



Report to: Cabinet Meeting: 11 July 2023

Portfolio Holder: Councillor Lee Brazier – Housing

Director Lead: Suzanne Shead, Director of Housing Health & Wellbeing

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Report Summary	
<b>Type of Report</b>	Open Report (exempt appendix), Key Decision
<b>Report Title</b>	Social Housing Decarbonisation Fund Wave 2.1
<b>Purpose of Report</b>	To provide the business case behind applying in October 2022 to the governments Social Housing Decarbonisation Fund for a grant to replace oil heating systems with air source heat pumps systems for 102 council owned properties and to approve recommendations below.
<b>Recommendations</b>	That Cabinet: <ul style="list-style-type: none"> <li>a) endorse the project plan and accept receipt of grant funding of £1.306m from the Social Housing Decarbonisation Fund, which will be drawn down in arrears; and</li> <li>b) approve an increase in the Capital Programme of £458,106 in 2023/24 and £676,235 in 2024/25 equivalent to the Capital grant due which is the match funding being provided by the Council.</li> </ul>
<b>Alternative Options Considered</b>	As noted in 3.0 in the report, there were no viable alternatives and taking no action would make it harder for the Council to meet the Government requirements on EPCs and decarbonisation of social housing stock.
<b>Reason for Recommendations</b>	This Social Housing Decarbonisation Fund provides 50% grant funding for 102 of the Council’s housing to have carbon neutral and lower cost-effective heating for tenants who currently have oil boiler heating systems. It meets both Community Plan objectives to create better homes as a landlord and improve tenants wellbeing by reducing fuel poverty and contributing to reducing carbon emissions.

## 1.0 **Background**

- 1.1 As outlined in the Community Plan, the Council is committed to create better quality homes through our role as a landlord and also improving the health and wellbeing of local resident specifically helping tenants by reduce their fuel poverty.
- 1.2 The Government is committed to reduce emissions by 2050. A step change in the rate of energy performance improvements to existing homes is required over the next decade to meet the carbon targets, keep energy bills low, and support the transition to low carbon heating. Social housing providers have been set a target to attain a C rating on Energy Performance Certificates (EPC) by 2030; though this is likely to change given recent pressure on the government to achieve this sooner.
- 1.3 The Government launched a £3.8bn Social Housing Decarbonisation Fund (SHDF) over a 10- year period, to improve the energy performance of social rented homes (subject to future spending reviews). A £62m fund was announced in 2020 followed by £160m for the first wave of the SHDF in financial year 2021/22 delivering to January 2023. The Council was not a participant in this first wave. In the 2021 Spending Review, a further £800 million was announced to the SHDF for wave 2 for a three-year period from December 2022 and spend deadline by 31st March 2025. The Council joined the Midland Consortium to take advantage of wave 2 funding.
- 1.4 Decarbonisation technology is still very much in its infancy and therefore the Council has adopted a considered approach in its move to decarbonisation which prioritises improving the most inefficient and costly heating systems for tenants.
- 1.5 The key principles of SHDF are:
  - Fabric First - Ensures heat loss prevention measures are installed before other energy efficiency measures, to maximise the dwelling's suitability for low carbon heating either now or in the future, and to benefit tenants (comfort, health, wellbeing and bills).
  - Worst First - Facilitating the treatment of the worst performing homes through a scaled cost cap that allows for greater spend on those homes with a lower starting EPC Band.
  - Least Regret - Minimise the potential of measures having to be replaced in the future on the journey to Net Zero.
- 1.6 The SHDF allows for low carbon heating to be installed where a fabric first approach has already been taken such as cavity wall infill or external wall insulation. The Council undertook this measure for most of it's stock during the Decent Homes which took place around ten years ago.
- 1.7 The Social Housing Decarbonisation Fund is a project that offers a fantastic opportunity to kick start out decarbonisation of social housing stock, improve properties thermal comfort (EPC ratings improved to a 'C') whilst also reducing the costs for tenants in heating their homes.

- 1.8 Back in October 2022 the Council were offered the opportunity to join a Midlands Consortia bid for 50% grant under the Social Housing Decarbonisation Fund (see above). There was a significant advantage into joining a consortium given this is a relatively new funding with complex requirements and government favouring larger bids. Midland Net Zero Energy Hub (part of Nottingham City Council) were heading the consortium and gave considerable help in putting together the bid for the Council.
- 1.9 The 50% match funding is available in the existing HRA Capital Programme budget for the period of 2023 – 2025.
- 1.10 The request to submit a bid for funding was approved in October 2022 to enable the Council to meet the bid deadline. The Council has been successful in securing just under £1.3m SHDF grant (a mixture of Revenue and Capital funding) to commence in April 2023.
- 1.11 Participation in this scheme will enable to Council to commence a discreet programme of decarbonisation which will provide experience that will inform future decarbonisation programmes for Council owned housing stock.

## **2.0 Proposal and Reason for Recommendation**

- 2.1 The proposal targets 102 Council owned homes with oil heating, to be upgraded to air source heating system, solar photovoltaic panels (PV) and a battery. These properties have been selected because:
- Most of these oil boilers are coming to the end of their useful life
  - Oil boilers are significantly more costly to run and require bulk purchase of oil which some tenants are struggling to afford.
  - The homes also all have EPC ratings of either a 'D' or 'E'.
- 2.2 Under this scheme any low energy heating system must be consistent with net zero and include considerations such as affordability, air quality, and sustainability. The government's heating system preference is for heat pumps with exceptions only being considered under limited circumstances.
- 2.3 Each property will also be fitted with solar PV and battery to reduce electrical costs. Solar PV, captures the sun's energy and converts it into electricity that tenants can use in their home free of charge. The battery storage can help to take up any excess power created by panels not directly used so that this energy doesn't go to waste. The energy stored can then be used by tenants when they are in the home and need it.
- 2.4 Given that it will be cheaper to heat the homes, it will be more likely that tenants keep their homes sufficiently heated. This benefits the Council in maintain their homes and the Council is less likely to have to intervene to remedy any damp and mould.
- 2.5 This decarbonisation project will not be successful without sufficient 'buy-in' and co-operations of our tenants. The project team has developed a Tenant Engagement Plan that covers:

- What the new technology is
- how it works
- how to reduce their energy bills using case studies
- easy to understand instructions for usage
- supporting tenants through installation
- customer care post installation

2.6 At the moment, there is no mechanism to recover savings tenants make in reduced energy costs through the rent setting regime. There is also no mechanism to recover any charges via a service charge on the property. Within the sector there has been discussions around applying a “warm rent” charge to slowly recoup the costs but this remains in the policy arena. These improvements will not increase the rent for tenants but will increase the efficiency of their heating and will reduce energy bills keeping more money in people’s pockets.

2.7 The 2-year programme in line with the grant expectations are for 40% of works to be completed in 2023/24 and 60% of works in 2024/25.

2.8 This report asks Cabinet to endorse the project plan and formally accept receipt of grant funding of £1.306m from the Social Housing Decarbonisation Fund; which will be drawn down in arrears and to approve an increase in the Capital Programme of £458,106 in 2023/24 and £676,235 in 2024/25 equivalent to the Capital grant due which is the match funding being provided by the Council.

### **3.0 Alternative Options Considered**

3.1 As the government is now prescribing that social housing landlords direct their decarbonisation project via the SHDF, other funding options such as Local Authority Decarbonisation (LAD) were not considered. The LAD programme is now tailed to the private sector.

3.2 In terms of other heating systems; electrical “wet” systems are not appropriate under this funding as they worsen the EPC ratings because of their high energy use. When modelled, electric wet systems failed to bring any of the property types tested to the required EPC ‘C’ level even with the addition of solar panels and battery.

3.3 The option to do nothing was considered, but not recommended as the Council needs to start improving the thermal comfort in properties if it is to achieve the Government’s target on EPCs and reducing carbon emissions in its council housing homes.

### **4.0 Implications**

In writing this report and in putting forward recommendations officers, have considered the following implications: Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding, Sustainability, and Crime and Disorder and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

### **Financial Implications (FIN23-24/4630)**

4.1 In order to deliver the project £350,000 is required for admin and ancillary costs over the two-year period. 50% of these costs will be grant funded by the SHDF and the other 50% is match funded from existing budgets.

4.2 The total costs for the two-year period are broken down as follows:

<b>Description</b>	<b>Total Amount 2023/24 and 2024/25</b>
Project Oversight	54,248
Project Delivery	181,040
Tenant Liaison	62,572
EPC/ Retrofit Assessments	15,000
Top up roof insulation/cavity fill	25,000
Contribution to MNZEH	10,325
<b>Total</b>	<b>348,185</b>
50% NSDC Contribution	176,092
50% Grant Funded	172,092

4.3 The grant income will need to be split between the HRA and the General Fund and that received over and above the budget will be reported in budget monitoring reports throughout the year.

	<b>HRA £</b>	<b>GF £</b>
Total for 2-year programme	235,288.40	62,571.60

4.4 The total cost of implementing the measures can be found in the Exempt Appendix 1.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Nil.