

Social Housing Decarbonisation Fund – Authorisation to bid for Wave 1 funding

Purpose

- 1.1 To authorise a bid for and acceptance of the new Social Housing Decarbonisation Fund (SHDF) Wave 1, launched by the Government in August 2021, 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 1 funding application to the Midlands Energy Hub (MEH), for capital funding of up to £946,093 including administration and ancillary costs of £144,360 over the financial years, 2021/22 and 2022/23.
- 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 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 80 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 2021, the Department of Business, Energy and Industrial Strategy (BEIS) launched the SHDF, Wave 1 competition which is the first wave of a total of four waves, subject to future spending reviews, of the SHDF programme. The SHDF Wave 1 round aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty and support green jobs. Applications for Wave 1 must be led by a Local Authority with Registered Providers applying as part of a consortium with a lead Local Authority in England.
- 4.2 There is a total of £160m available in the SHDF, Wave 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 application deadline is 15th October 2021 and the grant needs to be spent between January 2022 and January 2023.
- 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/m²/year.
- 4.4 Grants are determined by the current individual property EPC rating. With an EPC rated 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 £17,600 per property).

Out of the 80 properties identified, 79 are in Band D and 1 is currently in Band E.

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 £15,000 per property for Band D and £18,000 per property for Band E.

- 4.5 The bid will total a grant award of up to £946,093 for energy efficient improvements. There is £634,931 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. However, stakeholders are key to a successful project and a stakeholder engagement strategy is currently being drawn up 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 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 £1,408,000).
- 7.2 A financial summary of the Council's bid is as follows:

Expenditure Type	Costs	SHDF Grant request	HRA contribution
Derby City Council: 79 properties at EPC rating D (two thirds contribution up to £10k per property)	£1,390,400	£790,000	£600,400
Derby City Council: 1 property at EPC rating E (two thirds contribution up to £12k per property)	£17,600	£11,733	£5,867
Total works costs	£1,408,000	£801,733	£606,267
Fees towards administration and surveys - 12% net of 3% direct to MEH. Fee basis on notional EWI cost of £15k for Band D and £18k for Band E. Any costs above this need to be funded by HRA.	£173,024	£144,360	£28,664
TOTAL	£1,581,024	£946,093	£634,931

The above table shows good value for money as the Council needs to contribute £634,931 towards a total project cost of £1,581,024 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.

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 80 Council homes.
- 9.2 The insulation measures will reduce lifetime tonnes of carbon emissions by an average of 30 tonnes per property treated.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	John Turner, Lawyer	17/9/21
Finance	Amanda Fletcher, Head of Finance	29/09/21
Service Director(s)	David Fletcher, Director of Development and Growth	20/9/21
Report sponsor	Rachel North, Strategic Director of Communities and Place	22/9/21
Other(s)	Ian Fullagar, Head of Strategic Housing	19/9/21

Background papers:	None
List of appendices:	