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Subject: Sustainable Warmth and Decarbonisation

Report to: ELT 2 March 2022
Housing and Neighbourhoods Committee 10 March 2022
Council 21 April 2022

Report by: Nicola Turner, Housing Director

SUBJECT MATTER/RECOMMENDATIONS

This report provides information on the Council's approach to improving the energy efficiency of the worst performing homes of all tenures and the approach being developed to decarbonise the Council's housing stock.

Recommendations:

That Housing and Neighbourhoods Committee note the report and recommend to Full Council:

1. Acceptance of the Homes Upgrade Grant (HUG) and Social Housing Decarbonisation Fund (SHDF) grant monies
2. Note the prior completion of the Memorandum of Understanding to secure the SHDF grant monies and completion of the Memorandum of Understanding for the HUG grant award
3. Delegation of all decisions on the use of and spend of the Homes Upgrade Grant and Social Housing Decarbonisation Fund monies in accordance with the requirements of the applicable Memorandum of Understanding to the Head of Property and Asset Management/Director of Housing Assets
4. Updating the General Fund and Housing Revenue Account 2022/23 capital programmes to reflect the HUG and SHDF spend.

1. Introduction

- 1.1 This report provides information on the £5,870,456 of Department for Business, Energy and Industrial Strategy (BEIS) grant money secured by the Council to improve the energy efficiency of homes, relating to successful bids from three separate funding streams. This funding will result in 408 homes across the borough benefiting from the installation of energy efficiency measures of which 321 will be owner occupied or privately rented homes and 87 council homes. It also provides information on the approach to decarbonising the Council's housing stock.
- 1.2 On 30 November 2021, Policy and Resources Committee considered a report providing an update on the Council's bid to the Sustainable Warmth Competition – a bid which had two parts:
- Local Authority Delivery 3 (LAD3) – to deliver works to improve the energy efficiency of the least efficient homes which are on the gas grid network occupied by low-income households. The report confirmed that the Council's bid for £1,654,670 was successful, providing works to 153 homes, although some homes will receive more than one type of energy improvement work.
 - Home Upgrade Grant (HUG) – to deliver works to improve the energy efficiency of the least efficient homes which are off the gas grid occupied by low-income households. The Council's bid for £2,576,621 was unsuccessful.

The report provided information on how the LAD3 programme would be delivered and managed, identifying the financial and other risks. The report also noted that a separate report to this committee would be provided on work to address the energy efficiency of homes across the borough including the outcome of the Council's bid to the Social Housing Decarbonisation Fund.

2. Current position

- 2.1 Following the unsuccessful bid to the Sustainable Warmth Competition the Council has considered other funding streams to fund works to homes which are off the gas grid and working collaboratively with E.ON Energy Solutions made a bid to the Warm Homes Fund for funding to install 100 first time central heating systems, the outcome of this bid is awaited.
- 2.2 Following the release of additional monies for the HUG programme, the prior bid for HUG monies of £2,576,621 of grant was awarded in full, with a revised start time of April 2022. The grant award will fund works to 170 homes, although as with LAD3, some properties will benefit from more than one type of energy efficiency improvement.
- 2.3 HUG funding will be targeted at owner occupiers or tenants who are on low incomes living in the worst performing homes – a focus on homes which have an EPC rating of E,F or G, although in some circumstances properties with a rating of D will be included. For tenanted properties a landlord contribution of a third of the cost of works is required. Social housing can be included as part of an area approach to delivery but is only able to form only a small part of delivery. The HUG monies will be targeted at homes in the following wards, this reflects evidence on EPC rating for homes and deprivation data:
- East Flegg
 - West Flegg
 - Fleggburgh

- Ormesby
- Lothingland
- Nelson
- Central and Northgate

2.4 On 15 October 2021, the Council submitted a bid to BEIS for £1,639,165 of funding from Wave 1 of the Social Housing Decarbonisation Fund (SHDF) which was confirmed as successful on 7 February 2022. The grant monies will be used to install External Wall Insulation (EWI) as an effective way to improve the energy efficiency of homes, especially those which have solid walls. Whilst this programme will result in 74 Council owned homes being improved, a further 11 private properties which adjoin Council homes in the programme will also be able to benefit from the installation of EWI. Including the private homes will improve the overall appearance of the street and will improve the thermal efficiency of all homes. The Council's bid was a partnership one and part of the funding will be used by two other Registered Providers to deliver EWI works to their least efficient homes elsewhere in Norfolk and Suffolk. (Note: Only Local Authorities were able to bid to Wave 1 of the Social Housing Decarbonisation Fund).

2.5 The SHDF will be used to improve homes in the following wards:

- East Flegg
- Fleggburgh
- Ormesby
- West Flegg
- Caister South

2.6 Like the LAD3 funding, the HUG and SHDF monies are secured via a Memorandum of Understanding between the Council and BEIS. BEIS required an early completion of the Memorandum of Understanding for the SHDF, this will be completed by early March. Work is now underway to complete the required Memorandum of Understanding to drawdown the HUG monies.

2.7 As identified in the report to Policy and Resources Committee on 30 November 2021, the BEIS funding requires specific high standards of installation which the energy efficiency works funded by the programmes must meet. To meet these requirements and provide certainty of the availability of installers and quality of materials for both the HUG and SHDF programmes, the Council will be appointing E.ON Energy Solutions Ltd as delivery agent with E.ON Energy Solutions Ltd providing both project management and ensuring delivery using their own accredited suppliers. The Council will use a framework to directly appoint E.ON Energy Solutions.

2.8 Reflecting the level of grant funding now obtained for energy efficiency works, the Council will be appointing a full-time project manager to provide oversight of delivery and assurance of quality as well as ensuring the monthly performance reports are submitted to BEIS across all three funding streams. Oversight of the delivery of the LAD3, HUG and SHDF programmes will be provided by Mark Graham, Housing Asset Manager. Completion of delivery and spend is required for all three programmes by 31 March 2023.

3. Decarbonisation of the Council's Housing Stock

- 3.1 To support social housing landlords to ensure all affordable housing is net zero carbon by 2050, the Government through BEIS has launched the Social Housing Decarbonisation Fund with the 2019 Conservative Manifesto including a proposal that £3.8bn will be available through the fund over a 10-year period. The focus is on improving homes which do not currently achieve a minimum EPC rating of C. To date, a demonstrator programme and Wave 1 programme have been allocated funding through a competitive bidding process. As stated above, through Wave 1, the Council has been awarded £1,639,165 of funding. Whilst like HUG and LAD3, the Council as landlord, must contribute towards the costs of installing energy efficiency measures, there is no income limit for the tenants. The bidding process for Wave 2, is expected to open in the next financial year and all Registered Providers will be able to directly apply.
- 3.2 The Council is developing a new Asset Management Strategy which will set out its approach to achieving decarbonisation, with the approach being to focus on two areas:
- **Fabric First**
Improving the energy performance of the structure of homes – through increasing or improving insulation or replacing windows/doors with more energy efficient windows/doors. These works deliver immediate benefits to tenants and as a result the capital programme will focus initially on these works.
 - **Clean Heat**
Replacing existing fossil fuel heating systems (gas and oil boilers) with clean heating systems such as heat pumps.
- 3.3 The Council will look to bid to Wave 2 and future Waves of the SHDF to support and speed up the decarbonisation of the Council's homes. The Council is also, through its new housing delivery considering the decarbonisation agenda, with the new homes at Beach Coach Station required to meet EPC B, using an electric heating system. This will future proof these new homes, reducing future expenditure to achieve the decarbonisation agenda. In addition, the Council is exploring the cost of regenerating the Middlegate estate, so all homes are Net Zero Carbon.

4. Sustainable Warmth

- 4.1 The LAD3 and HUG programmes will enable low-income occupiers of the least energy efficient homes to benefit from works which will increase the energy efficiency of their home. The BEIS funding used to deliver these programmes reflects the Government's commitment to ensuring all homes are net zero carbon by 2050. The forthcoming bans on the installation of first-time gas boilers from 2025 and installation of gas boilers to replace existing gas boilers from 2035 combined with recent increases in gas prices has highlighted the need to ensure householders are aware of the alternative ways they can meet their heating and hot water needs in an affordable and sustainable way.
- 4.2 The Council will continue to bid for monies which allow grants to be provided to homeowners and landlords to improve the energy efficiency of their homes with a focus on addressing fuel poverty by targeting the worst performing homes and taking a fabric first approach. Overall,

works must ensure homes are warm and are affordable to heat whilst also reducing carbon emissions. The impact on wellbeing of living in an affordable and well heated home cannot be underestimated.

- 4.3 A new Sustainability Strategy has been developed which Environment Committee will consider on 16 March 2022 along with a number of recommendations to Full Council to allow the Council to achieve the outcomes of the new strategy. Whilst the strategy is wider than sustainable warmth, the Council's approach to sustainable warmth set out in this report is integral to the actions and approach set out in the new Sustainability Strategy including setting a target by which to achieve Net Zero.

5. Financial Implications

- 5.1 In total, the Council has received funding of £5,870,456 of grant funding to deliver energy efficiency works:

- Local Authority Delivery 3: £1,654,670
- Home Upgrade Grant £2,576,621
- Social Housing Decarbonisation Fund: £1,639,165

- 5.2 There will be no cost to the Council of delivering the LAD3, HUG and SHDF programmes reflecting the funding provided by BEIS. The Council's General Fund and Housing Revenue Account capital budgets will be updated to reflect the spend within 2022/23, funds will be fully spent in accordance with the approved bids.

- 5.3 The admin and ancillary costs allowance within the LAD3, HUG and SHDF grants, will fund a dedicated full time project manager and additional staff resource to support them who will be responsible for providing assurance of programme delivery and outcomes for the Council across all three programmes.

- 5.4 The SHDF monies do not fund the full cost of the EWI works with part of the cost to be met by the Council via the Housing Revenue Account 2022/23 capital programme. The Council's contribution of £637,678 is within the approved budget. Decarbonisation works undertaken to the Council's housing stock will be funded through the HRA capital programme.

6. Risk Implications

- 6.1 The report to Policy and Resources Committee set out the risks associated with the Council's delivery of the LAD3 funding and these risks equally relate to the HUG and SHDF programmes. The same mitigating actions for LAD3 will be used for the HUG and SHDF programme delivery to mitigate the identified risks. The use of one contractor, who has confirmed their ability to deliver the required outcomes of delivery further mitigates the risk.

- 6.2 The Memorandum of Understanding used for HUG also allows the Council to seek an extension of the funding period beyond 31 March 2023 which would provide more time for all measures to be delivered and full spend on works to be achieved. Any such request is at the discretion of the Secretary of State, requests will only be considered if made by 31 December 2022. A similar right to request an extension, at the discretion of the Secretary of State applies to the SHDF.

7. Legal Implications

- 7.1 The Council is required via the Memorandums of Understanding for the HUG and SHDF to ensure that the use of the grant complies with subsidy control requirements. To support this the Council will use a direct appointment framework to appoint E.ON Energy Solutions Ltd to deliver these programmes.

7. Conclusion

This report provides information on the Council's approach to decarbonisation and ensuring delivery of improvements in the energy efficiency of homes across the borough, focusing on the worst performing homes and those occupied by low-income households who are in or at risk of fuel poverty. It provides information on successful bids for BEIS funding totalling £5,870,456 to deliver energy efficiency improvement which will mean 408 homes across the borough are improved by March 2023.

8. Background Papers

Sustainable Warmth Competition Update – Policy and Resources Committee, 30 November 2021

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

Area for consideration	Comment
Monitoring Officer Consultation:	Via ELT
Section 151 Officer Consultation:	Via ELT
Existing Council Policies:	Corporate Plan
Financial Implications (including VAT and tax):	Discussed in report
Legal Implications (including human rights):	Discussed in report
Risk Implications:	Discussed in report
Equality Issues/EQIA assessment:	The HUG funding will be targeted at low-income household living in the most inefficient homes. Many of these households will have protected characteristics and the works will improve their health and wellbeing by providing a more energy efficient home.
Crime & Disorder:	Not applicable
Every Child Matters:	Not applicable