

Full Council

Date of Meeting:	24 February 2022
Report Title:	Social Housing Decarbonisation Fund
Report of:	Jayne Traverse – Executive Director - Place
Ward(s) Affected:	All

1. Purpose of Report

- 1.1.** On 23 August 2021 the Department for Business, Energy and Industrial Strategy (BEIS) announced the Social Housing Decarbonisation Fund Wave 1, which presented an opportunity for Registered Providers (RPs) of Social Housing, including Private and Local Authority providers, to apply for funding to be used to improve the energy performance of Social Housing.
- 1.2.** It was a requirement of the bidding process that applications must be led by a Local Authority. On 15 October 2021 Cheshire East submitted a bid for funding on behalf of The Guinness Partnership, Plus Dane Housing and Peaks and Plains Housing Trust.
- 1.3.** On 7 February 2022, notification was received that our bid had been successful and an award of £1,564,716 will be made to the Council, subject to entering into a Memorandum of Understanding with BEIS.
- 1.4.** The grant will require a supplementary estimate approving by Full Council in accordance with Financial Procedure Rules, Chapter 3, Part 3, paragraph 18.

2. Executive Summary

- 2.1.** At the full Council meeting on 22 May 2019, members approved a Notice of Motion relating to Climate Change, and committed to “work with all businesses, residents and organisations in Cheshire East to reduce their carbon footprint by reducing energy consumptions and promoting healthy lifestyles”. The Carbon Neutral Action Plan sets out actions to reduce carbon

emissions from housing, including encouraging and enabling retrofit to the housing stock.

- 2.2.** The Council's Corporate Plan 2021-25 sets out our vision for a more open, fairer, greener Cheshire East. The Plan sets our priorities under the three broad aims including "a thriving and sustainable place" which includes the aim to be a carbon neutral council by 2025, which this initiative will contribute towards.
- 2.3.** Following the announcement of the Social Housing Decarbonisation Fund in August 2021, Cheshire East officers engaged with RPs operating across the Cheshire East area to establish interest in a bid to improve the energy performance of their housing stock.
- 2.4.** The Guinness Partnership, Plus Dane Housing and Peaks & Plains Housing Trust put forward proposals which were consolidated into a bid submitted to BEIS by the Council on 15 October 2021. The bid had to contain a commitment by the RPs to contribute co-funding of at least one-third of the cost. There is no requirement for the Council to contribute co-funding, but as the accountable body we are expected to enter into a Memorandum of Understanding and administer the grant, reporting progress to BEIS on a monthly basis.
- 2.5.** BEIS recently notified Cheshire East that we have been successful in our bid for £1,564,716. This award will enable us to significantly improve the energy efficiency of 162 social housing properties with funding of between £10,000 and £16,000 per property.

3. Recommendations

- 3.1.** Council is recommended:
 - 3.1.1.** To accept the grant offer of £1,564,716 from BEIS for the purpose of improving the energy performance of social housing.
 - 3.1.2.** To approve a fully funded Supplementary Capital Estimate up to the value of the grant offer.
 - 3.1.3.** To authorise the Director of Growth and Enterprise and Section 151 Officer to enter into the Memorandum of Understanding with the Secretary of State for Business, Energy and Industrial Strategy on behalf of the Council, and to take all other necessary measures to fully administer and distribute the grant.

4. Reasons for Recommendations

- 4.1.** The Council's Constitution states that where services wish to undertake an activity not originally identified in the budget, approval must be sought for a supplementary estimate.

4.2. Expenditure of over £1,000,000 must be approved by full Council.

5. Other Options Considered

5.1. This section is not applicable.

6. Background

6.1. On 23 August 2021 BEIS invited RPs to apply for funding to be used to improve the energy performance of social housing, through the Social Housing Decarbonisation Fund Wave 1 competition (SHDF Wave 1). Applications to SHDF Wave 1 had to be led by a Local Authority.

6.2. SHDF Wave 1 is based upon three key principles:

6.2.1. **Worst first.** Properties with lower Energy Performance Certificate (EPC) bands should be improved.

6.2.2. **Fabric first.** Insulation and heat loss prevention measures such as cavity wall insulation, solid wall insulation, loft insulation and underfloor insulation should be prioritised to maximise comfort and bill savings for the tenant. Low carbon heating can be installed where the fabric of the building is suitably insulated.

6.2.3. **Lowest regrets.** The approach to retrofit should minimise the potential for measures needing to be replaced in the future on the journey to net zero for the social housing stock.

6.3. The competition guidance sets out a range of criteria that needed to be met for a successful application:

6.3.1. Properties to be improved must be in EPC Band D, E, F or G (with G being the worst) and should be improved to Band C or higher.

6.3.2. Funding is capped per property based on a sliding scale, with a funding cap of £16,000 for Band F and G properties, £12,000 for Band E properties, and £10,000 for Band D properties.

6.3.3. RPs must provide co-funding of at least one-third of the costs. SHDF Wave 1 grant funding will fund a maximum of two-thirds of the costs.

6.3.4. Works must be compliant with relevant industry standards and undertaken by suitably accredited contractors.

6.4. Cheshire East wrote to the Chief Executives of the 32 RPs operating in the borough to invite them to participate in the bid. 4 RPs expressed an initial interest, and 3 RPs progressed this interest to become part of the bid.

6.5. The 'worst first' principle for the scheme meant that the number of RPs that would be eligible was limited to those with older stock where some properties had poorer energy performance, and therefore the low level of interest from RPs was in line with expectations.

- 6.6.** A bid was developed in conjunction with the Guinness Partnership, Plus Dane Housing, and Peaks & Plains Housing Trust, utilising stock condition data held by each of the RPs to identify properties that are suitable for retrofitting and will achieve an improved energy performance as a result.
- 6.7.** The bid was submitted on 15 October 2021 for £1,564,716 to improve 162 social housing properties across Cheshire East. Notification was received on 7 February 2022 that the bid had been successful. The breakdown of funding is as follows:

	Guinness	Plus Dane	Peaks & Plains	Cheshire East	Total
Capital	£ 530,000	£ 294,581	£ 546,031	£ 0	£ 1,370,612
Admin and Ancillary Costs	£ 36,227	£ 44,316	£ 52,761	£ 60,800	£ 194,104
Total	£ 566,227	£ 338,897	£ 598,792	£ 60,800	£ 1,564,716

- 6.8.** Whilst the Council will not receive any capital funding to improve properties, as the lead bidder it will be responsible for the monitoring and administration of the scheme. Costs were included in the bid for project management to oversee the scheme and ensure effective delivery.
- 6.9.** In order to secure the funding, the Council must enter into a Memorandum of Understanding with BEIS by 28 February 2022.
- 6.10.** The grant must be spent between 1 April 2022 and 31 March 2023. Any unspent funds must be returned to BEIS, except where there is an agreed use of underspend between BEIS and the Council.

7. Implications

7.1. Legal

- 7.1.1.** The offer of the grant has been made in line with Section 31 of the Local Government Act 2003 and Local Authorities must use the capital receipt of the purposes outlined in the Memorandum of Understanding in accordance with regulations made under section 11 of the Local Government Act 2003.
- 7.1.2.** In order to formally accept the grant the Council must authorise an officer to sign the Memorandum of Understanding on behalf of the Council. This document must be signed and returned to BEIS by 28 February 2022. It is important to note that the Council must administer the grant monies in accordance with the terms stipulated within the Memorandum of Understanding by the Secretary of State.

7.1.3. Local authorities must ensure that any award of funding does not breach current subsidy control legislation applicable in the United Kingdom.

7.1.4. If the grant offer as outlined in para 3.1.1 is accepted the Council would negotiate and settled on a collaboration agreement with the registered providers identified in para 2.4 which would address the mode of distribution for the funding.

7.2. Finance

7.2.1. The Supplementary Capital Estimate is fully funded by an external grant and once approved will become a named scheme within the Council's capital programme and will be monitored accordingly in line with the conditions of the grant.

7.3. Policy

7.3.1. The Corporate Plan 2021-25 includes the vision for an Open, Fair and Green Cheshire East. The corporate plan includes delivery of the actions in the carbon action plan , including providing support to householders to reduce their carbon use.

7.3.2. The Housing Strategy 2018-2023 includes a priority to promote affordable warmth and reduce fuel poverty, including an action to develop initiatives to improve affordable warmth and secure funding for affordable warmth initiatives.

7.4. Equality

7.4.1. As the accountable body for the scheme, Cheshire East will undertake an Equality Impact Assessment in conjunction with the RPs.

7.5. Human Resources

7.5.1. A proportion of the funding can be used to administer the scheme which will support existing roles as well as secure any temporary increase in staff resources that may be needed.

7.6. Risk Management

7.6.1. Failure to submit the required signed MOU by 28 February 2022 would place the funding offer at risk of withdrawal by BEIS.

7.7. Rural Communities

7.7.1. Delivering a domestic energy efficiency retrofit programme will directly target rural fuel poverty in social housing, with off-gas properties being included in the portfolio of properties that will be improved.

7.8. Children and Young People/Cared for Children

7.8.1. There are no direct implications, but improvements in thermal comfort and reducing fuel poverty will benefit the wellbeing of any children living in improved properties.

7.9. Public Health

7.9.1. Improving energy efficiency of housing has a direct impact on the physical and mental wellbeing of residents by improving thermal comfort of their home and making heating the home more affordable.

7.10. Climate Change

7.10.1. Energy use in homes accounts for 28% of carbon emissions in Cheshire East. The Council has committed to becoming carbon neutral by 2025 and to encourage all businesses, residents and organisations in Cheshire East to reduce their carbon footprint. The domestic energy efficiency retrofit works will directly contribute to tackling climate change.

Access to Information	
Contact Officer:	Karen Whitehead – Housing Standards and Adaptations Manager Karen.whitehead@cheshireeast.gov.uk 01270 686653
Appendices:	n/a
Background Papers:	n/a