

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL - BUDGET)	AGENDA ITEM:11
DATE OF MEETING:	12 JANUARY 2023	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (SERVICE DELIVERY)	OPEN
MEMBERS' CONTACT POINT:	PAUL WHITTINGHAM Paul.Whittingham@southderbyshire.gov.uk	DOC:
SUBJECT:	DECARBONISATION OF THE COUNCIL'S HOUSING STOCK	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: HCS02

1.0 Recommendations

- 1.1 That the Committee ratifies the approval of this report given by the Housing and Community Services Committee on 5th January 2023.
- 1.2 That the Committee approves the Council bidding for funding of £1.8 million from "Wave 2.1" of the Government's Social Housing Decarbonisation Grant fund informed by the findings of Nottingham City report on energy efficiency and subsequent bid for Wave 1 funding.
- 1.3 That in the event the bid is successful the Council agrees to making the required landlord contribution of 50% of the total cost of improvements that would be delivered by this scheme (approximately £876,000 over 3 years)
- 1.4 That in the event of a successful bid the Council approves the acceptance and receipt of any bid funding
- 1.5 That the financial implications of submitting the bid are referred to the Finance and Management Committee for approval.

2.0 Purpose of the Report

Following the approval of this report by the Housing and Community Services Committee on 5th January 2023, the purpose of this report is to seek the approval of the Committee for the bid under Wave 2 of the Social Housing Decarbonisation Fund. This bid follows the successful bid for Wave 1 Funding which was agreed by the Committee on 30th September 2021. The Wave 1 bid was based on data collected as part of the project undertaken by Nottingham City Council in 2020/21. This project was commissioned to support the delivery of the Council's Climate Emergency commitment, assess the specific baseline position of the Council's housing stock, and identify the most appropriate action and investment that is required.

3.0 Executive Summary

- 3.1** The council is currently working to deliver wave 1 of the Social Housing Decarbonisation Fund programme sponsored by the Department for Business Energy and Industrial Strategy (BEIS) These works will improve the thermal comfort, ventilation, and energy efficiency of approximately 111 homes and will complete by 31 March 2023.
- 3.2** In September 2022, the Government published the funding regime and guidance for “Wave 2.1” of its Social Housing Decarbonisation Fund (SHDF) initiative. The data provided by Nottingham City Council along with improved knowledge of the housing stock gained during the preparation and delivery of Wave 1 has been used to inform this bid.
- 3.3** The bid is for £1.8m which will provide improvements to 103 – 110 properties.
- 3.4** Due to the bid timetable the Council had to submit an outline proposal to BEIS with the permission of the Strategic Director Corporate Resources before the deadline of 18th November 2022 on the understanding with BEIS that the bid would be formalised once the approval of Committee was given.
- 3.5** The Application and Guidance to the bid are attached as appendix A and B.

4.0 Detail

- 4.1** BEIS guidance gained from the pilot project and during SHDF wave 1 has confirmed that whilst alternative sources of heating can provide a means of improving energy efficiency, the most effective mechanism is to address any deficiency in the fabric of the building first.
- Conserving heat by the replacement of poorly insulated roofs, doors and windows with high efficiency measures will reduce the amount of energy required to maintain a comfortable living environment and the resulting energy saving will directly benefit tenants financially.
- Recent developments have heightened the concerns around damp and mould and the risk to health such conditions pose. The measures typically installed under the SHDF scheme can act to reduce or eliminate thermal bridging that is often a contributing cause of cold spots susceptible to condensation and mould growth as well as identifying and offering solutions to inadequate ventilation. This approach is in line with the recently published letter to landlords from the Housing Regulator which asks for confirmation as to the approach by landlords to preventing hazards to health caused by damp and mould.
- Regarding low carbon heating options, the market for new and alternative source of heating has been adversely impacted by the global financial conditions. Although capacity is building, demand and supply remains unbalanced, and the anticipated economies of scale have yet to be fully realised. Furthermore, the long-term ongoing support and maintenance of these new technologies is subject to a lack of suitably trained and experienced service technicians.
- 4.2** Consequently the “fabric first” approach adopted in the Wave 1 bid is proposed to be followed in the Wave 2 bid. A link to the guidance for bids for this fund is attached as appendix A.
- A preliminary self-assessment exercise was completed which identifies the key requirements which must be addressed within the bid:
- Stock data, analysis and selection of appropriate stock.

- Project Team and expertise in delivering the bid and programme
- Procurement and supply chain
- Qualified and Accredited Team Members
- Monitoring and evaluation methods post installation
- Occupant engagement.

4.9 Preliminary work has been undertaken by the Housing Service with the Government's Social Housing Retrofit Accelerator Team partner, Turner Townsend with the technical assistance of the retrofit design consultant, Constructive Thinking. The Councils outline bid was submitted 18th November 2022, subject to Committee Approval, with successful bids to be awarded in January 2023.

Unlike SHDF Wave 1 this project has a longer duration delivery schedule of 2.5 years ending 31st September 2025 with the requirement that all works are complete by this date. Furthermore, the government funding element must be consumed by 31/03/2025 though council funding can span 3 financial years.

4.10 The provision of improved insulation to roofs and floors has already been recognised but of equal significance for the Council will be the replacement of double glazing in council homes with either higher-grade double or triple glazed glazing as this is a structural element subject to periodic replacement and included in the planned maintenance programme.

4.11 The estimated average cost of the improvements necessary to achieve EPC Level C is c.£15,000 per property and reflects the enhanced need for fabric first in advance of widescale changes in sources of heating. It should be noted that this is an average figure and that the cost of each property will vary depending upon the measure mix specified by the retrofit designer.

4.12 Nottingham City Council survey data has been used to build the Wave 2 bid which in addition to including properties demoted from Wave 1 and continuing to improve the sheltered housing stock also includes property that has not fully benefitted from earlier initiatives to install of low carbon heating systems. Tenants of these homes may suffer excessive energy costs and therefore be at risk of falling into fuel poverty.

5.0 Financial Implications

5.1 If successful, the bid for SHDF support will obtain 50% funding for the overall programme from BEIS. The sum £876,000 has to be consumed in years 2023/4 and 2024/5 although the phasing is at the discretion of the successful authority.

5.2 The bid totalling £1.8 million requires a co-funding contribution by the Council of £876,000 this to be provided over the three financial years 2023/4, 2024/5 and 2025/6. BEIS have not mandated how this spending is to be phased over the delivery period.

5.3 The co-funding contribution will need to be met from the Housing Revenue Account Planned External Maintenance and Capital Budgets subject to the approval of the Finance and Management Committee.

Budget Source	Expenditure in Financial Year			Project Total 2023/26
	2023/4	2024/5	2025/6	
HRA	£43.8k	£43.8k	£43.8k	£131.4k
Planned Maintenance programme	£248.2k	£248.2k	£248.2k	£744.6
Total Per financial year (£)	£292k	£292k	£292k	£876k
Phasing	33.3%	33.3%	33.3%	100%

- 5.4** The reallocation of funds from existing capital and planned maintenance budget to the SHDF programme will enable SDDC to capture £876k of central government funding however it will have the effect of reducing sum available to deliver the number of roof and kitchen/ bathroom replacements envisaged within the existing planned maintenance budget allocation

The following table shows to the impact on the delivery of planned works implied by the reallocation of planned maintenance budget to fund SHDF Wave 2.1.

Planned Maintenance Element	Reduction in replacements - Financial Year			Total Impact
	2023/4	2024/5	2025/6	
Roof Replacement	- 22	- 22	- 22	- 66
Kitchen/ Bathroom	- 28	- 28	- 28	- 84

The planned maintenance programme is built on pre-defined replacement periods supported by a survey of condition. The impact of temporarily deferring elements of the planned work programme is not anticipated to result in a materially increased risk of compromising structural integrity of the assets concerned, however the maintenance team will minimise risk by ensuring that the residual budget will be focussed on those properties assessed a having the highest priority for replacement.

- 5.5** BEIS does not mandate the proportion of its co-funding contribution that is consumed in each delivery year however they do suggest a 40/60% phasing. Given that the SDDC budget is distributed evenly across all three financial years the number and type of property included in the wave 2 delivery plan is shown in the table below.

Property Type	Number of homes to be delivered in SHDF Wave 2			TOTALS
	2023/4	2024/5	2025/6	
General Needs - Flat	-	6	-	6
General Needs - House	-	41	6	47
Sheltered Scheme Dwellings	39	3	8	50
TOTALS	39	50	14	103

- 5.6** Continuing the 'fabric first' objective set by BEIS and being delivered under Wave 1 property demoted from wave 1 but for which retrofit assessments have already been carried out would be easiest to deliver in 2023/4. Measures will be similar to those of wave 1 and comprise additional insulation, replacement windows and doors, and improved ventilation.

- 5.7 Cost inflation experienced over the course of the preparation and delivery of wave 1 continues to be of concern. This has been recognised by Government and therefore a higher allowance per property has been made to address this risk.

6.0 Corporate Implications

Employment Implications

- 6.1 An allowance is made within the SHDF funding for the administration of the scheme. This allowance supports the employment of two officers who have additional responsibility for the administration and management of the LAD3 and HUG1 Green Home Grant/ Sustainable Warmth schemes. The council is confident that a bid for a further allocation of £1.9 million via Midland Net Zero Hub consortium under the HUG2 scheme will be successful. This programme will run over the same 2.5 year time period ending September 2025 and the costs are apportioned accordingly.

Legal Implications

- 6.2 The current “Whole House” contract with NOVUS already has scope for the delivery of major improvement works to Council properties. However, the initial term of this contract expires in July 2024 part way through the duration of the SHDF programme. This contract does include an extension clause and any consideration regarding the potential to extend this would be the subject of a further report.

Corporate Plan Implications

- 6.3 The contents of this report make a direct contribution to the aims of the Council's Corporate Plan to:
- Tackle climate change - Strive to make South Derbyshire District Council carbon neutral by 2030.
 - Work with residents, businesses and partners to reduce their carbon footprint
 - Promote health and wellbeing across the District.
 - Improve the condition of housing stock and public buildings.

Risk Impact

- 6.4 The contents of this report make a direct contribution to mitigating the risk identified within the Corporate Risk register: Climate Emergency – The failure of the Council to achieve carbon neutrality for its operations by 2030 and carbon neutrality for the district by 2050.

7.0 Community Impact

Consultation

- 7.1 Council tenants have already been engaged in the project through their participation and cooperation with Nottingham City and Council staff in arranging surveys in their homes. A requirement of the bid is that there is a robust plan for customer engagement in the delivery of improvement works. It is anticipated that this duty will be shared between the Council and the contractor delivering the works and follow and build on the model adopted for the Wave 1 project which has proved effective and attracted praise from BEIS.

- 7.2 The location of the property to be treated under the plan for SHDF wave 2 is shown in the table below.

Row Labels	2023/4	2024/5	2025/6	Grand Total
General Purpose Flats		6		6
Woodville		6		6
Houses		41	6	47
Hartshorne		16		16
Hatton		3		3
Netherseal		22	6	28
Sheltered Scheme Dwellings	39	3	8	50
Hartshorne	17			17
Hatton		3		3
Hilton	22			22
Netherseal			8	8
Grand Total	39	50	14	103

NB: This is indicative and subject to change following survey and detailed assessment.

Equality and Diversity Impact

- 7.3 The contents of this report will assist in ensuring that homes for tenants including those with Protected Characteristics will be more energy efficient, improving their health and wellbeing.

Social Value Impact

- 7.4 The potential outcomes of the successful delivery of insulation and improvement plans could have a positive effect on the health and well-being of tenants through the provision of homes that are affordable to manage and due to improved ventilation strategies, less prone to problems that can arise from the effects of condensation and mould.

Environmental Sustainability

- 7.5 The provision of homes that reduce the amount of energy required to heat them and consequently the carbon footprint of these homes will result in an environmentally sustainable housing stock for the future.

8.0 Conclusions

- 8.1 Increased global energy supply risk and rapidly rising energy costs directly impacts the financial security of our tenants. The experience gained during the delivery of SHDF wave 1 and deeper knowledge of the asset portfolio means that the council is better able to identify and deliver action that will result in more energy and carbon efficient homes and improve the conditions of those assessed to be in most need.
- 8.2 The Council has limited financial means to improve the energy efficiency of its stock and existing budgets are increasingly challenged by unprecedented cost inflation pressures. Without this additional government funding and the attendant scrutiny demanded by BEIS, the commitment to deliver meaningful energy efficiency improvements by the authority at scale and funded entirely within existing budgets is financially unrealistic.

- 8.3 The 'fabric first' methodology adopted by the SHDF scheme ensures that elements of construction subject to normal periodic replacement would be part funded by the grant.
- 8.4 A significant benefit of the retrofit process to the Council is the comprehensive assessment of the condition individual properties that was not collected by previous stock condition surveys. This information is essential in accurately informing the wider asset management strategy and confirming maintenance plans for individual properties. Detail collected during the survey has also provided important insights which has been of use in actioning tenancy management and enforcement.
- 8.5 In a climate of constrained financial resource and increasing costs which impose practical tensions between maintenance and investment budgets if access to additional funding is offered then the responsible course is for the Council to support the application for and funding of those bids either individually or in partnership with other providers whenever the opportunity presents itself.

9.0 Background Papers

- 9.1 Housing Environmental Impact Project. Report to the Housing and community Services Committee on 21st November 2019 and to the Finance and Management Committee on 28th November 2019
- 9.2 Housing and Community Services Committee Meeting 30/09/2021.
- 9.3 BEIS Social Housing Decarbonisation Fund Wave 2.1 Webpage

Notes:

- * Category – Please see the Committee Terms Of Reference in Responsibility for Functions - Committees. This shows which committee is responsible for each function and whether it has delegated authority to make a decision, or needs to refer it elsewhere with a recommendation.
- ** Open/Exempt - All reports should be considered in the open section of the meeting, unless it is likely that exempt information would be disclosed. Please see the Access to Information Procedure Rules for more guidance.
- *** Committee Terms Of Reference in Responsibility for Functions - Committees.