

# Report to Cabinet

**23 February 2022**

<b>Subject:</b>	Social Housing Decarbonisation Fund – Wave 1
<b>Cabinet Member:</b>	Cabinet Member for Quality Homes and Thriving Neighbourhoods, Councillor Zahoor Ahmed
<b>Director:</b>	Director of Housing Gillian Douglas
<b>Key Decision:</b>	Yes Above £250,000 threshold
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## 1 Recommendations

- 1.1 That approval be given to authorise acceptance of grant funding, from the Government’s Department for Business, Energy and Industrial Strategy (BEIS) as detailed below, together with delegated actions for the Director of Housing and Director of Finance:
- £2,888,327 (2/3 of £4,332,800) to fund proposed energy-efficiency improvements to council-owned dwellings in Smethwick;
- 1.2 That subject to 1.1 above, the Director of Finance allocate the sum of £1,444,473 (1/3 of £4,332,800) from the Housing Revenue account (HRA), to match-fund proposed energy-efficiency improvements to council-owned dwellings in Smethwick.



- 1.3 Authorise the Director of Housing to instruct the Council's External Improvement Programme construction partner (Vinci Facilities Ltd), to deliver associated energy improvement works in accordance with existing contractual arrangements.
- 1.4 Authorise the Director of Housing to instruct agencies procured via the West Midlands Combined Authority (WMCA) to carry out specialist duties, on behalf of Sandwell MBC, in relation to the Social Housing Decarbonisation Fund.
- 1.5 That approval to enter into a grant funding agreement with BEIS is given, subject to a satisfactory financial appraisal being completed by the Strategic Investment Unit.

## 2 Reasons for Recommendations


- 2.1 The purpose of this report is to authorise the acceptance of grant funding of £2,888,327 (2/3 of £4,332,800) to fund proposed energy-efficiency improvements to council-owned dwellings in Smethwick and to seek approval to allocate the sum of £1,444,473 (1/3 of £4,332,800) from the Housing Revenue account (HRA), to match-fund the proposed works.
- 2.2 To seek approval for the Director of Housing to instruct the Council's construction partner (Vinci Facilities Ltd) to deliver energy improvement works in accordance with existing contractual arrangements.
- 2.3 To seek authorisation for the Director of Housing to instruct agencies procured via the Combined Authority to carry out duties to ensure compliance with funding criteria, on behalf of Sandwell MBC, in relation to the Social Housing Decarbonisation Fund.
- 2.4 This initiative clearly supports the current drive towards a greener, low-carbon economy and a need to address Climate Change priorities. It will also help to address high levels of fuel poverty in the Smethwick area.



2.5 Acceptance of the proposals contained within this report, will have the following effect:

- A reduction in fuel poverty levels
- Improved living conditions for tenants of 273 Council homes
- Improved EPC ratings for the properties concerned
- Promote the Council's reputation as being serious about climate change and the move towards a carbon-neutral economy.

### 3 How does this deliver objectives of the Corporate Plan?

	<p>Quality homes in thriving neighbourhoods, this contract is required to allow Sandwell MBC to continue to maintain and upgrade its housing stock as and when required.</p> <p>The delivery of this contract will both improve the energy efficiency and the appearance of the housing stock.</p> <p><b>Ambition 1</b> - <i>Sandwell is a community where our families have high aspirations and where we pride ourselves on equality of opportunity and resilience.</i> Improved energy-efficiency of homes will help to decrease load on the national grid.</p> <p><b>Ambition 2</b> - <i>Sandwell is a place where we live healthy lives and live them for longer, and where those of us who are vulnerable feel respected and cared for.</i> Improved energy-efficiency of homes should reduce energy bills and help to address fuel poverty, allowing vulnerable residents to enjoy more comfortable lives</p> <p><b>Ambition 10</b> – <i>Sandwell now has a reputation for getting things done, where all local partners are focussed on what really matters in people's lives and communities.</i> This initiative will demonstrate Sandwell as a forward-thinking authority that has successfully bid for government funding aimed at reducing tenants' energy bills and carbon emissions and is committed to reducing our climate change impact.</p>
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## 4 Context and Key Issues

- 4.1 During 2019 the Government committed to a £3.8bn Social Housing Decarbonisation Fund (SHDF) over a 10-year period to improve the energy performance of social rented homes, on the pathway to Net Zero 2050. The SHDF aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs.
- 4.2 Up to £160m will be made available to Registered Providers (RPs) of Social Housing, including Private and Local Authority (LA) providers in England, through Wave 1 of the SHDF. This is to support the installation of energy performance measures in social homes by 31st January 2023 taking a worst first, fabric first, lowest regrets approach. Future SHDF Waves are planned to be delivered from January 2023 through to April 2030, as part of the Government's commitment to deliver a £3.8m Social Housing Decarbonisation Fund over a 10-year period.
- 4.3 Building on a previous successful grant-funded project, known as LAD2, Sandwell MBC now has an opportunity to be named partner in a SHDF bid submitted to government by the Combined Authority.
- 4.4 The Government are encouraging a fabric first approach, with a space heating demand expectation of 90 kwh/m<sup>2</sup>/year. As well as benefiting the comfort health and wellbeing of tenants, and helping to save money on energy bills, a fabric first approach can help to maximise the dwelling's suitability for low carbon heating, either now or in the future. The focus of SHDF Wave 1 applications will be on social homes with an EPC rating of Band D, E, F or G.
- 4.5 The scheme aims to improve the energy performance of homes to Energy Performance Certificate (EPC) Band C, wherever possible, to take homes out of fuel poverty and deliver progress towards the UK's commitment to Net Zero by 2050. This is the first wave (out of a total of four waves, subject to future spending review agreement) of the SHDF programme. The entire SHDF programme seeks to raise the energy performance of as many as possible of the 1.6m social homes below EPC Band C up to that level, in preparation for the widespread adoption of decarbonised heating systems.



4.6 The proposed scheme will result in warmer and more energy efficient homes and deliver against local and national objectives to reduce energy costs and reduce carbon emissions. The SHDF Wave 1 competition will be based upon the following key principles:

- **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. Whilst applications to the SHDF including the worst performing properties are encouraged, there is no requirement for properties of certain EPC Bands to make up a certain percentage of the overall number of properties included in an application to the SHDF
- **Fabric First:** A fabric first approach (of insulation and heat loss prevention measures) is required. This ensures that heat loss prevention measures are installed before other energy efficiency measures to maximise comfort and bill savings for the consumer, and to maximise the dwelling's suitability for low carbon heating either now or in the future.
- **Least Regrets:** The approach to retrofit taken should minimise the potential of measures installed through SHDF having to be replaced in the future on the journey to Net Zero for the social housing stock.

4.7 The key aims and objectives for the SHDF Wave 1 competition are set out below:

- **Fuel Poverty:** Reduce the numbers in Fuel Poverty by improving the energy efficiency rating of social homes below EPC Band C and reducing energy bills. On this basis, tenant energy bills should not increase for equivalent home warmth, and it is expected that bills will reduce.
- **Carbon:** Deliver cost effective carbon savings to contribute to carbon budgets, and progress towards the UK's target for Net Zero by 2050 by reducing CO2 emissions from Social Housing.
- **Green Economy:** Support economic resilience and a green recovery in response to the economic impacts of Covid-19, supporting thousands of jobs.



- Tenants: Improve the comfort, health, and well-being of Social Housing tenants by delivering warmer and more energy-efficient homes.

- 4.8 Grant funding of two thirds of total eligible project costs is available to Sandwell MBC to assist delivery of the project, with the Council contributing a minimum of one third of total eligible project costs. To maximise value for money across Wave 1 of the SHDF, cost caps will be implemented for each home. These cost caps will be scaled to ensure that homes with the lowest EPC Banded ratings receive the most money in line with the ‘worst first’ principle.
- 4.9 The proposals involve the installation of ‘eligible measures’, which are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) 2012 that will help improve the energy performance of homes. Registered Providers are expected to focus on measures that will help lower household energy bills. This includes, but is not limited to, energy-efficiency measures (such as wall, loft, and underfloor insulation) and low carbon heating technologies – but excluding any heating systems which are solely fuelled by fossil fuels.
- 4.10 Owing to limited experience with this type of project, it was decided that a consortium approach, led by WMCA would be more likely to present robust application. Other participating members of the Consortium are Wrekin Housing Trust, Orbit, Midland Heart, Community Housing Group, Citizen Housing, Wolverhampton Homes and Solihull MBC.
- 4.11 WMCA appointed a consultant to coordinate the bid. Each authority was asked to identify properties that met the set criteria. The cost of investment is based upon the range of measures and type of property identified.
- 4.12 The total number of properties included within the consortium’s bid is 871, of which Sandwell is the main contributor with 273. The principal measure proposed by all members, including Sandwell MBC, is external wall insulation (EWI).
- 4.13 The HRA funded Housing Investment Programme, approved by Cabinet on 18 October 2017, confirmed the Council’s ambition to ensure our properties are energy- efficient. At that time, a £1m annual budget was agreed to deliver energy efficiency improvement work alongside a £3m per annum gas boiler replacement programme and a £16m+ property improvement programme.





- 4.14 Appendix 1 provides an overall project cost breakdown for the Combined Authority consortium bid, including the Sandwell element.
- 4.15 If the Council's ambitious climate change target to achieve carbon neutrality by 2041 is to be met, this type of intervention is necessary. This project will also help families who may be suffering from fuel poverty as they are currently living in some of the least energy-efficient houses in the Council's stock.
- 4.16 Measures will be incorporated into an existing external improvement programme in the area and can help demonstrate a firm commitment towards achieving carbon reduction targets and climate change initiatives.

### **The Current Position**

- 4.17 The bid was submitted on 15th October 2021, with a right reserved to withdraw from the project before entering into a more formal agreement once the decision to award funding had been made by Government.
- 4.18 Sandwell MBC's element of the bid includes delivering external wall insulation, improved flat roof insulation (including roof replacement) and cavity wall insulation to around 273 Council-owned dwellings in the Cape Hill area of Smethwick. Cape Hill has been identified as an area where there are a relatively high levels of fuel poverty and deprivation. Although some of the properties identified already have an EPC rating of 'C', as the proportion these represent as part of the overall bid is relatively small, this is considered acceptable.
- 4.19 Officers have consulted with one of our incumbent contractors delivering external improvement works, Vinci Facilities Ltd, who have confirmed that they meet the respective installer conditions referenced above.
- 4.20 Vinci Facilities are assisting Sandwell to deliver a similar scheme via the Local Authority Delivery (LAD) 2 Scheme on the Victoria Park Estate in Smethwick. Utilising Vinci Facilities to deliver Sandwell's SHDF Wave 1 allocation is seen as the most feasible route to delivery available, thus avoiding the requirement for an extensive and time-consuming procurement process.
- 4.21 It is a government requirement that a qualified Retrofit Co-ordinator is engaged to oversee the technical application of this project. Officers



understand that the Combined Authority have procured organisations that can provide this service and that they will be available to us.

4.22 Discussions have commenced regarding the Council’s intention to submit a bid for the next (second) wave of the Social Housing Decarbonisation Fund, which is scheduled to be launched in Spring 2022.

## 5 Alternative Options

5.1 Should the Council decline this offer and still wish to continue with the projects, then alternative arrangements would need to be made in order to fund an extra £2,888,327 in addition to a proposed commitment of £1,444,473. This option is ruled out because it is important that we draw down funding for retrofitting. All registered providers of social housing, including local authorities, will need access to grant funding in order to meet climate change targets in housing.

## 6 Implications

<b>Resources:</b>	Funding was approved by Cabinet in 2017 that included monies for ECO projects to improve the energy efficiency of properties in Sandwell. In 2021/22, there is a budget available of £3.240m. The proposed match funding contribution figure of £1,444,473 will be allocated from this budget and it is anticipated that all match funding will be expended during 2022/2023.
<b>Legal &amp; Governance:</b>	The project would be awarded and delivered via the current External Improvement Programme contract in place with Vinci Facilities Ltd, awarded at the Cabinet meeting of 18 <sup>th</sup> April 2018 (minute 60/18 refers)  The contract was procured and awarded in accordance with the council’s Procurement and Contract Procedure Rules and the Public Contracts Regulations 2015.
<b>Risk:</b>	A risk register has been compiled and will be reviewed and updated on a regular basis. Arrangements are in place to effectively manage and mitigate the risks identified. Major risks are identified below: <ul style="list-style-type: none"> <li>• BEIS fail to award funding</li> </ul>





	<ul style="list-style-type: none"> <li>• Inability to spend any funding awarded</li> </ul>
<b>Equality:</b>	An Equality Impact Assessment screening exercise has been carried out and a full Equality Impact Assessment is not required.
<b>Health and Wellbeing:</b>	<p>Accepting SHDF funding and completion of the proposed insulation works should result in the following benefits to the households concerned:</p> <ul style="list-style-type: none"> <li>• Better insulation will help residents to save energy and money on fuel bills.</li> <li>• Improved living conditions could help to ease the pressure on the NHS by reducing hospital admissions</li> <li>• Use of the grant would reduce carbon emissions with associated benefits through reducing the impacts of climate change</li> </ul>
<b>Social Value</b>	<p>The proposals contained in this report are entirely commensurate with the Council's climate change priorities and will help to support:</p> <ul style="list-style-type: none"> <li>• Reduced carbon and greenhouse gas emissions</li> <li>• A reduction in fuel poverty</li> <li>• Improved health and wellbeing</li> <li>• Inclusive economic growth – reduced fuel bills should allow more money to be spent locally.</li> </ul>

## 7. Background Papers

Report to Cabinet 18 April 2018, Neighbourhood Improvement Programme – External Refurbishment (minute 60/18)

Report to Cabinet 18 October 2017, Housing Revenue Account Housing Investment Programme (minute 167/17)

## 8. Appendices

Appendix 1 (below) – Project Cost Breakdown



## Appendix 1

### Project Cost Breakdown

	Project Cost Breakdown				
	Total Project Costs	Total SHDF Grant Funding requested - Capital	Total RP Contribution - Capital	Total Grant Funding requested - A & A <sup>1</sup>	Total RP Contribution - A & A
WMCA Consortium Wave 1 Bid Submission	£ 15,113,121.24	£ 6,174,204.78	£ 6,933,203.46	£ 1,337,142.00	£ 668,571.00
Sandwell MBC element of Bid	£ 4,332,800.00	£ 2,541,327.00	£ 1,270,473.00	£ 347,000.00	£ 174,000.00
<i>All costs are inclusive of non-recoverable VAT</i>					

<sup>1</sup> A & A = Admin and ancillary costs, which include: -

- Consortium Manager
- Consortium Admin Support
- Monthly reporting to BEIS
- WMCA Corporate Services Recharge covering HR, Procurement, Legal, Finance & Governance Services
- PAS2035 Retrofit Design & Co-ordination
- EPCs
- TrustMark or equivalent lodgement fees
- Customer Journey Support

