

LOW CARBON HUB BOARD

Date: **3 OCTOBER 2017**
Subject: **WARM HOMES FUND BID**
Report of: **TINA GANDHI, PRINCIPLE ENVIRONMENTAL POLICY OFFICER**

PURPOSE OF REPORT

This report details an opportunity for GMCA to apply for Cadent (formerly National Grid) Warm Home Funds to install central heating in urban 'off gas' IMD areas (25% worse Index of Multiple Deprivation areas) and also to fuel poor 'Health related' residents (not restricted to worse IMD) where households are prioritised because of particular health concerns, with the aim of improving health outcomes for them.

GMCA have applied for these funds, on behalf of Districts, to assist fuel poor residents in across GM authorities. If successful, this proposal will complement the previously agreed GM Local Energy Advice Programme (LEAP) and be delivered through the existing, OJUE procured, GM GD and ECO Framework.

RECOMMENDATIONS:

It is recommended that the Board:

- Note that GMCA has applied for Cadent Warm Homes Fund in the sum of c.£4m.

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BACKGROUND PAPERS:

LEAP Proposal – Previously agreed CA Paper - https://www.greatermanchester-ca.gov.uk/download/meetings/id/2224/13_local_energy_advice_programme

TRACKING/PROCESS		[All sections to be completed]
Does this report relate to a Key Decision, as set out in the GMCA Constitution or in the process agreed by the AGMA Executive Board		No
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?		N/A
AGMA Commission	TfGMC	Scrutiny Pool
3 rd October	N/A	N/A

1. EXECUTIVE SUMMARY

- 1.1 11% of residents in GM are fuel poor and over 37% of carbon emissions come from energy inefficient homes in GM. It is proposed that GMCA supports an application to Cadent (formerly known as National Grid) for funds to assist fuel poor residents in 'off-gas' areas in GM. From a recent study, conducted by the Energy Systems Catapult, we know that 3,316 postcodes in GM have never had a gas connection and can be considered 'off grid', this is around 5% of the postcodes in GM, equivalent to 35,000 domestic properties or 3% of homes in GM. The data also shows that around one third of these are in fuel poor areas.
- 1.2 Cadent announced their new 'Warm Homes' fund in July 2017 and approached GMCA to apply for these funds. The deadline to submit applications is 8th September 2017, with winning bids announced in October 2017. GMCA are working with Agility ECO (part of the OJUE procured GM GD and ECO Framework as a subcontractor) who are delivering Greater Manchester's recently approved LEAP (Local Energy Advice Programme) to prepare a bid. If successful, the bid to Cadent will enhance GM's current LEAP offer. LEAP and agility ECO will provide much of the required staff resources needed to deliver the project.

2. WARM HOMES FUND

- 2.1. National Grid and CiC Affordable Warmth Solutions (AWS) have announced a new £150 million Warm Homes Fund to help make households in Great Britain warmer, healthier and cheaper to heat. The Warm Homes Fund (WHF) will provide capital funding for the installation of affordable heating solutions in fuel poor households who do not use mains gas as their primary heating fuel. It has been established by National Grid to help supplement traditional funding streams and is open to bids from Local Authorities (LA's).
- 2.2. The WHF is a £150million fund administered by AWS across England, Scotland and Wales. The WHF will be run over three annual bidding rounds, with applications invited from local authorities. GM are submitting a bid for the first round in September 2017. It is envisaged that this fund will be used to supplement existing local initiatives and other funds available to demonstrate additionality. In the case of GM, if we are successful we will use the funds alongside our LEAP, Local Energy Advice Programme (which has been piloted in Tameside and will be rolled out across GM this year) as well as individual LA fuel poverty schemes e.g. Wigan's AWARM, Bolton's Safe, Warm and Dry and Oldham's Warm Homes Oldham.
- 2.3. The fund is split into three categories (Urban, Rural and Health), it is intended that GM will apply under Categories 1 (Urban) and 3 (Health):
 - Category 1 - Urban homes and communities –this will involve new gas heating systems which provide space heating and domestic hot water. It could also include heat network solutions. Under this Category, new gas connections will continue to be undertaken by Gas Distribution Networks¹ (GDN's) and funded through the Fuel Poor Network

Extension Scheme (FPNES). The WHF is therefore targeting the 'in-house' systems.

- Category 3 - Specific energy efficient/health related solutions – this may involve national or regional programmes which bring together relevant organisations and charities to promote energy efficiency and/or health related programmes in relation to fuel poverty.

We currently believe that there is little scope for utilising funds under the 'Rural' Category 2. The bid is still 'work in progress' - please see Annex 1 for more details.

3. TARGETING AND RESOURCES

- 3.1. A detailed map of Great Britain showing the distribution of properties without a gas grid connection across local authorities and lower-level super output areas (LSOA's) has been provided by Cadent at <https://www.nongasmap.org.uk/> Information can be obtained by postcode for registered users. This map, as well as local data will be used to locate and target potential off gas areas for a programme. GMCA has started engaging with GM LAs to identify potential suitable local areas to target. We are liaising with the recently appointed Health and Housing Manager in the Greater Manchester Health & Social Care Partnership in relation to the Category 3 Health bid.
- 3.2. A maximum of 10% of funds applied for can be used to pay for administration, project management and marketing. It is proposed that half of these funds will be provided to AgilityEco to administrate the scheme on behalf of the CA. The remainder of these funds may be used to finance a proportion of GM/LA staff time to coordinate and support delivery of this project. We are still exploring the scope of the bid, however we anticipate that bids in the total region of approx. £4M could be submitted, subject to approval. Of the £4m, £3.6m would be capital for measures and £400K would be revenue. Although we can use the GD and ECO Framework to work with AgilityEco, they have requested a direct relationship with the CA. We are currently exploring procurement rules regarding consortia bids for funding.
- 3.3. Match funding is not required, however to demonstrate value for money, it is encouraged that bids display 'in kind' resources being attracted from elsewhere. We are planning for this project to work with existing GM procured programmes (i.e. GD and ECO Framework) and we will be citing LEAP services in the application. LEAP is delivered by Agility ECO via the OJUE procured GM GD and ECO Framework. Agility ECO have confirmed that they have support from ECO providers to support this bid, utility companies have confirmed they will provide ECO funds to a successful GM bid.

4. TIMESCALES

- 4.1 The timetable for the 2017 bid application process is set out below:

- Bid submission window: 7th August 2017 – 8th September 2017
- Bid Closure: Noon on 8th September 2017
- Bid Announcement (Successful & Unsuccessful Bids): October 2017

5. NEXT STEPS

The proposed next steps are:

- Await outcome of the bid

6. RECOMMENDATIONS

It is recommended that the Board:

- Note that GMCA has applied for Cadent Warm Homes Fund in the sum of c.£4m.

ANNEX 1 – Bid Criteria

The below summarises the criteria for the Cadent funding opportunity:

1.1 Eligible Properties

Bids in categories 1 and 2 will be allowed to fund measures in properties that:

- Are non-gas – those properties that do not currently use mains gas as the primary heating source via a central heating system and/or a household living in premises which are not connected by a pipe to a distribution main of a gas transporter within the meaning of the Gas Act 1986.
- Do not have a central heating system currently installed. A central heating system is defined as a heat generator providing heat to several rooms via a heat distribution system.
- They are within the 25% most deprived areas in the UK measured by the Government's Index of Multiple Deprivation (IMD). The IMD is defined separately for England, Scotland and Wales.
- Eligible for support under Home Heating Cost Reduction Obligation (HHCRO) in England, Scotland or Wales, Nest in Wales or the Home Energy Efficiency Programmes in Scotland
- In fuel poverty based on the latest government definition or indicator. This is currently defined in England as the Low Income High Cost Indicator where a household is considered to be fuel poor if its income is below the poverty line (taking into account energy costs) and its energy costs are higher than is typical for its household type.

1.2 Eligible Measures

Bids will need to demonstrate that they are only requesting funding associated with the installation costs of eligible measures. The installed heating system must supply space heating and domestic hot water. The repair or replacement of existing central heating systems or the replacement of existing boilers is not eligible under the WHF. Within reason, costs associated with installing eligible measures (including targeting costs, surveys, EPC assessments etc.) may be included in the funding bid but bidders should be clear in the application which additional elements are included in the proposed budget. Since the WHF is primarily targeted at delivering measures to fuel poor households, AWS will seek to limit marketing and administration costs for categories 1 and 2 to a maximum of 10% of the bid value.

In line with the application form the following measures are deemed to be eligible under the WHF, however there is an opportunity in the application form to propose other innovative technologies.

- Condensing gas boiler
- Condensing oil boiler
- Condensing LPG boiler
- Air Source Heat Pump*
- Ground Source Heat Pump*
- Biomass boiler*
- Heat networks
- Energy Efficiency Measures

*Any product from Ofgem's Domestic RHI product eligibility list:

<https://www.ofgem.gov.uk/publications-and-updates/domestic-renewable-heat-incentive-product-eligibility-list-pel>

Bidders are encouraged to seek additional funding through existing funding sources, e.g. Energy Company Obligation (ECO), Renewable Heat Incentive (RHI), Fuel Poor

Network Extension Scheme (FPNES). We anticipate funding for loft and cavity wall insulation will be sourced from other industry schemes. Where there may be a shortfall in this funding, bidders can apply to the WHF for 'gap funding'. These costs should be identified within any bid.

Proposals will be judged on the following:

- The number of fuel poor households supported
- Strategic fit of the project with the respective fuel poverty strategies of England, Scotland and Wales
- Value for money, including the ability to leverage in funding whilst ensuring additionality
- The benefit created by the intervention (increases in energy efficiency, estimated bill savings)
- Strength of delivery plans, project management and assurance of delivery
- Sustainability – the ongoing support and legacy left by the scheme