

BARNSELY METROPOLITAN BOROUGH COUNCIL

REPORT OF: Executive Director of Growth & Sustainability

TITLE: Social Housing Decarbonisation Fund Wave 2.1

REPORT TO:	Cabinet
Date of Meeting	28 June 2023
Cabinet Member Portfolio	Regeneration & Culture
Key Decision	Yes
Public or Private	Public

Purpose of report

This report seeks approval to accept funding under Wave 2.1 of the Government's Social Housing Decarbonisation scheme and sets out recruitment requirements to enable this and other energy efficiency schemes to continue to be delivered.

Council Plan priority

This report addresses the following Barnsley 2030 priorities.

Healthy Barnsley: Fewer people live in poverty

Growing Barnsley: People have a wide choice of quality, affordable and sustainable housing

Sustainable Barnsley: People live in communities with reduced carbon emissions

Recommendations

That Cabinet:-

1. Approves the acceptance of £1,797,150 awarded as part of the SHDF 2.1 consortium bid via the Northeast and Yorkshire Energy Hub to install energy efficiency measures to 148 council properties
2. Approves the recruitment of a Warm Homes Project Manager (Grade 10) to oversee delivery of this, and other energy efficiency programmes currently in delivery by the Warm Homes Service.

1. INTRODUCTION

1.1 The Department for Business, Energy, and Industrial Strategy (BEIS) – now

the Department for Energy Security and Net Zero (DESNZ) - launched Wave 2.1 of the SHDF programme to improve the energy efficiency of social housing stock in September 2022.

- 1.2 The Council joined the Local Energy Hub Consortium bid to apply for this funding to raise the energy performance of 148 council houses to a minimum of EPC Band C, to take homes out of fuel poverty and help to achieve the move towards the Country's net zero carbon target for 2050 and the Council's own Zero 40/45 ambitions.
- 1.3 BEIS were asking social housing providers to bid for funding to treat 5% of their total housing stock, with a 50% match funding request. Following conversations with the Energy Hub and other Authorities, this was not an approach that could be taken at that time, due to the amount of match funding that this would require.
- 1.4 The decision was taken to adopt a partnership approach to developing the bid and delivering the works via an Energy Supplier, to allow access to other sources of external funding that could be utilised to deliver similar works to privately owned and rented properties.
- 1.4 Notification was received on the 22nd March 2023 that the Consortium bid was successful and Barnsley's full allocation had been awarded.
- 1.5 Tees Valley Combined Authority are the administrative body for the Northeast and Yorkshire Energy Hub and will be issuing grant agreements and award packs for review and signature.

2. PROPOSAL

- 2.1 It is recommended that Cabinet accept the grant funding. By accepting the awarded funding allocation, the Council can upgrade a number of its council stock to provide warmer homes and lower bills for tenants. The scheme will run until March 2025 and there will be an opportunity during this time to review the availability of match funding and scale up the project, where this is possible. The works will be complementary to the retrofit pilot programme being delivered by Berneslai Homes as part of the PRIP (Property Repairs and Improvement Programme) contract and the 1000pv scheme (providing solar arrays on c.1000 council house roofs) being delivered in partnership with Energise Barnsley.
- 2.2 Part of the funding allocation allows the Council to claim administrative and project management costs associated with the delivery of the works. To maximise both internal and external funding allocations and to ensure the effective delivery of all live retrofit projects, it is proposed that a Project Manager post is created to support the Programme Manager with contract and project delivery.

3. IMPLICATIONS OF THE DECISION

3.1.1 Financial and Risk

- 3.1.1 Consultations have taken place with representatives of the Service Director – Finance (S151 Officer).
- 3.1.2 This report seeks Cabinet approval for the acceptance of £1.797M grant funding from the Social Housing Decarbonisation Fund, administered by the Department of Business, Energy and Industrial Strategy (BEIS).
- 3.1.3 The grant funding will be matched with £1.797M of HRA reserves identified as part of the 2023/24 HRA budget process (Cab. refers), bringing the total scheme investment to £3.594M.
- 3.1.4 The project will invest in 148 HRA properties identified by Berneslai Homes that are deemed to be of the greatest need and are within the EPC rating categories of band E & F. The tables below provide a breakdown of both tenure type and the EPC bandings selected.

Energy Efficiency Ratings	Number of Properties
EPC Rating D	60
EPC Rating E	81
EPC Rating F	7
	148

- 3.1.5 The estimated capital costs have been set based on the overriding assumption that every property will require works for the full maximum value of the grant. It is expected however, that the majority of EPC 'E' rated properties will not require this level of works, particularly where the rating is towards the top of the 'E' band, in which such cases will only require low-cost measures such as loft or underfloor insulation to take them in to EPC 'C'.
- 3.1.6 In respect of the EPC 'F' rated properties, it is expected that more significant investment will be required at such properties, which is currently estimated at £16,000 per property. This estimate is based on the typical expenditure requirement which has been incurred on the Council's other retrofit schemes on properties with EPC 'F' rating.
- 3.1.7 In each case, the retrofit plans will be used to judge how best value can be achieved in terms of spend and carbon reduction, and these measures will be prioritised for installation. In cases where not all measures can be carried out, they will be identified in the medium-term plan and recorded on the PIMSS system for future investment opportunities.
- 3.1.8 The grant funding bid also included an element of project support costs expected to be incurred through the management of the scheme, which totals £0.350M inclusive of £0.054M to fund the Warm Homes Project Manager (Grade 10).
- 3.1.9 The table below provides a breakdown and analysis of how resources will be utilised on the scheme.

Project Costs Breakdown	
Total Works Costs	£3,244,000
Project Support Costs	£350,000
Total Social Housing Decarb Investment	£3,594,000

3.1.10 The funding provided by BEIS can only be used for the purposes specified in the grant bid. If the funding was to be used for any other purpose, then BEIS can reclaim the relevant amount of funding paid. The Council plans to mitigate the risk of claw back by implementing an agreed specification for the appointed contractors to work to.

3.1.11 Again, as per the grant conditions, the SHDF funding must be spent by 31st March 2025.

3.1.12 The financial implications of these proposals are summarised in the attached Appendix A.

3.2 Legal

3.2.1 The Council will be required to sign a Grant Agreement and/ or Memorandum of Understanding with Tees Valley Combined Authority to accept the funding award. These will be similar in nature to the copies at Appendix B and will be issued to Legal for review before signature.

3.2.2 The Council has entered into a Managed Service Agreement with OVO Energy Services who will deliver the works under this scheme.

3.2.3 The new UK subsidy control regime commenced from 4 January 2023. The new regime enables public authorities, including devolved administrations and local authorities, to deliver subsidies that are tailored for local needs. Public authorities such as DESNZ giving subsidies must comply with the UK's international subsidy control commitments. A subsidy refers to a grant, a tax break, a loan, or other form of financial assistance paid from public resources. A "subsidy" is defined as financial assistance which is given directly or indirectly from public resources by a public authority (such as DESNZ), and which:

- Confers an economic advantage on one or more enterprises;
- Is specific insofar as it benefits one or more enterprises over other enterprises in respect of the production of goods or the provision of services; and
- Has, or is capable of having, an effect on:
 - competition or investment within the UK;
 - trade between the UK and a country or territory outside the UK; or
 - investment as between the UK and a country or territory outside the UK.

3.2.4 The UK Subsidy Control regime permits the recipient such as this Council to rely on the minimal financial assistance (MFA) exemption, provided the recipient does not receive more than £325,000 over a rolling three-year

period. Where a subsidy falls under this MFA exemption, it will not have to be assessed against the seven subsidy control principles otherwise a public authority will have to consider the seven subsidy control principles set out in Schedule 1 to the UK Subsidy Control regime before deciding to give a subsidy.

3.3 Equality

3.3.1 A full Equality Impact Assessment has been completed. Key findings of this show that the scheme will have a positive impact on protected groups living in council properties as they are most likely to be at risk of living in fuel poverty. It also highlights the need to promote other fuel poverty programmes underway so that those who live in privately owned and rented properties also have the opportunity to upgrade the insulation levels in their home.

3.4 Sustainability

3.4.1 The sustainability decision-making wheel has been produced for this project and the overall impacts are positive, particularly around reducing carbon emissions, reducing poverty, and improving health and well-being of residents.

3.4.2 Pollution from the insulation manufacturing process along with embedded carbon in the supply chain are highlighted as areas of negative impact. However, work is on-going with the procurement team to address how we can build a more sustainable supply chain going forwards.



3.5 Employee

3.5.1 There is an allocation within the funding award to recruit a Project Manager to oversee delivery and report on progress to the Energy Hub. This is a new

position within the Warm Homes structure as per the HR report at Appendix C.

3.5.2 Resource from legal will be required to review the final version of the Grant Agreement/ MOU, once available.

3.5.3 Resource from Information Governance will be required to review the data sharing arrangements and agreements, once available.

3.6 Communications

3.6.1 The programme will consist of a pre-defined property list and so no promotion or marketing of the scheme is required by the Council's comms team.

3.6.2 Engagement and communication with tenants will be undertaken by Berneslai Homes.

4. CONSULTATION

4.1 Consultations have taken place with Berneslai Homes, the Northeast and Yorkshire Energy Hub, OVO Energy Services, Turner & Townsend, procurement, finance and legal.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 The Council does not accept the funding allocated - This is not recommended given that tackling fuel poverty and reducing carbon emissions from housing stock are key priorities for the Council in seeking to address the disproportionate impact that the Cost-of-Living crisis is having across our borough.

5.2 That the Council does not approve recruitment of a Warm Homes Project Manager -This is not recommended as this post will be key in liaising between the funders, delivery partner and Berneslai Homes to ensure that funding spend is maximised and the scheme achieves its targets.

6. REASONS FOR RECOMMENDATIONS

6.1 SHDF Wave 2.1 provides a further opportunity for the Council to maximise available external funding to help to increase the energy efficiency of its housing stock, which is one of its priorities towards achieving net zero carbon.

6.2 Although the match funding requirement has increased from 30% under Wave 1 to 50%, it is still beneficial to access this funding for the more expensive measures such as solid wall insulation which now costs upwards of £16,000 per property.

6.3 OVO Energy Services will sub-contract out delivery of the scheme which raises opportunities for the local supply chain to be involved in the delivery of retrofit works. In turn, this will help to grow jobs and skills for a local green economy.

6.4 Tackling fuel poverty is becoming more urgent as energy costs have doubled over the last 6 months and continue to rise. This means many more households will struggle to keep their homes warm over the winter months. Upgrading the energy efficiency of properties is key to helping to reduce the amount of energy needed to maintain a warm home and therefore reduce energy costs.

7. LIST OF APPENDICES

Appendix A: Financial Implications

Appendix B: Sample MOU document

Appendix C: HR Report

8. REPORT SIGN OFF

Financial consultation & sign off	Senior Financial Services officer consulted and date See appendix A
Legal consultation & sign off	Legal Services officer consulted and date Martin Wong 26/05/23

Report Author: Claire Miskell
Post: Programme Manager
Date: 25/04/23