

CAPITAL INVESTMENT BUSINESS CASE

(Warm Homes: Local Grant)



EXECUTIVE SUMMARY

Key notes from section 1

It is identified there is a need to improve the thermal comfort and energy efficiency of 2/3rds of the city's homes.

The Warm Homes: Local Grant provides an opportunity for Plymouth City Council to fully fund retrofit measures for eligible residents, to improve their homes internal warmth and energy efficiency over the longer term.

Key notes from section 2

Plymouth City Council will keep an active risk register and fraud management plan in place to mitigate known risks.

Devon Audit Partnership will be contracted annually to audit the financial transactions of the grant spend, ensuring compliance is being met with grant requirements.

Key notes from section 3

The many positive Climate Impacts and Equality impacts generated by this grant fund range from Greenhouse Gas reductions by moving homes away from fossil fuelled heating systems to cleaner heating equipment, through to Climate Change Adaptation by better controlled ventilation and thermally insulating the home against the warmth as well as the cold.

Key notes from section 4

No capital borrowing is required to deliver this project

key risks

This grant fund will expose Plymouth City Council to risks such as potential fraud, error and unexpected ancillary expenditure to treat a home. However, Plymouth City Council has an established and strong working system with delivery partner Plymouth Energy Community's PEC Trust (*Companies House # 11569012*) through a Grant Agreement to ensure all works undertaken are independently assessed and signed off, with office teams providing sufficient scrutiny to identify or mitigate these risks

SECTION I: PROJECT DETAIL

Project Value (indicate capital or revenue)	£2,571,244.90 - Capital	Contingency (show as £ and % of project value)	£0.00
	£453,749.10 - Revenue		0%
	£3,024,994.00 – Total		
Portfolio Holder	Cllr Tom Briars-Delve, Cabinet Member for Environment and Climate Change	Directorate	Growth
		Service Director	Paul Barnard
Senior Responsible Officer (client)	Paul Barnard	Project Manager	Nicky Turvey

Address and Post Code		Ward	Citywide
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Current Situation:

Current Opportunity - The Warms Homes Local Grant:

On the 28 February 2025 the central government Department of Energy Security and Net Zero (DESNZ) confirmed Plymouth City Council has been awarded, in principle, a grant allocation of £3,024,994.00 to fully fund the retrofit home improvements of 206 properties over the next 3 year period, from 01/04/2025 – 31/03/2028.

The Warm Homes Local Grant (WH:LG) is a scheme designed to fully fund thermal and heating upgrades to privately owned homes; as well as fully funding the 1st privately rented landlord property, and subsequently providing a 50% match fund for any further homes the same landlord chooses to elect from their portfolio into the scheme.

The eligibility criteria for residents and homes to benefit from the grant fund is as follows:

- The home must have a total annual household income of £36,000.00 or less
- Or**
- Is located within an IMD 1-2 postcode area
- Or**
- The resident is in receipt of means tested benefits
- And**
- The home has an Energy Performance Certificate of D or lower (E, F, G)

Before the submission window closed on 2 December 2024, Plymouth City Council initially submitted an EoI to treat 773 homes over the project's delivery duration, which runs for 3 years from 01/04/2025 – 31/03/2028.

However, in the grant allocation award letter issued on 28/02/2025 DESNZ noted that there was a 3-fold oversubscription from LA's across England, and total bids received for DESNZ's currently ringfenced £500m warm homes fund, were in excess of £1.7billion.

As a result, each Local Authority's Expression of Interest was proportionately scaled down by over 2/3rds, and Plymouth's final grant allocation was set out as follows:

	3. Final Allocation post scaling (in principle)	Capital Allowance at >85%	Rev Allowance at <15%	Homes Treated
Total across whole Funding Period	£3,024,994.00	£2,571,244.90	£453,749.10	206
FY1 FY 25/26	£502,006.00	£350,756.30	£151,249.70	28
FY2 FY 26/27	£1,274,389.00	£1,123,139.30	£151,249.70	90
FY3 FY 27/28	£1,248,599.00	£1,097,349.30	£151,249.70	88

Current Business Need – Plymouths Housing Stock:

Based on [Parity Data](#), Plymouth currently has ~123,360 homes, some facts on these homes are:

- 70% constructed prior to 1975
- 77% prior to 1984, the Building Act
- 6.7% constructed after 2012

- 67% are houses
- 28% are flats
- 48% are owner occupied
- 30% are privately rented
- 22% are social housing
- 64% of all homes either have, or are estimated to have, an EPC of D or lower

Current Business Need – Plymouth demographic, household composition and average earnings:

In the most recent census taken in [2021](#), Plymouth demographic was reported as:

- 264,700 total population
- 59% of the population over the age of 16
- 18.5% of population over the age of 65
- 53% of adults were in employment
- 22.7% were economically inactive
- 21.8% were retired

The 2021 census also recorded the household composition for Plymouth:

- 44% of homes either a one-person or lone parent household
- 41% of homes have a co-habiting couple
- 15% were HMO's

The Office for National Statistics produces annual salary data, broken down to LA area earnings and hours worked, by place of residence / local authority

The most recent [2023 dataset](#) records Plymouth's annual FTE salaries to be:

- Male median salary - £34,249.00
- Female median salary - £28,216.00

These statistics are important in suggesting that a large proportion of Plymouth residents may potentially be eligible to access the Warm Homes: Local Grant through the household income route, irrespective of their home being located within an IMD 1-2 postcode.

Current Business Need – Plymouths IMD 1-2 Postcode Areas:

Living in an IMD 1 or 2 postcode is another eligible route a resident can take to access the funding.

Index of Multiple Deprivation (IMD) is a countrywide measure for calculating the level of deprivation at a postcode level, a method that has been used since 1970. IMD 1 and 2 postcode areas are categorised as having the highest level of deprivation. The ranking is based on 7 x category measures:

1. Income
2. Employment
3. Education
4. Health
5. Crime
6. Barriers to housing & services
7. Living environment

According to the [DESNZ dataset](#), Plymouth currently has 1,705 postcodes that fall into IMD 1 or 2. These 1,705 postcodes equate to:

- 23,220 homes located in an IMD 1 postcode area

- 17,367 homes located in an IMD 2 postcode area
= 40,587 (33%) of Plymouth homes in total

Opportunity:

Plymouth City Council has the opportunity to operate the WH:LG, targeting the funding towards the many homes that are most in need, ensuring the thermal and energy performance of these households are improved to create a warmer, healthier internal living environment for the resident, whilst seeking to reduce their annual utility bills.

The WH:LG funds both insulation measures, as well as clean heat technology installations, so whilst improving the building fabrics heat retention capabilities, we are also seeking to improve the heating methods, making the home more energy self sufficient through measures such as solar pV to generate electricity, and should the scheme allow, to also install battery storage.

In working with each of these homes we will partner with supporting services to ensure that where a resident vulnerability or further need is identified, a need beyond that of the grant fund, we will signpost the resident into the relevant supporting service, ensuring they have access the full support services they may be entitled to.

We are already starting to generate partnership connections with other services beyond PEC Trusts fuel poverty advice team, partnerships such as with Devon & Somerset Fire and Rescue Service, to offer free fire safety visits, which could result in residents receiving free smoke and carbon monoxide alarms and help with safe exit plans from the home in the event of an emergency.

The Net Zero Delivery Team is also in discussion with both the Health Determinants Team and PEC's Fuel Poverty Advice Team to explore how we can most effectively evaluate the retrofit improvements delivered to a home, ensuring it does improve comfort and reduce heating costs, and if improvements identified, how we implement these to continually improve what is installed and how we work with the resident to ensure a long term noticeable benefit/ cost reduction is achieved.

Proposal:

Deliver the Warm Homes Local Grant

Central Government has committed to a Warm Homes Plan to upgrade five million homes over next five years to cut bills for families and deliver warmer homes to slash fuel poverty.

The Warm Homes: Local Grant is a government-funded scheme delivered by Local Authorities, such as ourselves at PCC, who will take the first steps towards delivering on the ambitions of the Central Governments Warm Homes Plan.

It will provide grants for energy performance upgrades and low carbon heating to low-income households living in the worst quality, privately owned homes in England to achieve energy bill savings and carbon savings, local supply chains, and skilled jobs for tradespeople.

The Net Zero Delivery Team proposes to deliver the Warm Homes Local Grant, over the 3-x year period commencing on 1st April 2025, running until 31st March 2028.

Investment in our Local Economy Opportunity

The Net Zero Delivery Team acknowledge that this grant fund value provides an opportunity to invest into our local economy of micro and SME businesses – those who are qualified and competent to deliver either the insulation and clean heat tech installations, or the enabling building works prior to retrofits commencing.

As such we will be utilising the [Energy Efficiency Dynamic Purchasing System](#), which we have recently entered into a 4 x year Contract Agreement with INCIC to use to procure suitable contractors.

Social Value Opportunity

All retrofit works must be delivered by a suitably qualified Installer who holds a PAS2030 certificate.

This certification standard is not as widely requested & required within Southwest as it is in other areas on England, namely the Southeast. Therefore we recognise there is a skills gap, and we are planning a route to upskill the city's local contractors to secure PAS2030 certification in order to be able to deliver works through the WH:LG.

We aim to engage with City College to support retrofit skills courses, and work with other organisations, such as Social Housing Providers, who also are seeking to upskill the local workforce to PAS2030 standard through their own social value agenda.

Why is this your preferred option:

This grant fund offers the opportunity to reach and significantly improve 206 x homes without requiring any direct financial investment from Plymouth City Council or the resident.

The additional benefits, beyond financial, are not yet known, but we aim to evaluate and record these as the scheme delivers.

Option Analysis:

Do Nothing Option	Do not participate in delivering the Warm Homes: Local Grant
List Benefits:	None
List Risk / Issues:	Resident homes continue to be heated ineffectively, and expensive to keep warm, residents remain in fuel poverty or in cold damp homes
Cost:	£3 million
Why did you discount this option	Not a viable option
Do Minimum Option	Smaller scale target set for the Warm Homes: Local Grant
List Benefits:	Targeted at the easiest to reach; possible to deliver deeper retrofits to the homes as more resource to focus on each individual property
List Risk / Issues:	Eligible residents that could have been supported aren't in receipt of the grant fund and thermal improvements, and remain in fuel poverty
Cost:	<£2 million
Why did you discount this option	Upon a review of cross organisational capacity to deliver this grant fund, PCC and PEC Trust agreed to seek funding for the maximum number of homes allowable within application rulings
Viable Alternative Option	None known
List Benefits:	
List Risk / Issues:	

Cost:	
Why did you discount this option	

Strategic Case:	
Which Corporate Plan priorities does this project deliver?	Make Plymouth a great place to grow up and grow old
	Green investment
	Making Plymouth a fairer, greener city, where everyone does their bit

Milestones and Date:		
Contract Award Date	Start On Site Date	Completion Date
28/02/2025	01/04/2025	31/03/2028

SECTION 2: PROJECT RISK, OUTCOMES AND BENEFITS					
Risk Register:					
Potential Risks Identified			Likelihood	Impact	Overall Rating
Risk	Poor quality workmanship/ installations causing long term detrimental issues to the home rather than improvements		High	Medium	Medium
Mitigation	<p>PEC Trust and PCC track each stage of an Installers deliverable per home, with photo evidence, and seek an independent retrofit survey prior and post installation works are completed to instantly flag quality or remedial works required, which Installer must complete prior to payment.</p> <p>Separately PEC & PCC ensure Insurance Backed Guarantees are provided to the resident, and both PEC & PCC hold electronic copies should they need activating in future.</p> <p>All Installers are vetted to PAS2030/ PAS2035 standard, and all works must result in a TrustMark lodgement and certificate being generated, which acts as a further insurance policy for the homeowner</p>		High	Medium	Medium
Calculated risk value in £ (Extent of financial risk)	£1 million	Risk Owner	Financial risk – Installer/ resident Asset risk - resident Reputational risk – PCC/ PEC/ Installer		
Risk	<p>Condition of homes are poor and hazards are identified that need treating prior to works. Hazards are commonplace in homes, especially:</p> <ul style="list-style-type: none"> • Asbestos • Electrical failures • Hoarding issues • Building/ roof repair works required <p>The above are some examples, and must be managed firstly, which can add to the cost of works, delay the delivery and cause additional disruption to the</p>		Medium	Medium	Medium

	resident. If the works are too disruptive the resident may withdraw from the scheme, which is a loss of the home, but also a risk that capital expenditure has been partly committed/ spent without the home completing its journey through the programme			
Mitigation	PEC Trust (Companies House # 11569012) are contracted through a Grant Agreement, as delivery partner, offer the relational support to the resident, handholding them throughout the grant, managing the contractors and bookings of the residents behalf, as well as keeping the resident informed at each stage of work, ensuring that levels of disruption are disclosed, and that resident agrees to allow the works to be actioned prior to retrofit works	Medium	Medium	Medium
Calculated risk value in £ (Extent of financial risk)	£500,000	Risk Owner	Financial Risk – PCC as aborted costs will be recorded within the revenue portion of the grant, which is capped at <15% of total grant expenditure	
Risk	Anti Competition Corruption – Installers price fixing & inflating the price of the product and installation costs	High	Medium	Medium
Mitigation	PCC to sign a NDA with DESNZ to access the mean average costs for each measure type, to track quoted works against industry average. PCC to collaborate with other LA's DESNZ to share breakdown of quoted and invoiced works for materials and labour, to highlight within a month if an unfair charge is being made PCC to procure installers through the Energy Efficiency Dynamic Purchasing Agreement to ensure multiple quotes are sought and appraised prior to contract being awarded. PCC will not enter into an exclusive contract agreement with any 1 x installer, to minimise PCC exposure to price inflations without a suitable exit strategy PCC will work with PEC Trust to modularise the delivery streams between surveyors, contractors, installers to ensure there isn't a monopoly over delivery, and to better control the cost of retrofit delivery per home PCC will manage an active Fraud Mgmt Plan and Risk Register to ensure there is a process to follow to record, report and manage any identified fraud or error issues	Medium	Medium	Medium
Calculated risk value in £ (Extent of financial risk)	<£300,000.00 10%	Risk Owner	Grant ineffectively spent on price fixing or inflated costs - PCC	
Risk	Asset Misappropriation – Installer invoices price for works not delivered, or for more products than were installed	High	High	High
Mitigation	PCC and PEC Trust will track the actual items installed in a property using photo evidence provided	Medium	Medium	Medium

	<p>by third party independent surveyor who will conduct a site visit to evaluate the quality or completeness of installation</p> <p>PEC Trust & PCC will provider scrutiny of invoices vs what's reported and photographed as having been installed at site. Operational working group will be established to provide assurance of invoice accuracy or return to installer if quantity/ product is missing</p> <p>PCC provide resident with a detailed grant offer letter at project commencement, listing items the resident will receive. Resident signs off a grant completion letter confirming they have received all items listed within Grant Offer Letter, or they have the option to raise product/ insulation missing – PCC and PEC Trust to then have evidence and audit trail to follow up with Installer.</p> <p>Annually Devon Audit Partnership will be contracted to provide an audit of expenditure transactions and grant delivery, to provide assurance of financial compliance and that grant terms are being adhered to.</p>			
Calculated risk value in £ (Extent of financial risk)	£250,000.00	Risk Owner	Grant inefficiently spent on fraudulent claims - PCC	

Outcomes and Benefits	
List the outcomes and benefits expected from this project.	
Financial outcomes and benefits:	Non-financial outcomes and benefits:
<ul style="list-style-type: none"> • £3 million of grant funding directly invested into privately owned and rented homes across the city • Utilise the Energy Efficiency Dynamic Purchasing System to procure local micro and SME contractors to deliver the work • Reduction in grant recipient's annual household heating bills • £453,749.10 of revenue provided within grant to pay for PCC staff & delivery partner costs, as well as evaluate the outcomes of the retrofit • £50,000.00 direct revenue borrowing or cost to Plymouth City Council to subsidise revenue costs accrued in Financial Year One 	<ul style="list-style-type: none"> • Reducing the heating requirement to retain heat and maintain internal warmth to 21 degrees in habitable rooms for residents in receipt of the funding • Reduced heating need will reduce utility consumption • Reduced utility consumption (gas/ elec/ oil) will reduce annual carbon footprint/ home • Reduced annual carbon footprint will improve the Energy Performance Certificate for the home • Opportunity to generate a social value agenda to upskill local workforce to PAS2030 competency requirements and certification

SECTION 3: CONSULTATION

Does this business case need to go to CMT	Yes	Date business case approved by CMT (if required)	
Did a mandate go via CPOG/CPB	Yes	Date Capital Mandate approved by CPB	10/03/2025

Does this project involve a corporately maintained property	No
Details of impact of this project ie cost saving from this project or additional requirements	n/a

Climate Impact Assessment

Upload Climate Impact Wheel	
Summary of the anticipated impact of the proposal on the climate (including any proposed mitigations and impacts beyond 2030)	<p>Overall, this project generates long term positive climate impact in the following areas:</p> <ul style="list-style-type: none"> • Biodiversity • GHG Emissions • Renewable Energy • Air Quality • Climate Change Adaptation • Education/ Engagement/ Enabling Conditions <p>Currently there is not a directly positive climate impact to:</p> <ul style="list-style-type: none"> • Materials and Waste • Ocean Waterways <p>However, there is the opportunity to use this scheme to steer an improvement in retrofit practise when and where it interacts with these 2 x areas to ensure continual improvement is driven forwards.</p>

Confirm you have engaged with Procurement		Yes
Procurement route options considered for goods, services or works		
Procurements Recommended route.	<p>Procurement has received and reviewed the business case and upon review it has been agreed that the procurement rules do not apply, as this project is to be delivered via grant agreements, and so it falls outside of the scope of the procurement rules.</p> <p>It can therefore proceed without procurement engagement.</p>	

Who is your Procurement Lead?	Holly Golden
Is this business case a purchase of a commercial property?	No
If yes then provide evidence to show that it is not 'primarily for yield'	n/a

Which Members have you engaged with and how have they been consulted	Cllr Tom Briars Delve – briefing provided via initial Project Mandate submission on 28 November 2024 and approval confirmed on 19 December 2024.
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Confirm you have taken necessary Legal advice, is this proposal State subsidy compliant, if yes please explain why.	Legal will draft Grant Agreements flowing down specific responsibilities required as per the terms listed within the Memorandum of Understanding between DESNZ and PCC. Legal will ensure the Subsidy Control Regulations are applied to the Grant Agreements.
Who is your Legal advisor you have consulted with?	Alison Critchfield & Richard Hargreaves

Equalities Impact Assessment completed	Yes
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SECTION 4: FINANCIAL ASSESSMENT

FINANCIAL ASSESSMENT:

CAPITAL COSTS AND FINANCING

Breakdown of project costs including fees surveys and contingency	Prev. Yr.	24/25	25/26	26/27	27/28	28/29	Future Yrs.	Total
	£	£	£	£	£	£	£	£
Anticipated Capital Expenditure on eligible homes (excluding the Admin & Ancillary/ revenue expenditure)			350,756.30	1,123,139.30	1,097,349.30			2,571,244.90
Total capital spend			350,756.30	1,123,139.30	1,097,349.30			2,571,244.90

Provide details of proposed funding: <i>Funding to match with Project Value</i>								
Breakdown of proposed funding	Prev. Yr. £	24/25 £	25/26 £	26/27 £	27/28 £	28/29 £	Future Yrs. £	Total £
The Warms Homes Local Grant			350,756.30	1,123,139.30	1,097,349.30			2,571,244.90
Total funding			350,756.30	1,123,139.30	1,097,349.30			2,571,244.90

S106 or CIL	
Which alternative external funding sources been explored	None
Are there any bidding constraints and/or any restrictions or conditions attached to your funding	None
Tax and VAT implications	<p><u>VAT Implications</u></p> <p>The project concerns grant payments to eligible homeowners. These payments will be outside the scope of VAT and so the Council will not incur any significant amounts of VAT in connection with this project and there will be no impact on the Council's partial exemption position.</p>
Tax and VAT reviewed by	Sarah Scott
Will this project deliver capital receipts?	No

REVENUE COSTS AND IMPLICATIONS

Cost of Developing the Capital Project

Total Cost of developing the project	£25,000.00
Revenue cost code for the development costs	GL2265
Revenue costs incurred for developing the project are to be included in the capital total, some of the expenditure could be capitalised if it meets the criteria	No
Budget Managers Name	John Green

Ongoing Revenue Implications for Service Area

	24/25 £	25/26 £	26/27 £	27/28 £	28/29 £	Future Yrs.

Service area revenue cost							
Other Project Management cost			151,249.70	151,249.70	151,249.70		
Loan repayment							
Total Revenue Cost (A)			151,249.70	151,249.70	151,249.70		
Service area revenue benefits/savings							
Annual revenue income							
Total Revenue Income (B)			(151,249.70)	(151,249.70)	(151,249.70)		
Service area net (benefit) cost (B-A)			0	0	0		
Has the revenue cost been budgeted for or would this make a revenue pressure		<p>The grant terms allocates <15% of total grant funding to revenue, which is to cover the administration and ancillary costs connected to delivering the grant.</p> <p>In addition it is requested the Revenue Cost Centre - GL2265 Retrofit Grant Delivery - which currently holds un-ringfenced funding from previous grant schemes now closed, is agreed to be utilised to support the project delivery, mitigating any financial exposure or risk of PCC exceeding the grant term that <15% of total grant funding be spent on Admin and Ancillary/ Revenue costs.</p> <p>GL 2265 currently holds a budget of £196,880.00, which will provide a practical financial buffer should we experience any unanticipated costs or 'in-year' fund ruling</p>					
Which cost centre would the revenue pressure be shown		There will be no revenue pressure		Has this been reviewed by the budget manager		Yes	
Name of budget manager		John Green					
Loan value	£0.00	Interest Rate	%	Term Years	n/a	Annual Repayment	£
Revenue code for annual repayments		n/a					
Service area or corporate borrowing		None					
Revenue implications reviewed by		Emma White: I am happy to approve at this stage on the stated basis of the variations being fully funded by ringfenced grant and therefore no additional cost to PCC.					

Version Control: *(The version control table must be updated and signed off each time a change is made to the document to provide an audit trail for the revision and update of draft and final versions)*



Author of Business Case	Date	Document Version	Reviewed By	Date
N.Turvey	17/12/2024	v 1.0	Emma White	17/12/2024
	18/12/2024	v 2.0	Lynn Walter	18/12/2024
	18/12/2024	v 3.0	Sarah Scott	18/12/2024
	03/01/2025	v 4.0	Holly Golden	03/01/2025
	06/01/2025	v 5.0	Nicola Turvey	06/01/2025
	04/03/2025	V 6.0	Nicola Turvey	04/03/2025
	04/03/2025	V 7.0	Nicola Turvey	04/03/2025
	05/03/2025	V 8.0	Nicola Turvey	05/03/2025
	06/03/2025	V 9.0	Nicola Turvey	06/03/2025
	18/03/2025	V10.0	Nicola Turvey	18/03/2025
	15/04/2025	V11.0	Nicola Turvey	15/04/2025
	28/04/2025	V12.0	Nicola Turvey	28/04/2025
	14/05/2025	V13.0	Nicola Turvey	14/05/2025
	22/05/2025	V14.0	Nicola Turvey	22/05/2025
	18/06/2025	V15.0	Hannah Chandler-Whiting	18/06/2025

SECTION 5: RECOMMENDATION AND ENDORSEMENT

Recommended Decision

It is recommended that the Leader of the Council:

- Approves this Warm Homes Local Grant Business Case
- Allocates £2,571,244.90 for the project into the Capital Programme, fully funded by The Warm Homes Local Grant
- Authorises the procurement process
- Delegates the award of the contract to Service Director for Strategic Planning & Infrastructure

[Name, Portfolio]		Service Director	
Either email dated:		Either email dated:	18.06.2025
Or signed:		Signed:	
			
Date: 30.06.2025		Date: 18.06.2025	