

Cabinet

30 June 2025

Part 1 - Public

Executive Non-key Decision



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Warm Homes: Local Grant

1 Summary and Purpose of Report

- 1.1 This report outlines the Warm Homes: Local Grant (WH: LG) which is a government-funded scheme in England that aims to improve the energy efficiency of homes and reduce fuel poverty for low-income households. It is part of the broader Warm Homes Plan, which aims to upgrade 5 million homes within the next 5 years and support the transition to net zero by 2050.
- 1.2 The Council has been provisionally awarded £1.5M of WH: LG Funding to improve the energy efficiency of fuel poor homes in its district and help to deliver a wider net zero programme.
- 1.3 There is a scheme constraint that Administration & Ancillary (A&A) cost of delivery must not exceed 15% of the capital spend. This presents a high financial and reputational risk to the Council and those risks cannot be fully mitigated.

2 Corporate Strategy Priority Area

- 2.1 Sustaining a borough which cares for the environment.
 - 2.1.1 Delivery of a WH: LG scheme will positively contribute toward our targets for tackling climate change.

3 Recommendations

- 3.1 **DECLINE** the WH: LG funding on the basis that the reputational and financial risk to the Council is too high; and

- 3.2 **RESPOND** to Government to advise that although the Council wish to deliver these improvements in residents' homes across the borough the scheme set up and constraints make it too high a risk to accept the funding.

4 Introduction and Background

- 4.1 The WH: LG scheme provides the opportunity for eligible homes occupied by low-income households to apply for fully funded measures to improve the energy efficiency of their home over at least the next three years supporting positive outcomes for these residents including comfort and health benefits. It would also assist the council with making progress in reducing emissions from domestic housing and decarbonising heat.
- 4.2 The Department for Energy Security and Net Zero (DESNZ) is expected to confirm whether the Warm Homes: Local Grant will run for either 3 years or 5 years, following a multi-year Spending Review launched earlier this year.
- 4.3 The Government's primary objective is 'tackling fuel poverty to meet the statutory fuel poverty 2030 target, delivering annual energy bill savings to occupants with a secondary objective of progressing towards the statutory net zero 2050 target through achieving carbon savings in homes upgraded'.
- 4.4 For private rented homes measures WH: LG is fully funded for the 1st home with a 50% contribution to home for 2nd home +.
- 4.5 Homes must have an Energy Performance Certificate Band D or below (or equivalent assessment) and can be heated by any fuel type.
- 4.6 The household must meet the WH: LG low-income criteria - in receipt of a means tested benefit, ECO Flex eligible or a gross household income of less than £36,000 per annum. Alternatively, the home must be in an eligible low-income postcode (Indices of Multiple Deprivation (IMD) 1&2).
- 4.7 WH: LG funding has twin grant cost caps of £15,000 each for energy performance measures and low carbon heating measures, respectively. These costs can be averaged across the lifetime of the project but must be met by the end of the scheme. There will be a non-binding aspiration regarding how many off-gas homes will be delivered.
- 4.8 Following an Expression of Interest to DESNZ on 29 November 2024, TMBC has been provisionally allocated a maximum capital grant of £1.5M. This breaks down as follows:
- 2025/26 £232,342.00
 - 2026/27 £633,829.00
 - 2027/28 £633,829.00

- 4.9 This amounts to delivering a 'central estimate' of 121 retrofitted homes with the range of delivery expected to be between 90 and 180 homes.
- 4.10 For reference the following table shows funding provisionally allocated to Kent local authorities. At this stage it is known that this funding has been allocated, however not that it may have been formally accepted via the signing of an MOU.

Ashford	£1,500,000
Canterbury	£1,500,000
Dover (consortia with Dartford)	£1,863,398
Folkestone and Hythe	Nil, did not submit EOI
Gravesham	£1,117,648
Maidstone	Nil, did not submit EOI
Medway	£1,500,000
Sevenoaks	£1,500,000
Swale	Nil, did not submit EOI
Thanet	£1,548,220
TMBC	£1,500,000
Tunbridge Wells	£1,500,000

5 Proposal

- 5.1 Officers have carefully considered options for delivery of this project including via a managing agent however financial modelling shows this option is not financially viable – see paragraph 7.9. Financial modelling for this scheme can be found at **Annex 2**.
- 5.2 An alternative approach has also been explored which would be for the Council to employ a full-time project officer within the Housing Improvement Team. They would have overall responsibility for the delivery of the project within the timescales, cost, quality and customer and Council satisfaction. The Council could identify a suitable procurement framework, such as Fusion 21 or EN:Procure to procure a main contractor to deliver upgrade works to Publicly Available Specification 2035 (PAS) standard, including design surveys and compliance sign off. Financial modelling for this scheme can be found at **Annex 1**.

- 5.3 Although this has been brought within the 15% A&A cap there is no room for any failure in any part of delivery at any point in time. There is a high financial risk if the capital is not fully spent as the costings are dependent on full delivery and these risks cannot be mitigated. In addition, the Council would need to identify a new budget for each of the three financial years to pay for potential capital works outside of the scope of grant funding eligible works e.g. the removal of asbestos discovered during the installation of upgrade measures. This amount is unquantifiable; however, it is suggested that the total budget for the scheme be IRO £50,000. Other funding sources before using this budget, for example, the Council's Housing Assistance grant funding could be explored.
- 5.4 There is full reliance on one member of staff to deliver this scheme, and resilience is also therefore a high risk. In addition, the Council's reputation is at risk especially if there is not full and timely delivery. There is also an impact on Council support services e.g. legal, finance, media, whose costs have not been included within this modelling however the project will require significant input from. Given the already identified priorities through the corporate strategy and annual service delivery plan this further demand on resources should not be underestimated and will be difficult to achieve
- 5.5 It is therefore proposed to decline the WH: LG funding given the high risks attached to delivery. Although this means that eligible residents do not benefit from the eligible fully funded measures through this scheme there are some remaining options for residents to carry out more limited energy efficient improvements e.g. Council's Warm Homes Scheme, Energy Company Obligation (ECO) funding that Officers can support with.

6 Other Options

- 6.1 There are no other viable options to progress this scheme. Partnership working with other local authorities was explored in detail prior to the Expression of Interest and this was not successful. The South East Energy Hub decided not to progress with an Expression of Interest in WH: LG funding which would have allowed local authorities to partner with. The WH: LG funding is primarily aimed at homeowners and the private rented sector and therefore working in partnership with local housing providers is not an option.
- 6.2 It is unclear whether there will be any other opportunities to join the WH: LG scheme later.
- 6.3 Residents will still have access to other energy efficiency schemes although these are more limited in terms of both funding and scope of measures available.

7 Financial and Value for Money Considerations

- 7.1 If this scheme was to proceed the Council will need to identify new budget for each of the three financial years to pay for potential capital works outside of the scope of grant funding eligible works. It is suggested the total budget for the scheme be IRO £50,000.
- 7.2 WH: LG capital funding is allocated for each year and cannot be carried forward into the following year therefore any underspend in any year will impact on the available A & A funding.
- 7.3 Local Authorities can use up to 15% of their total project spend to cover all A&A costs, including (but not limited to) resourcing, procurement, specialist advice, searching for eligible homes, signing up households, validating and assessing homes and agreeing a measure package in line with the applicable PAS (Publicly Available Specification) standards.
- 7.4 TMBC would receive 15% A&A funding based on actual capital spend, equating a theoretical maximum of £264,706.
- 7.5 Grant funding rules require 2 FTE resource for management and monitoring of the scheme. The Warm Homes Local Grant Mobilisation and Delivery Guidance states exceptions may be made where the project is small (less than £3m total grant) and the Grant Recipient can evidence that the resource in place can adequately manage the project.
- 7.6 It should be noted the Council stated in the EOI they would employ a Managing Agent to deliver this scheme. The expected cost for this service is IRO 10% of capital spend for a scheme that delivers its full capacity. Financial modelling shows this option is not financially viable – it cannot be brought within the maximum 15% A&A requirements. Financial modelling for this delivery approach can be found at **Annex 2**.

8 Risk Assessment

- 8.1 The Council has assessed this project as high risk.
- 8.2 Accepting this funding carries significant financial and reputational risk. For example, any underspend against the capital grant amount will cause a reduction of A&A funding being paid to TMBC which could lead to a significant funding gap.
- 8.3 In accordance with the funding rules TMBC are required to keep A&A costs within 15 % of the total project spend. Failure to comply could result in “sanctions” being applied although it is not clear what this might involve.
- 8.4 The option to deliver a scheme by employing an ‘in house’ project officer would be subject to DESNZ approval as this was not the identified delivery model in the Expression of Interest.

- 8.5 Failure to recruit and retain the project officer could result in significant financial and reputational damage to the Council. The Council cannot provide resilience to cover this post from existing staff resources.
- 8.6 Failure to provide/ secure robust and timely support with legal and procurement matters will likely result in significant financial and reputational damage to the Council.
- 8.7 There is a reasonable chance of complaints and/ or claims being made against the Council in relation to works being carried out under this scheme. The Council should ensure it has in force any necessary insurance.

9 Legal Implications

- 9.1 Legal support would be required regarding procurement and contract work. This will include contracting (JCT Measured Term) with the main contractor for delivering the upgrade measures to PAS standard, and other matters such as entering and keeping under review the MOU with DESNZ and data sharing agreements.

10 Consultation and Communications

- 10.1 There has been liaison with other local authorities, DESNZ and their appointed delivery partner, Turner & Townsend, to understand this scheme and how it can be delivered.

11 Cross Cutting Issues

11.1 Climate Change and Biodiversity

- 11.1.1 Declining this funding does not allow for an impact on reducing emissions in support of carbon neutral by 2030 or enhancing the natural environment.
- 11.1.2 Climate change advice has not been sought in the preparation of the options and recommendations in this report.

12 Equalities and Diversity

- 12.1.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Background Papers	None
Annexes	Annex 1 - financial modelling project officer Annex 2 - financial modelling managing agent