

Midlands Energy Hub
Green Homes Grant: Local
Authority Delivery
**Phase 2 Guidance for Local
Authorities**

25th February 2021



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Executive Summary

The Local Authority Delivery (LAD) Scheme, with up to £500m of support to English Local Authorities, was announced in July 2020 by the Chancellor with the aims of saving householders money, cutting carbon and creating green jobs.

An initial competition (Phase 1A) was launched in August 2020 with a delivery deadline of March 2021, whereby BEIS allocated £74m of funding to 55 Local Authority (LA) projects. A second round of the Local Authority competition (Phase 1B) was launched in October 2020, with a deadline for submissions in December 2020. Successful projects in Phase 1B have been offered grant funding in February 2021. All work undertaken using Phase 1B funding must be completed by the end of September 2021.

Phase 2 comprises a further £300m that will be allocated through Local Energy Hubs (Hubs) in 2020/21 for regional delivery commencing in 2021. A key objective of the scheme is to provide an economic stimulus over summer 2021 as part of the Government's plan to build back better, greener and faster in response to Covid-19. All funding must therefore be invested during 2021 and, where possible, the majority of delivery should be completed by the end of September to maximise the impact on supporting green jobs this summer.

The LAD 2 scheme operates in a different way to previous Government energy efficiency schemes by utilising Regional Energy Hubs. The scheme aims to harness both Local and Regional expertise to identify households which are most likely to be in fuel poverty and which would best benefit from energy efficiency upgrades. BEIS will use learnings from the Hubs to inform the design of future Government-funded fuel poverty schemes and the on-going role of Local Authorities and Regional Energy Hubs in moving this agenda forward.

The Midlands Energy Hub (MEH) will be receiving a total of £59.95m of LAD funding as part of Phase 2 of the Local Authority Delivery (LAD) element of the Green Homes Grant scheme, which will run from March 2021 to December 2021. Each council will receive a formal award letter confirming the allocation.

To receive funding LA must sign and return their award letter which will release a mobilisation payment to support proposal development. Up to 9% of the funding can be used as capitalisation costs (for further information go to pg. 11). The deadline for signing the letter will be the 15th April. This is a requirement for the release of the mobilisation payment of 10% to support proposal development.

This guidance covers the LAD Phase 2 for the Midlands only and should be read prior to signing the LAD 2 letter of award and completing their proposal. If LAs have further questions, these should be sent to MEH.LAD2@nottinghamcity.gov.uk.



Outline of Funding Mechanism

The Midlands Energy Hub is allocating funding to Local Authorities to deliver Phase 2 to improve the energy efficiency of homes of low-income households living in their area.

The LAD scheme aims to raise the energy efficiency of low-income and low EPC rated homes including those living in the worst quality off-gas grid homes, delivering progress towards: reducing fuel poverty, the phasing out of high carbon fossil fuel heating and the UK's commitment to net zero by 2050.

Proposals (Further information is available in Appendix A) will need to be accepted with or after receipt of signed and returned award letter. Proposals should be submitted electronically to the LAD inbox (MEH.LAD2@nottinghamcity.gov.uk). Proposals will be reviewed on three occasions, providing LA's several opportunities to submit for review: 2nd April, 30th April and 24th May. Feedback will be provided within 10 working days along with any pre-conditions to release of the first quarterly payment.

All proposals will need to be submitted by 12 noon on the 24th of May. Details of the process are set out later in this document.

LAs will be required to sign and return their Award Letter by 15th April 2021. Delivery of projects must take place over 2021, with completion by 31st December 2021.

In advance of submitting an application, MEH ask that LAs indicate their intention to submit a proposal and provide their bank details on letter headed paper to streamline grant payments.

Where a LA has a project under Phase 1, the delivery target set out in the Phase 1 MOU should be adhered to. Phase 2 proposals should seek to increase delivery over summer and autumn 2021.

Key Changes to Guidance from Phase 1B to Phase 2

- EPC D-rated homes can be included up to 50%
- Businesses delivering energy efficiency measures within the scope of PAS2035:2019 and PAS2030:2019 must be certified to PAS 2030:2019 and comply, and be able to evidence compliance, with both PAS2035:2019 and PAS2030:2019
- There will be customer journey support in place to assist Local Authorities with LAD 2 delivery. Local Authorities must attend at least one monthly meeting with the provider to optimise delivery. The provider is there to assist regionally; Local Authorities are responsible for delivering their allocation including submitting a proposal and identify areas for the customer journey support to target.
- Local Authorities will be able to use up to 9% of their allocation as capitalisation costs (for further information go to pg. 11).



INTRODUCTION

Overview

Phase 2 of the Green Home Grants Local Authority Delivery (LAD) Scheme will allocate £300m between 5 Local Energy Hubs, who are regional points of expertise and coordination on energy issues. This is an allocation of a share of £300m to Local Energy Hubs rather than a competition between Local Authorities bidding directly to BEIS for funding.

The primary purpose of the LAD Phase 2 scheme is to raise the energy efficiency rating of low income and low Energy Performance Certificate (EPC) rated **homes** (those with EPCs of E, F or G although D is also in scope subject to a cap of 50% of Band D homes upgraded across each region).

We expect the LAD Phase 2 funding to result in the following outcomes:

- Tackle **fuel poverty** by reducing energy bills for low-income households by improving the energy efficiency of their home.
- Deliver cost effective carbon savings to carbon budgets and progress towards the **UK's target for net zero by 2050**.
- Support **economic resilience** and a green recovery in response to the economic impacts of Covid-19, creating thousands of jobs.
- The phasing out of the installation of high-carbon fossil fuel heating and reducing emissions and improving **air quality**.
- Utilise the role of Local Energy Hubs to build Local Authority **capacity and supply chains** to deliver energy efficiency at scale.

BEIS aims to fund as many projects as possible to support a green recovery in response to the economic impacts of Covid-19 and to help take low-income families out of fuel poverty. This document sets out eligibility parameters to ensure funding is allocated to projects which are aligned to Government objectives.

Breakdown of Funding

The MEH will be receiving a total of £59.95m of LAD funding as part of Phase 2 of the Local Authority Delivery (LAD) element of the Green Homes Grant scheme, which will run from March 2021 to December 2021. Each council will receive a formal award letter confirming the allocation the week commencing the 1st March.



The final allocation of the delivery funding is to be used for “Eligible Costs”. An Eligible Cost is one properly incurred in relation to:

- a. A recipient who is an ‘Eligible Household’,
- b. Installation of ‘Eligible Measures’ which aim to improve homes towards EPC C and above,
- c. Installation is completed by an ‘Eligible Contractor’,
- d. Installation is completed during the ‘funding period’ with the installation profile enabling the Local Energy Hubs to meet the requirements around ‘prioritised delivery’,
- e. Funding to owner occupied ‘Eligible Household’ should cover the full cost of upgrading a home and we do not expect the average cost of upgrades to exceed £10,000 per property, and
- f. We expect landlords eligible for funding (private and social) would provide at least 33% contribution towards the cost of the upgrades and we do not expect the subsidy to exceed £5,000 on average per household (See Table on pg. 8 for guidance on landlord contribution).

Additional Support

On signing the award letter LA’s will be eligible to receive 10% of their allocation for mobilisation and to support their proposal development, of this up to 9% can be used as capitalisation.

Each LA, whether delivering individually or as a consortium, will also receive £2,750 to be used to assist with any required stock analysis or modelling to support Phase 2 and any potential future domestic energy efficiency schemes.

There will be customer journey support in place to assist Local Authorities with LAD 2 delivery. The service will inform citizens of the process and provide a single point of contact and support. The service will check household eligibility, answer questions on the scheme and energy efficiency measures, register any complaints as well as provide additional support to help tackle fuel poverty.

The main responsibilities include:

- Area based project and Customer Journey support (this will include a telephone helpline)
- Stakeholder Engagement
- Monitoring including reporting and data collection
- Marketing and Communications

There will be two Dynamic Purchasing Systems for LA’s to use to procure installers and professional services to enable regional LAD Phase 2 delivery.



DETAILED ELIGIBILITY GUIDANCE

Parameters and Eligibility Specifications for LAD Phase 2 Delivery

LAs must develop proposals that can achieve the objectives set out above, for which BEIS has set relatively broad eligibility criteria in 6 areas for the scheme.

Subsidy Control

To demonstrate that the project will not result in a distortion of competition, we expect projects to be in line with any applicable subsidy control legislation and any applicable UK Government guidance. It is ultimately the responsibility of the Local Energy Hubs and the Local Authorities in their region ensure their projects will not result in a distortion of competition. We generally expect Local Authorities to work with their legal teams to do so.

Eligible Households

Low-income households

Funding must be targeted at low-income households likely to be in fuel poverty. LAs will need to ensure approach to checking income eligibility is carried out in accordance with this guidance, and confirm which approach(es) they are using in their proposal ahead of receiving the first quarterly payment.

The income eligibility approaches available to LAs are:

- They will ensure that households receiving measures have a combined household annual income of no more than £30,000 gross, before housing costs and where benefits are counted towards this figure, or
- Low-income households who are likely to be living in fuel poverty will be targeted using alternative methodologies.

BEIS is not prescribing a particular method to ensure that households are on a low income, but LAs will need to demonstrate how they measure income eligibility. Examples may include: using receipt of means tested benefits as a proxy for low income; specifying data commonly held by Local Authorities such as existing processes on Council Tax reductions for those on lower incomes; or by setting out permitted innovative approaches such as health-based referrals or advanced statistics and machine learning where Local Authorities can demonstrate these will target low-income households.

The option for a flat £30,000 figure has been set to enable a large group of low-income households to be supported regardless of the region. However, under Phase 2 alternative methodologies outlined by LAs and approved by Local Energy Hubs, that clearly evidence LAs are targeting low-income households likely to be in fuel poverty will be accepted. This may include total household incomes above the £30,000 threshold, for example in certain areas



where higher housing costs mean the resultant household income after housing costs is likely to be below £20,000.

It may also be possible for a household income to be in excess of £30,000 and still be at risk of fuel poverty where the household composition means that incomes are stretched amongst many dependent children. A viable way of setting thresholds for low-income households likely to be in fuel poverty would be to use the income thresholds set out in Annex 6 of the Energy Company Obligation flexible eligibility guidance for Local Authorities.

As an additional flexibility to enable area-based upgrades, where there is strong evidence for doing so, eligibility may be determined by the average income across a block of flats/houses/maisonettes being below £30,000 per year, or, where the majority of households have a combined income of no more than £30,000 per year. If there are a significant number of households living in a block of flats/houses/maisonettes earning above a combined income of £30,000 a year, it may be more suitable for these households to apply for the Green Homes Grant Voucher Scheme.

Annex A provides further guidance on domestic premises eligible for Phase 2, including households, which we have aligned to the definition in the Energy Company Obligation (ECO) scheme.

Upgrading existing homes that are energy inefficient.

Funding must support the retrofit of existing domestic dwellings only. Newly built homes, which have not been previously occupied, are not eligible to be upgraded under the Green Homes Grant Local Authority Delivery scheme.

Except in the case of park homes/mobile homes (as discussed below), funding must be targeted at households with an energy performance certificate (EPC) rating of Band D, E, F or G, although Band D is subject to a cap of 50% of Band D homes upgraded. Households with an EPC rating of Band A, B or C are not eligible for the scheme. While households with an EPC of Band D to G are in scope of the scheme, funding should be targeted at the least energy efficient housing. The policy intent is to improve these homes up through the energy efficiency scale.

Existing park homes/mobile homes are eligible for support. As park homes/mobile homes typically do not have an EPC, Local Authorities looking to upgrade park homes/mobile homes will need to outline why the stock is energy inefficient and high cost to the homeowner or tenant. As set out above, funding should focus on the least energy efficient housing and therefore those park homes/mobile homes expected to be equivalent to EPC ratings E, F and G.

Tenure type

Funding is available for all tenure types. This includes owner occupied, private landlords, registered social landlords, Housing Associations and Local Authority owned housing.

The LAD scheme is a mechanism that could be used for mixed tenure estates and communities as part of area-based regeneration. As part of implementing a LAD project we expect that Local Authorities will use this as an opportunity to reinforce domestic minimum energy efficiency standards under the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 for existing F&G rated properties and seek to use available grant funding as an incentive for landlords to go further than their statutory duties.

Where housing is owner occupied (private homeowners) we do not expect those households to have to contribute to the costs of upgrades for the property and we do not expect the costs of upgrades on average to exceed £10,000 per property.

Where a property is rented to a tenant (social or private), including a Local Authority owned property, we expect there to be a minimum contribution by the landlord to the cost of upgrades of 1/3, with the average subsidy cost not to exceed £5,000 per property.

Please see the table below for the breakdown of landlord contributions:

Table 2: Minimum Landlord contributions for rented accommodation (private and social)

LAD funding	Minimum Landlord contribution	Total cost
£1,000	£500	£1,500
£2,000	£1,000	£3,000
£3,000	£1,500	£4,500
£4,000	£2,000	£6,000
£5,000	£2,500	£7,500

Eligible Measures

Funding must only be provided in relation to eligible measures. Eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve EPC Band D, E, F or G rated homes. This includes, but is not limited to, measures such as wall, loft and underfloor insulation, as well as low carbon technologies and solar photovoltaics.



This is with the exception of fossil fuel heating systems. One of the core objectives of this scheme is to support progress for the UK to reach its Net Zero target by 2050. Our priority is to support low carbon heating systems that maximise carbon savings. Therefore, fossil fuel measures, such as the installation of a new fossil fuel-based heating system, or the replacement or repair of an existing fossil fuel-based heating system with another fossil fuel-based heating system, are not in scope.

Further, projects may include hybrid heating systems, but should be mindful of the need to ensure that these would be used primarily for low-carbon heating as opposed to fossil fuel heating. For hybrid heat pump installations, the installation of a new air source heat pump alongside an existing fossil fuel boiler, for example, would be ineligible as the fossil fuel element of the system would also need to be new. LAD funding cannot be used to subsidise fossil fuel products or to fund gas boilers.

Where Phase 2 projects do propose using hybrid heating systems, LAs will need to be satisfied that the renewable component will be primarily used rather than fossil fuel component and that their measures choice is the most appropriate technology for the specific housing stock. The heat pump element of any hybrid system must be used at least for space heating and may be used for domestic water heating. It should be capable of providing the vast majority (above 50%) of the space heating demand for the property.

We also do not expect projects will include measures such as biomass boilers due to the operational costs for low-income households and ongoing requirements for biomass on fuel sustainability and air quality. If the use of biomass boilers is intended for Phase 2, we would expect the project to outline why biomass is the most appropriate technology and how they intend to ensure the ongoing use of sustainable fuels, such as by adhering to the sustainability and air quality requirements from the Renewable Heat Incentive (RHI) scheme.

To clarify, there are no requirements regarding primary and secondary measures as there are under the Green Homes Grant Voucher scheme. Local Authorities will be required to quantify the mix of measures they are intending to install, why they are considered the appropriate measures to upgrade the targeted properties and why they represent good value for money. For example, where the project involves the installation of double glazing, a typically less cost-effective measure, Local Authorities are required to quantify how many double-glazing installs are planned and specify whether double glazing will replace single glazing only.

LAs will provide an overview of the proposed mix of measures that will be delivered and to evidence that products and technologies will be of a good standard such as renewable heating measures listed on the MCS Directory used for Domestic Renewable Heat Incentive product eligibility.



Funding and Eligible Costs

The primary funding for the LAD scheme is capital funding from BEIS distributed by MEH.

The funding must therefore be used in line with section 11 of the Local Government Act 2003. For example, for the creation of an asset or the modification or improvement of an existing asset. However, given the scale of the projects envisaged, it is recognised that there will be set up, ongoing and evaluation costs to administer projects and enable the funding to be capitalised. Therefore, Local Authorities may also use up to 9% of grant funding to fund administrative and ancillary works to support delivery such as the completion of essential repair, maintenance, and preparation of properties to facilitate energy efficiency upgrades and other support as required for low-income households.

We understand that although most costs are straight forward to allocate between admin, ancillary and capital, Local Authorities may benefit from being able to use their discretion and advice for their Accounting Officers in deciding where they budget some costs which comfortably could sit in either budget. For example, costs incurred within the delivery of measures to eligible households could sit in either admin costs or in capital costs associated with delivery. LAs can therefore determine how costs such as the TrustMark lodgement fee of £30+VAT (for up to 6 measures per property), and post installation EPCs are accounted for.

Examples of what spend could be included in the admin and ancillary budget and what counts as capital costs are given below. LAs should work with their Accounting Officers to ensure that their budgeting and allocations are fit for purpose.

Example admin and ancillary costs (max 9%)

- Project management, reporting and governance costs;
- Building works to prepare for install – for example if there are issues with the walls that need to be rectified prior to insulation being applied;
- Retrofit coordinator training costs; and
- Resident targeting, low-income verification and sign-up including lead generation and communication activities.

Example capital costs

- Installer and designer labour costs;
- PAS 2035 on-site costs such as airtightness test, SAP measurements and retrofit coordinator costs (although this could also sit in admin);
- Materials (insulation, Air Source Heat Pump) and transportation, ventilation upgrades; *and*
- TrustMark lodgement fees (see above).



Eligible Contractors

Installers of energy efficient measures must be TrustMark registered, or part of a scheme that the Secretary of State is satisfied is equivalent. Businesses delivering energy efficiency measures within the scope of PAS2035:2019 and PAS2030:2019 must be certified to PAS2030:2019 and comply, and be able to evidence compliance, with both PAS2035:2019 and PAS2030:2019. Compliance with PAS2035:2019 must be adhered to from the beginning of delivery.

It is a requirement for low carbon heat installers to be certified under MCS or part of a scheme that the Secretary of State is satisfied is equivalent. MCS certification requires an installation company to be assessed by an affiliated certification body, have consumer code membership, and to have demonstrated suitable competency against relevant technology standards, as well as carry out installations in accordance with MCS installation standards.

These requirements largely mirror the requirements under the Energy Company Obligation (ECO) and Renewable Heat Incentive (RHI).

BEIS does not take any financial liability for costs incurred for registration or accreditation for businesses that do not receive funding under LAD Phase 2.

Interaction with other funding

LAD funding cannot be combined with Green Homes Grant Vouchers as it falls under the same GHG scheme, as such a property must not receive support under both LAD and the Voucher scheme, even if it is for different measures.

LAD cannot be blended with other government schemes such as ECO or the Social Housing Decarbonisation Fund Demonstrator (SHDF Demonstrator) for the same individual measure (except for Renewable Heat Incentive, for which see below), although it is possible for installations to be undertaken for the same property where the installation measures are not the same. For example, a contractor delivering support to a household may be funded through LAD to install a heat pump and funded separately by ECO to install solid wall insulation.

Local Authorities must ensure there are controls to ensure households are not in receipt of funding from LAD Phase 1 and the GHG Voucher scheme and will not allow the blending of funding with other government scheme (such as SHDF or ECO) on the same individual measure. Where measures are delivered to a household in Phase 1 and the cost expectation for that household were not met, additional measures can be installed at the same address within the LAD cost guidance, which states household has received subsidy of up to £5,000 for rented accommodation or up to £10,000 for a low-income owner occupier from the wider Green Homes Grant.



For the purposes of the Renewable Heat Incentive (RHI), LAD funding is a grant from public funds and as a result LAD Phase 2 funding would be deducted from RHI payments as per the RHI rules on grant funding. Local Authorities should ensure they are aware of RHI rules, including that to be eligible for RHI the applicant must have made some financial contribution towards the cost of purchasing or installing their heating system.

LAD funding can however be blended with other third-party finance or Local Authority budgets to deliver additional support to communities. If Local Authorities plan to blend LAD funding with other relevant funding, they will need to evidence this in their proposal.

Government intends to utilise data matching between schemes.

Other information

Eligible Expenditure consists of payments by the grant recipient during the Funding Period for the purposes of the Project. Eligible Expenditure is net of VAT recoverable by the grant recipient from HM Revenue & Customs, and gross of irrecoverable VAT. This means that all grants are outside the scope of VAT.

For clarity, this means that BEIS and Local Energy Hubs will not pay VAT upon the transfer of grant funds.

Reporting and Governance Commitments

Local Authorities will be required to provide a monthly report, which will begin from April and must be submitted by the 28th of each month or next working day and sent to MEH.LAD2@nottinghamcity.gov.uk.



During the Funding Period, the report shall detail:

- Monthly progress
- Eligible expenditure
- Eligible costs
- Costs incurred when delivering the admin and ancillary budget
- Costs incurred when delivering the capital assets
- Update and review of the Risk Register
- An update of the progress of Local Authorities in the Hubs region against Key Performance Indicators (KPIs) and additional Performance Indicators (PIs)
- Evidence of due diligence processes to demonstrate how it is managing the fraud risks
- Any planned or actual variations to the Sourcing Strategy
- Update on the sourcing costs incurred against the budget

The Hubs are required to report variations in Local Authorities' performance against the targets they provide in their proposal and report on KPIs in monthly reports submitted to BEIS. Should there be a significant variation in the Local Authorities' performance, a recovery plan and re-profiled delivery will be required to ensure the project has a robust recovery plan.

Monitoring & Evaluation

The Local Authorities and Hub have the responsibility of ensuring that all Local Authorities, installers or delivery partners collect and provide the appropriate information to support monitoring and evaluation. To achieve this Local Authorities are expected to:

- Gather and collate monthly scheme delivery data. A draft data dictionary of the information LAs are expected to provide can be found in Annex B.
- Include data collection requirements in all relevant contracts with installers and delivery partners.
- Share this with the Hub/BEIS on a monthly basis.
- Inform the Hub immediately of any reports it has received relating to any suspected fraudulent activity relating to the delivery of Phase 2 and include a summary of investigative and/or corrective action. LAs must not wait until their next monthly report to raise issues around fraud with BEIS.

The Local Energy Hubs are working with BEIS on the best way of capturing project details on an ongoing basis. MEH are creating a bespoke regional CRM for Local Authorities and customer journey support to use to securely collect data and assist with monitoring the required KPIs. LAs will be responsible for additional reporting on PIs, fraud and risk.



All activity should be shared no later than the last working day of the month following the installation. For example, if an installation takes place in March, this should be notified to BEIS by the end of April at the latest.

Checks

Firstly, check that the installation data is for an eligible household and the installer meets the necessary standards (either through Trustmark or other means agreed as part of the grant award).

Secondly, data completeness checks to ensure that all mandatory and required fields are completed.

Thirdly, simple data validation checks, such as checking field formats (e.g. a date field is in date format) or that entries are valid (e.g. a postcode is alphanumeric). Annex B includes a proposed data dictionary for the database. This annex sets out the key data required.

Evaluation

Local Authorities, and, where relevant, lead delivery partners will be required to participate in interviews and market assessment surveys led by evaluation contractors appointed by BEIS. These interviews and surveys ensure that wider insights can be provided on the experience of delivering measures under LAD as well as the success of the commercial delivery model. It is expected that Local Energy Hubs, Local Authorities and delivery partners will be asked to take part in 2 interviews and 1 market survey.

A central part of the evaluation commissioned by BEIS will be collecting data from households and landlords receiving measures, the installers delivering them as well as households who were eligible but opted out of receiving a measure, where possible. In addition to re-contacting households and installers as part of the evaluation, data linking to existing datasets will also be required for both compliance and evaluation purposes. To support this, the proposed data requirements in Annex B includes fields for household, landlord and installer contact details. It is the responsibility of Local Authorities to ensure sufficient provisions are in place to support the data linking required to support scheme compliance checks as well as data linking for the purpose of evaluating the schemes. Explicit consent will be required to support re-contact of the households, landlords and installers as part of the scheme evaluation. Local Authorities will need to comply with GDPR when collecting and sharing this information. BEIS will provide a suggested privacy notice and consent form at the point of grant award. Use of these is not mandatory, however if they are not used, Local Authorities will be required to demonstrate how consent for re-contact has been obtained and that all relevant parties have been notified of how their data will be used. MEH will also require a data sharing agreement to be in place to support the sharing of household, landlord and installer data. To facilitate this BEIS will provide draft agreements after grant award.



As part of the Local Authorities' cooperation in the evaluation activities, where possible, LAs should facilitate engagement with households in advance of measures being installed. Success of this research activity would require the installation of match-box sized in-home temperature sensors one month before their installation takes place as well as a home air-tightness test (which requires a home visit from the research team before and after the installation). To collect temperature data during a heating season, a sample of around 200 homes who have installations completed between mid-October and early December 2021. BEIS would require either pre-installation access to contact details of recruited households. BEIS will provide updates by summer 2021 as the research methodology is finalised. However, early expressions of Local Authorities' ability to support this approach are welcomed.

THE PROPOSALS PROCESS

Once a Local Authority is satisfied that they meet the parameters, eligibility criteria, reporting and governance commitments, and they have signed the Award Letter, the LA can complete the Proposal Form that will be available to LAs on the 25th February. For detailed guidance on the application form, please view Annex A – “Completing the Proposal Form”. The deadline for completed proposals to be submitted is noon on the 24th of May 2021.

In advance of submitting an application, MEH ask that LAs indicate their intention to submit a proposal and provide their bank details on letter headed paper to streamline grant payments. We are content for third parties, such as delivery partners, to complete the form on an LA's behalf; our requirement is that LAs sign off, submit and are accountable for delivery.

MEH will use the following assessment criteria to assess the proposals meet the project objectives:

- **Strategic Fit:** how well the proposal fits with the aims, desired outcomes and eligibility criteria of the LAD scheme.
- **Delivery Assurance:** an assessment of the feasibility and credibility of the project including detail on its timescales, procurement, quality assurance, auditing, monitoring, and evaluating requirements.
- **Value for Money:** The cost of the project in relation to its relative impact and proposed benefits to the housing stock it plans to improve.

Proposals should be submitted to the LAD mailbox (MEH.LAD2@nottinghamcity.gov.uk).

MEH will review applications on three occasions, providing LAs several opportunities to submit for review. Review deadlines: 2nd April, 30th April and 24th May.

Proposals will be reviewed by the MEH LAD Programme Board, or MEH board for final approval. Feedback will be provided within 10 working days of each submission deadline along with any pre-conditions to release of the first quarterly payment.

All work undertaken using the LAD grant funding must be completed by the 31st of December 2021.

Key Dates

Date	Event
25/02/21	Guidance Published
WC 01/03/21	Award Letters
11/03/21	DPS Webinar
12/04/21	DPS Live
12/04/21	Customer Journey Support in Post
15/04/21	Deadline to sign award letter and enable release of mobilisation payment
02/04/21 30/04/21 24/05/21	1 st Proposal review deadline 2 nd Proposal review deadline 3 rd and final deadline for submitting proposal and accessing full funding allocation
tbc	Interim report
31/12/21	Delivery completed



Annex A Completing the Proposal Form

Midlands LAD 2 Proposal template.

Section 1: Details of Local Authority Delivery Project

Please indicate if you are applying as part of a consortium, and if you are, please provide all LA names involved in the proposal. Confirm your allocation (full amount or part, minimum proposal can be £125,000 supporting a minimum of 25 eligible households). Please provide contact details.

Local Authorities are required to declare that they meet the requirements of the funding as set out in the guidance.

Section 2: Strategic Fit and Value for Money

Provide a high level summary of the project. We will use this high-level summary to form part of the 'Strategic Fit' assessment. We expect proposals to clearly outline low income household eligibility criteria and chosen fuel poverty methodology. This will also include how the proposal plans to assist local coordinators to target/identify eligible households with EPC ratings D, E, F and G (or equivalent as regards park homes). Please try to keep your answer below 500 words.

The summary should detail how they meet the funding objectives (stated in the guidance) and demonstrate value for money.

Section 3: Delivery Assurance

Provide an overall delivery plan of the project. We will use this high-level summary to form part of the 'Delivery' assessment. We expect proposals to clearly outline their chosen measure mix and how it is deliverable with the timeframe. Please try to keep your answer below 500 words.

Local Authorities must provide a planned delivery profile and complete the target table, which monthly reporting will be monitored against. As well as information on interaction with other funding such as ECO.

Section 4: Risk and Fraud

Please complete both the risk register and fraud risk register in relation to the specified risks and any other risks believed relevant to the scheme.



Section 5: Additional Capacity

Additional information is sought from LAs on whether they are interested in receiving further funding above the initial allocation, within the current delivery period. This information will only become relevant in a situation where additional funding is made available, for example where funds are re-allocated. This will not affect a LAs access to their original allocation, and will not be assessed. Any information provided in this section will be treated as for information only.

Section 6: Declarations

Please ensure you include the details of the individual responsible for leading this project and the individual that approved this proposal for submission.

Annex B Monitoring

Monthly Report – Sourcing and Delivery activity (template)

			Status	R/A/G
Local Energy Hub	Local Authorities currently delivering (provide list)	Grant Reference	Authority Lead	Report Date
		INSERT REFERENCE	INSERT LEAD OFFICIAL	INSERT DATE
Summary of Status		Progress Over Previous Month	Plan for Next Month	
Risks / Issues to Project Delivery				
#	Risk/Issue	Mitigating Actions	Status	Owner
1			R/A/G	
2			R/A/G	
3			R/A/G	



Performance Levels: Reporting (this will be monitored against targets provided in proposal)								
KPI	Status	Cumulative Target	Cumulative Actual	Current Monthly Target	Current Monthly Actual	Current Monthly Difference	Subsequent Month Target	Description
1	Eligible homes signed up to receive measure(s) (by tenure type)							The number of homes, eligible under the scheme, that have agreed to an installed measure, where the LA has taken all reasonable steps to ensure delivery within the programme deadlines, with data presented by tenure.
2	Number of measures installed							The number of completed individual measures installed across all eligible homes.
3	Number of homes receiving their first measure (including the number of EPC band D)							The number of homes that have received their first measure in a given month, with data presented by EPC band.
4	Number of homes completed							The number of homes that have received all identified measures under LAD2, in a given month.
5	Number of homes that improve to an EPC band C or above (by tenure type and starting EPC)							The number of homes that improve to an EPC band C or above as a result of measures installed through LAD 2. This should be broken down by tenure and starting EPC band.



6	Average SAP increase								Average impact of the all measures installed.
	Number of homes that have been improved by at least one EPC band from a starting SAP 1-54 rating/EPC EFG (by measures installed)								This should identify pre- and post-EPC ratings/ SAP scores and the type of measure installed.
7	Approximate Carbon Savings								Using the provided Carbon Savings rubric, the estimated total carbon savings of measures installed in a given month.
8	Average cost per home receiving a measure								The average total cost per completed home (as per KPI 4) not including administration or ancillary costs. This should be presented by tenure.
9	Number of jobs supported, including apprenticeships								The number of jobs supported through LAD2, including apprenticeships.
10	Cumulative Spend of allocation								The actual and forecasted spend under the Local Authority project. For consortia programmes, this should be presented by both LA and consortia area

Annex C Defining Domestic Premises

For the purposes of the Green Homes Grant Local Authority Delivery scheme, a domestic premise is defined in the same way as they are for the Energy Company Obligation scheme.

Domestic premises

Domestic premises test, other than a Park Home/Mobile home

We use a two-part test to determine whether premises, other than a mobile home, are domestic premises by asking:

Test I. are the premises self-contained by containing kitchen facilities for occupants to prepare food?

Test II. are the premises used by the occupants wholly or mainly for domestic purposes (i.e. as a home)?

If the answer to each question is yes, then we consider the premises to be domestic premises. Further information is provided below about each part of this test.

Test I. Are the premises self-contained?

This part of the test is about the physical layout and setup of the building.

Premises may be part of a building (for example, a flat in a tower block) or may be the whole building (for example, a detached bungalow).

Premises will be considered to be separate and self-contained if, within the boundaries of the premises, they contain:

- a. one or more bedrooms, and
- b. private kitchen facilities, including a kitchen sink and stove, for occupants to prepare food.

Note that a portable microwave or campfire stove would not be considered as a stove for this purpose. Kitchen facilities are private when they are accessible only to the occupants of the bedroom or bedrooms within the part of the building that forms the premises.

Our test does not take account of bathroom facilities.

Bedrooms

A space can function as both a bedroom and a living area – for example, a studio or a bedsit.

Kitchen facilities

Kitchen facilities include a kitchen sink and a stove. Where one of these items is not present in the kitchen, then we do not consider the premises to contain kitchen facilities.

Kitchen facilities may be located in the same space that functions as a bedroom – for example, a studio or bedsit.

Kitchen facilities are private when they are accessible only to the occupants of the bedroom or bedrooms within the part of the building that forms the premises.



Examples of premises that are self-contained (although might fail the domestic purposes test):

- a. a studio (containing private kitchen and bathroom facilities).
- b. a bedsit (containing private kitchen facilities, with access to shared bathroom facilities).
- c. an apartment, including a shared apartment where the occupants of each bedroom share a communal kitchen.
- d. a house, including a shared house where the occupants of each bedroom share a communal kitchen.

The following are not self-contained premises:

- a. a bedroom which does not contain private kitchen facilities
- b. a bedroom which contains some kitchen facilities, for example a refrigerator and a microwave oven, but does not contain a kitchen sink and/or stove
- c. two or more bedrooms with a kitchen that is not for the exclusive use of the occupants of those bedrooms, and
- d. any facility where the occupants do not have access to kitchen facilities to cook for themselves.

Determining the boundary of premises

The boundaries of the premises are the outermost walls of the total space used exclusively by the occupants of the premises. For example:

- a. in a shared apartment or house, the total space includes all bedrooms and the common areas (kitchen, bathroom(s) and living area(s), halls and corridors), or
- b. for a bedsit containing a kitchen, the boundaries of the premises are the walls of that bedsit, or
- c. for mixed use premises, such as a Bed & Breakfast with both commercial and domestic parts, the premises boundaries of the domestic part would be the outermost walls of the area that is self-contained and used for domestic purposes (i.e., it contains its own kitchen and has one or more bedrooms).

Test II. Are the premises used as a home?

Premises are considered to be used wholly or mainly for domestic purposes if the premises are used by the occupants as a home.

This part of the test considers the way in which the building is generally used. In most cases it should be clear that premises are being used as a home, i.e. the premises are used by the occupants for living in on more than a short term basis (typically more than three months).



Suppliers are normally expected to check the length of a lease or licence to occupy in scenarios where you would expect the lease or licence to be short term, e.g. hostels.

The use of premises as a home can be evidenced in the following ways:

- a. Owner-occupied premises: the receipt by the occupant of utility bills or mortgage statements relating to the premises may indicate that the premises are used as a home. There may be other indicators such as mortgage deeds naming the occupant.
- b. Premises occupied under a lease or licence to occupy: the receipt by the occupant of 3 months of utility bills relating to the premises, or the existence of a lease or licence of longer than 3 months in the name of the occupant (such as a tenancy agreement) may indicate that the premises are used as a home. There may be other indicators that may be considered acceptable evidence.

Commercial activities

Occupants may carry out some commercial activities at the premises from a room also used for domestic purposes, provided that the primary use of the premises is as a home. Examples of commercial activities include working or running a business from home. Areas used solely for commercial purposes should not be included in calculation of savings for that premises.

Examples of premises that are not generally used as a home:

- a. a hotel, or guest houses (including 'bed and breakfast' properties), where guests do not usually stay for periods of longer than a couple of weeks,
- b. a short-stay apartment or hostel, where occupants usually stay for periods of less than 3 months, or

There may be examples where a clear distinction between commercial activities and domestic living space, can be made within a single premises. An example of this could be a flat located above the ground floor of a premises which contains a shop. In this scenario, only the percentage of the floor, wall, or roof area directly adjoining the areas used as a domestic living space or domestic premises would count towards any score.

Suppliers should contact BEIS if they are unsure how to score a premises with both domestic living spaces and areas used for commercial purposes.

Care homes

Care homes do not meet the domestic premises requirement, and are therefore outside of the scope of the GHG LAD scheme.



Student halls of residence

Student halls of residence do not meet the domestic premises requirement, and are therefore outside of the scope of the GHG LAD scheme.

Mobile homes

For a structure to be considered a mobile home, and therefore a domestic premises, it must: a. be a caravan, AND b. be used as a dwelling.

Houses in Multiple Occupation

Houses in Multiple Occupation (HMOs) are eligible to receive measures, except for district heating system (DHS) measures. As specified in the Housing Act (2004) and the Housing (Scotland) Act 2006, an HMO is a building that contains living accommodation where 'two or more of the households who occupy the living accommodation share one or more basic amenities or the living accommodation is lacking in one or more basic amenities. Therefore, the arrangement of kitchen facilities within an HMO is critical in determining eligibility under GHG LAD.

Based on the definition of self-contained premises, we recognise two distinct categories of HMO:

- a. An HMO with shared cooking facilities (e.g. a shared house).
- b. An HMO with private cooking facilities in each bedroom (e.g. bedsits).

The eligibility, notification and scoring methodology is dependent on which of the above categories the HMO falls in.

Generally, an HMO with shared cooking facilities should be treated as if it were a single domestic premise. This type of HMO follows the same eligibility, notification, and scoring rules as non-HMO properties. This means that the deemed scores may be used.

An HMO with private cooking facilities is treated differently to other types of domestic premises. This is because individual bedrooms may meet the GHG LAD definition of a self-contained premises. The eligibility, notification, and scoring of an HMO with private cooking facilities in each bedroom is set out below.

Eligibility

Each tenant's eligibility only extends to their individual private rooms, not the HMO as a whole. This means that one occupant in receipt of benefits would qualify their individual room, but not the whole HMO. For the whole HMO to be eligible, all rooms would need to have an eligible occupant, or meet other eligibility criteria.



Annex D Frequently Asked Questions

Q.1 Is there an overlap with Phase 1B & Phase 2?

Phase 2 is intended to fill the gaps where LAs were unable to use LAD Phase 1A and 1B funding to address fuel poverty and make homes more energy efficient. Phase 2 allows the Local Energy Hubs to support all to access funding.

Eligible Households

Q.2 Is the 50% EPC Band D cap for the average across the authority (i.e. 45% Band D home in one area and 55% Band D home in another)?

The 50% EPC band D household cap is an average across a Hub region. This means that the number of EPC Band D households within an LA or project area may vary so long as the overall average of Band D homes reported back to BEIS does not exceed 50% of the total number of homes receiving measures in a Hub region under Phase 2.

Q.3 Is the £10k spend per household average spend (i.e. £8k on one house, £12k on another)?

The household spend is an average across the Hub region. Owner occupier properties can have an average spend of £10k, whereas rented properties can have an average spend of £5k, with minimum 1/3 contribution from landlords. See Q12 for a table with a breakdown of the required landlord contributions.

Eligible Measures

Q.4 Does ventilation count as a measure? If yes, what part of the budget cost does it fall under?

Ventilation is not a standalone measure, however, upgrading and ensuring adequate ventilation is a requirement of PAS2035:2019 and therefore it should be included under the capital costs of the upgrade cost. This means that ventilation measures come out of the capital allocation, rather than the admin budget, or sourcing funding.

Funding and Eligible Costs

Q.5 Can Phase 2 allocations be added to the Phase 1 MOUs?

Allocations from Phase 2 cannot be added to the Phase 1 MOU. The funding from Phase 1 and Phase 2 are separate and will be delivered in two different ways: Phase 1 funding is granted to Local Authorities following a competition, whereas in Phase 2 funding has been allocated. BEIS will not be entering into MoUs with individual LA projects under Phase 2 and the MoU between BEIS and participating Phase 1 LAs is independent of any arrangements under Phase 2.



Q.6 Can the funding be used to fund project management costs of an external delivery partner?

Local Authorities may use up to 9% of their grant funding to fund administrative, delivery and ancillary works to support delivery. Please find below some examples of what administrative or ancillary support can be used for:

- Administration costs typically reflect staff costs and the proportion of staff FTE spent managing LAD projects and overseeing the projects with e.g. contractors.
- Ancillary support allows for any costs that might arise when making a home suitable for retrofit. It could cover any building defects that might need to be resolved before applying a retrofit solution, such as solid wall insulation, or the removal of a gas boiler or cabinetry installed to accommodate hot water tanks or a heat pump.

Q.7 Can you give an example of how the landlord contributions will work with the match funding?

The grant can be used to fund a maximum of 66% of the total cost of upgrades in rented properties and the landlords need to fund the remaining 33%. The maximum average expectation is £5,000 of LAD funding per home. For higher cost upgrades we expect a larger landlord contribution from the Local Authority or landlord.

Eligible Contractors

Q.8 Are you expecting LAD Phase 2 to be delivered using PAS 2030:2019 and PAS 2035:2019? Will this be a hard requirement or a recommendation?

Yes, this is a requirement of Phase 2. Businesses delivering energy efficiency measures within the scope of PAS2035:2019 and PAS2030:2019 must be certified to PAS 2030:2019 and comply, and be able to evidence compliance, with both PAS2035:2019 and PAS2030:2019.

Impact of COVID-19 Restrictions

Q.9 Are BEIS working with the industry to address any delivery capacity issues?

All schemes under this economic stimulus investment package: Social Housing Decarbonisation Fund Demonstrator, Public Sector Decarbonisation Fund, Green Homes Grant Voucher and the LAD scheme, will draw upon a similar supply chain and, as such, we are taking a coordinated approach in mitigating capacity issues.

BEIS is currently working very closely with TrustMark, MCS and PAS certification organisations to ensure the supply chain is ready to support and benefit from these schemes. The number of TrustMark registered and MCS or PAS certified installers continue to grow in response to the above schemes being announced.



BEIS is also working with the five Local Energy Hubs and market leaders to understand delivery capacity issues across England and provide mitigations that will support the delivery of the LAD scheme.

Q.10 How will BEIS ensure that the scheme will be safe for members of the public given the COVID-19 pandemic? What happens in the case of a household needing to self-isolate – can delivery be extended in these circumstances?

Any installer carrying out works under the LAD Scheme should follow government advice on what can be done. At present, work in and around peoples' homes can continue and COVID-19 secure guidelines should be followed which you can access here: <https://www.gov.uk/guidance/working-safely-during-coronavirus-covid-19>. TrustMark also provides additional information to help tradespeople stay safe which is available here: <https://www.trustmark.org.uk/>. A 'Work Safe, Safe Work' campaign has also been launched by TrustMark to help households keep themselves and tradespeople safe during any installations or works.

In the event that COVID-19 impacts the delivery of projects, BEIS and the Hubs will work together to agree how the Hub will spend any unspent Grant funding in line with the expected outcomes of the GHG LAD scheme. If BEIS and the Hub are unable to reach an agreement the LA can either request an extension in writing to the BEIS Secretary of State, or agree to repay the unspent Grant within 30 days of 30 December 2021.

Interaction with Other Funding

Q.11 Can a Local Authority blend LAD funding with other schemes? Can a LA apply for vouchers and use LAD funding?

LAD cannot be combined with Green Homes Grant Vouchers as it falls under the same GHG scheme. LAs are not able to blend funding with other Government schemes for the same individual measures but are able to do so for different measures at the same property.

For example, a contractor delivering support to a household may be funded through LAD to install a heat pump and funded separately by ECO to install solid wall insulation.

An exception to prohibiting the blending of funding for the same individual measures is the Renewable Heat Incentive (RHI) as it would consider LAD funding to be a grant from public funds and as a result, LAD Phase 2 funding would be deducted from RHI's payments as per the RHI rules on grant funding. For more information, see "Interacting with Other Funding" in the main body of this guidance document.



Q.12 How are the Green Homes Grant Voucher Scheme and the LAD Scheme linked?

The schemes are both being funded through the same allocation of government money entitled “Green Homes Grant”, however they operate completely separately. The Voucher Scheme is aimed directly at homeowners and landlords to help them upgrade the energy efficiency of their properties. More information on the Voucher Scheme can be found on the Simple Energy Advice (SEA) website which can be used to assess eligibility. Under the scheme, up to £5,000 is available to homeowners and landlords in England to pay part of the cost of installing energy efficient measures. Low-income households can get 100 per cent of the cost of work, up to £10,000.

The LAD Scheme aims to deliver energy efficiency upgrades to low income and low energy efficiency rated homes, including those living in the worst quality off-gas grid homes. Funds under this scheme will enable LAs to support low-income, fuel-poor households in their local area.

Funds under the LAD Scheme must not be used for those homes who have also received a voucher. LAs must declare in their application that they will introduce controls designed to prevent households receiving funding from both the Voucher and LAD schemes.