPLICATIONS**

### **Financial**

- 5.1 The new £10.5m funds will be added to the LAD2 programme in the NW allowing another almost 1,000 more homes, including 319 in the city region, to be improved for residents and to further the net zero carbon ambitions of the areas. The total number of homes anticipated to benefit from housing retrofit funding in the city region if all grants are successful is just over 5,000 over two years.
- 5.2 This additional capital funding will be accompanied by £1m revenue funding for the continued mobilisation of the programme. The total capital and revenue funds will be transferred in January 2022 to the NW Hub from BEIS.
- 5.3 The £28.5m Sustainable Warmth Fund in the Liverpool City Region area has already been received from BEIS in December 2021 in a lump sum. This will be managed under either a Funding Agreement with our partner Local Authorities that have requested devolution of the funds or go through the DPS procurement route via the Combined Authority on behalf of our remaining Local Authority partners.

### **Human Resources**

- 5.4 The Local Energy North West Hub is providing capacity to engage with North West Local Authorities and administer the LAD2 funding. Existing and additional Combined Authority staff continue to support the updating of funding agreements and collation of data for BEIS. This includes a contribution to the Programme Management Office (PMO) and programme management support to deliver this large programme, support from procurement for the DPS in its establishment and operation and the legal team for all of the various funding and collaboration agreements.
- 5.5 A sufficient proportion of both the Sustainable Warmth Fund and if successful the SHDF administration and ancillary budget will be retained to support the Combined Authority Housing Retrofit staff, and Programme Management Team and Corporate Services to continue to deliver housing retrofit for the city region as the accountable body.

## **Physical Assets & Information Technology**

5.6 There are no implications arising as a result of this report.

### **6. RISKS AND MITIGATION**

- 6.1 Programme risks have been assessed and mitigations identified for all the funds covered in this report. The Combined Authority in taking on the accountable body role for the NW Energy Hub is accepting a degree of risk. Responsibility for delivery of programme outcomes has been passed to Local Authority delivery partners through funding agreements and a suitable governance structure has been established to support good performance.
- 6.2 The quality of installation of home retrofit measures has been an issue with grant funded programmes in the past. A reputational risk will be shared by partners. Government's new Trustmark quality assurance scheme should ensure that all relevant contractors and installers are certified as competent. Should there be any poor-quality installation of measures, liability has as far as possible been passed onto contractors. Homeowners in the Liverpool City region sign an agreement to this effect prior to work commencing on their property. A Contract Administrator has also been appointed to have an independent quality check on completed works.
- 6.3 The impact on internal staffing levels have been assessed in terms of available capacity and technical expertise and it has been concluded that any risk has been mitigated through funding via grants.
- 6.4 There has been uncertainty created again by the Covid-19 pandemic which looks likely to continue in 2022 and might result in delays to engaging and accessing households due to lockdowns or resident reluctance. Delays to the delivery of the funds due to COVID-19 will be monitored and in exceptional circumstances may lead to further extensions of time. All contractors are operating safe COVID-19 working practices but the programme is focussed on dealing with some vulnerable households.
- 6.5 The timescales for delivery of this significant capital fund for housing retrofit is still relatively quick. The Funding Agreements will all include interim delivery target dates, with a mechanism for reallocation of funding locally to ensure delivery to time and budget. Under delivery may result in claw-back of unspent funding. This will be mitigated through acting quickly to completing additional funding agreements and including milestone payments to trigger reallocation and may include different contractors to ensure delivery.
- 6.6 In the current LAD2 programme there has been some delays due to the lack of availability of materials in the supply chain. There is also a concern that there may be a lack of contractors to deliver. The CA continues to work with the skills team and local businesses to ensure the appropriate skills are available to deliver these programmes of works and grow green jobs availability.

## **7. EQUALITY AND DIVERSITY IMPLICATIONS**

- 7.1 All the housing retrofit programmes are aimed at low income households and support the reduction in energy use to adequately heat homes. It is hoped that this will lead to either a reduction in bills, or the ability to keep the home warm within budget and reduce fuel poverty. This can have a positive effect on the health of households. BEIS are monitoring individual residents' experiences from a sample which will start in February 2022 to measure the impact of the work.
- 7.2 In tandem with planning activities, an Equality Impact Assessment is due to be completed for the LAD2 and Sustainable Warmth Fund programmes in January. The programmes are expected to have a positive impact with regard to the Public Sector Equality Duty under the Equality Act 2010, but any remedial action required following assessment will be integrated into the programme design and plan.
- 7.3 As undertaken across LAD2, any data collected in the Sustainable Warmth Fund will ensure that the protective characteristics of each household are requested and processed. This will monitor the fair provision of retrofit funds across our diverse communities and take remedial action should there be under-representation of difficult to reach groups.
- 7.4 The social value in terms of training and apprenticeships as well as local green jobs will be part of the competition to appoint contractors in the Combined Authority led works. These outputs will be captured in the contracts entered into and reported to BEIS and the Retrofit Programme Board. The LAD2 contract had specific social value targets in terms of new jobs created and apprenticeships supported. As it is still early days in delivery regular meetings are being held with both the DPS provider and the contractors to ensure the data is collated and reported.

## **8. COMMUNICATION ISSUES**

A communications strategy for the programmes will be agreed building on the LAD2 work to date. The NW Energy Hub have developed a useful set of information leaflets for use in the programmes. The role of the Combined Authority and Local Authorities will be acknowledged in all publicity alongside BEIS as the primary funder. Funding for all Local Authorities and the Combined Authority is contained within the resource funding of the Sustainable Warmth Fund to support a strong campaign to residents. The opportunity to support the climate emergency/Net Zero Carbon message and provide community role models to further roll out more retrofit will be taken. The use of case studies, video & social media as well as traditional press releases will provide a pipeline of eligible households and positive publicity.

## **9. PRIVACY IMPLICATIONS**

All the housing retrofit projects involve the collation and retention of personal data. The team has worked closely with the Combined Authority's Data Protection Officer to ensure that the work complies with all the required policies. Part of the agreement with BEIS was to conduct and submit a Data Protection Impact

Assessment (DPIA). This thread follows through into all legal agreements between all parties sharing data from Local Authorities to consultants and contractors.

## 10. CONCLUSION

The NW through the Energy Hub and the City Region have worked well and continue to successfully attract significant government housing retrofit funds to deal with some fuel poor households. There remain delivery challenges, but delegations are outlined and mitigations to ensure that programmes remain on track to deliver to time and budget. Should all programmes be successful then in the Liverpool city region we can deliver energy improvements to another almost 4,000 homes next year in addition to the 1,000 already in delivery making progress towards our Net Zero Carbon ambitions.

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### **Appendix 1 – LEP areas**

- *Cheshire and Warrington* (Cheshire West and Chester, Cheshire East and Warrington)
- *Cumbria* (Allerdale, Barrow, Carlisle City, Copeland, Cumbria County, Eden and South Lakeland)
- *Greater Manchester* (Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford, Wigan)
- *Lancashire* (Burnley, Chorley, Fylde, Hyndburn, Lancashire County, Lancaster, Pendle, Ribble Valley, Rossendale, South Ribble, West Lancashire and Wyre)
- *Liverpool City Region* (Halton, Knowsley, Liverpool, Sefton, St Helens, Wirral)