

## **Social Housing Decarbonisation Fund – Authorisation to bid for Wave 2.1 funding**

### **Purpose**

- 1.1 To authorise a bid for and acceptance of the new Social Housing Decarbonisation Fund (SHDF) Wave 2.1, launched by the Government in August 2022, with the aim of raising the energy performance of low EPC rated social housing.

### **Recommendation(s)**

- 2.1 To approve submission for the SHDF, Wave 2.1 funding application to the Midlands Energy Hub (MEH), for capital funding of up to £2,051,178 including administration and ancillary costs of £619,178 over the financial years, 2023/24 and 2024/25.
- 2.2 If the bid is successful to delegate approval to the Strategic Director of Communities and Place and the Strategic Director of Corporate Resources (in consultation with the Cabinet Member for Adults, Health & Housing):
  - To accept, subject to satisfactory grant conditions, any resultant SHDF, Wave 2.1 grant award
  - To enter into a Memorandum of Understanding (MoU), a Privacy Notice, Data sharing Agreement and a Grant Determination Notice with MEH subject to acceptable grant conditions.
  - To enter into a Collaboration Agreement with Derby Homes to complete the proposed project.
  - To add the grant and associated HRA match funding to the capital programme.

### **Reason(s)**

- 3.1 The bid will enable tenants living in 143 Council properties the benefit of significant energy cost savings through the installation of external solid wall insulation to improve heat retention and reduce electricity costs.
- 3.2 The insulation measures will reduce lifetime tonnes of carbon emissions by an average of 30 tonnes per property treated.
- 3.3 In line with the Council's Finance Procedures Rules, cabinet approval is required prior to submitting a bid for external funding and for accepting a bid for external funding.

## Supporting information

- 4.1 In August 2022, the Department of Business, Energy, and Industrial Strategy (BEIS) launched the SHDF, Wave 2.1 competition which is the second wave of a total of four waves, subject to future spending reviews, of the SHDF programme. The SHDF Wave 2.1 round aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty and support green jobs. Local Authorities, Combined Authorities, registered providers of social housing (including housing associations and arms-length management organisations (ALMOs) that are registered providers) and registered charities that own social housing will be able to apply to Wave 2.1 of the SHDF, either directly or as part of a consortium led by an organisation that is eligible to lead a bid. ALMOs that are not registered providers can apply as part of a consortium led by an organisation that is eligible to lead a bid.
- 4.2 There is a total of £800m available in the SHDF, Wave 2.1 round and the funding supports installing energy performance measures to social housing. The application needs to evidence that a worst first and fabric first approach has been applied. The grant needs to be spent between April 2023 and September 2025.
- 4.3 Current properties with an Energy Performance Rating (EPC) of D, E, F and G are eligible and applicants need to evidence that as a result of installing energy performance measures the properties have reached an EPC band C, or an EPC band D where this is not possible for previously EPC rated F and G properties. Furthermore, Registered Providers are expected to improve properties to a space heating demand target of 90 kwh/m<sup>2</sup>/year.
- 4.4 Grants are determined by the current individual property EPC rating. With an EPC rated C or D property the grant award is up to £10,000, an EPC rated E property the grant award is up to £12,000. The grant award must not exceed two thirds of the works costs (estimated at £19,100 per property).

Out of the 143 properties identified, 1 is currently Band E, 129 are in Band D, and 13 in Band C. The Band C properties are allowable inclusions as part of a “whole block” approach, essential for the attainment of SHDF Wave 2.1 performance outcomes, for the properties rated D and E (Simply the other half of pairs of semi-detached properties, otherwise excluded from the project).

A maximum of 12% of “project costs” can be included in the application for administration and ancillary costs. This is net of a 3% fee charged by MEH for their bid co-ordination works. Project costs are to be based on the co-funding expected costs of £19,100 per property.

- 4.5 The bid will total a grant award of up to £2,051,178 for energy efficient improvements. There is £1,299,300 of match funding from HRA Capital for the works
- 4.6 Our vision is to improve the whole community by identifying neighbouring privately owned properties and offering energy-efficiency advice and green grants to eligible owners through DCC’s Home Energy team.
- 4.7 11.6% of households in Derby are living in Fuel Poverty against a national average of 10.6%.

- 4.8 The MEH is funded by the BEIS as part of the Clean Growth Strategy. The role of the Hub is to support the capacity of Local Enterprise Partnerships (LEP) and local authorities to identify and deliver local energy strategies and projects.

### Public/stakeholder engagement

- 5.1 Due to the very short timescale available to prepare and submit a bid, there has not been an opportunity for public or stakeholder engagement, specifically for Wave 2.1. However, with the Wave 1 Project currently on site in Allenton, neighbouring the site of this application, the community are aware of the improvements being carried out to the properties, and the energy efficiency benefits on completion. Stakeholders are key to a successful project and a stakeholder engagement strategy is currently being developed and will be referred to in the bid.

### Other options

- 6.1 The Council could choose not to submit a bid under the SHDF, Wave 2.1 programme. This would however impact on low-income tenants who would not thereby benefit from lower energy costs. This option would also not contribute to the Council's climate change agenda.

### Financial and value for money issues

- 7.1 A condition of the grant funding is that the Council will contribute at least a third of installation costs of the works (one third of £2,731,300).

- 7.2 A financial summary of the Council's bid is as follows:

Expenditure Type	Costs	SHDF Grant request	HRA contribution
Derby City Council: 1 property at EPC rating E (Grant available £12,000 per property)	£19,100	£12,000	£7,100
Derby City Council: 129 properties at EPC rating D (Grant available £10,000 per property)	£2,463,900	£1,290,000	£1,173,900
Derby City Council: 13 properties at EPC rating C (Grant available £10,000 per property)	£248,300	£130,000	£118,300
Total works costs	2,731,300	£1,432,000	£1,299,300

Fees towards administration and surveys Any costs above this need to be funded by HRA.	£619,178	£619,178	Nil
<b>TOTAL</b>	<b>£3,350,478</b>	<b>£2,051,178</b>	<b>£1,299,300</b>

The above table shows good value for money as the Council needs to contribute £1,299,300 towards a total project cost of £3,350,478 for the External Wall Insulation works. This project will tackle fuel poverty in disadvantaged areas, reduce carbon emissions and create green jobs.

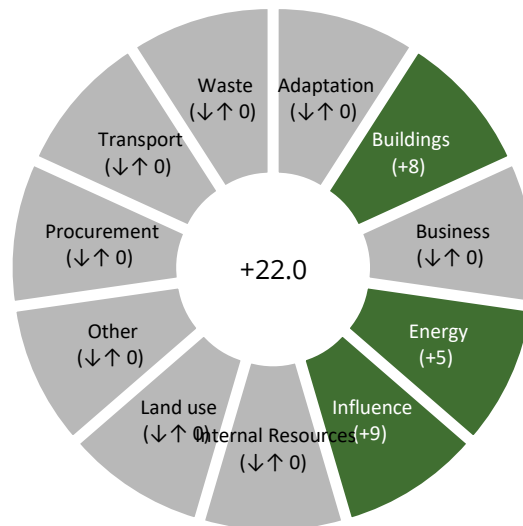
- 7.3 BEIS have encouraged bids to be made through the regional energy hubs and have indicated that they are more likely to be successful using this route rather than submitting an individual bid directly to BEIS. The Council can claim 12% administration and ancillary charges when making a bid through MEH instead of 15% in a direct bid to BEIS. This reflects the administrative burdens being undertaken by MEH in place of the Council.
- 7.4 There are planned works proposed alongside the External Wall Insulation works, these include replacement double glazing and doors), alongside the installation of mechanical ventilation. Costs for these ancillary works, estimated at £1,355,921 inclusive of 10% fees and can be contained within existing HRA Capital budgets. Overall, works costs (including fees) for the 143 properties are estimated at £4,583,133, meaning the average investment per property is just over £32,000.

### Legal implication

- 8.1 Procurement of services and installation contractors must comply with Contract Procedure Rules.
- 8.2 The Council will be required to sign and return a Memorandum of Understanding (MoU), a Privacy Notice, Data sharing Agreement and a Grant Determination Notice with MEH, so that MEH can issue grant payments under Section 31 of the Local Government Act 2003. In addition, the Council will be required enter into a Collaboration Agreement with Derby Homes.

### Climate implications

- 9.1 The bid, if successful will enable the Council to significantly improve the energy efficiency of up to 143 Council homes.
- 9.2 The insulation measures will reduce lifetime tonnes of carbon emissions by an average of 30 tonnes per property treated.
- 9.3 Climate Impact Assessment Infographic for the Project is included below.



## Socio-Economic implications

- 10.1 During the procurement of this Project, contractors will be asked how they will deliver their social value promise to ensure this is captured from the beginning to measure progress by. Their comments will be assessed on their own merits whilst also being compared against generic examples around Economic, Environmental and Social factors outlined in Derby Homes Social Value Policy. Contractors will be given the opportunity to sign up to a voluntarily 1% contribution of actual contract spend (if successful). This will allow those bidders where they may not have social value initiatives in place, still to be able to contribute to this area. In terms of weighting for social value in a contract, a minimum of 10% of the overall score is mandated whenever any of the social value policy outcomes are included in the procurement. DH will use the Social Value premium to promote the following initiatives:

### Employment opportunities

- Employ a local workforce from the suburb of Allenton and/or tenants of Derby Homes.
- Employ Apprentices on the Project and/or Work experience placements, including shadowing, mentoring.
- Investigate Contract opportunities for voluntary, community and social enterprises and small and medium size enterprises.

### Environmental

- Promoting sustainability – Provision of nesting boxes for the local population of swifts
- Encouraging biodiversity.
- Ethical supply chain.

### Community

- Set up and development of Food / Warm Banks
- Cooking / Home Economics / Energy Efficiency training
- Helping disadvantaged people to access employment or training.
- Supporting community projects e.g., with a focus on digital inclusion, health, young people, families, and older people
- Improvement of local open spaces

## Other significant implications

11.1 There are no other significant implications.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	John Turner, Lawyer	30.03.2023
Finance	Amanda Fletcher, Head of Finance	31.03.2023
Service Director(s)	David Fletcher, Director of Development and Growth	30.03.2023
Report sponsor	Rachel North, Strategic Director of Communities and Place	31.03.2023
Other(s)	Ian Fullagar, Head of Strategic Housing	

Background papers:	Climate Impact Assessment
List of appendices:	