

Executive Board
20 September 2022

Subject:	Social Housing Decarbonisation Fund – Wave 2.1
Corporate Director(s)/Director(s):	Sajeeda Rose, Corporate Director for Growth and City Development Wayne Bexton, Director for Carbon Reduction, Energy and Sustainability
Portfolio Holder(s):	Councillor Sally Longford, Portfolio Holder for Energy, Environment and Waste Services
Report author and contact details:	Rhianna Holt, Stakeholder Engagement Officer rhianna.holt@nottinghamcity.gov.uk Ellen Cooper-Tydeman, Fuel Poverty Project Manager ellen.Cooper-Tydeman@nottinghamcity.gov.uk Michael Gallagher, Head of Midlands Energy Hub michael.gallagher@nottinghamcity.gov.uk
Other colleagues who have provided input:	
Subject to call-in: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Key Decision: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Criteria for Key Decision: (a) <input checked="" type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision and/or (b) Significant impact on communities living or working in two or more wards in the City <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Type of expenditure: <input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital If Capital, provide the date considered by the Capital Board: consideration subject to the proposed bid being successful	
Total value of the decision: Up to £150 million	
Wards affected: All	
Date of consultation with Portfolio Holder(s):	

Relevant Council Plan Key Outcome:

Clean and Connected Communities	<input type="checkbox"/>
Keeping Nottingham Working	<input type="checkbox"/>
Carbon Neutral by 2028	<input checked="" type="checkbox"/>
Safer Nottingham	<input type="checkbox"/>
Child-Friendly Nottingham	<input type="checkbox"/>
Healthy and Inclusive	<input checked="" type="checkbox"/>
Keeping Nottingham Moving	<input type="checkbox"/>
Improve the City Centre	<input type="checkbox"/>
Better Housing	<input checked="" type="checkbox"/>
Financial Stability	<input checked="" type="checkbox"/>
Serving People Well	<input type="checkbox"/>

Summary of issues (including benefits to citizens/service users):

The Midlands Net Zero Hub (MNZH) is seeking approval to lead a regional consortium bid for up to £150 million for the Social Housing Decarbonisation Fund (SHDF) from the Department for Business, Energy and Industrial Strategy (BEIS) with the Council as the Lead Authority, to be administered by MNZH.

SHDF will upgrade a significant amount of the social housing stock currently below Energy Performance Certificate (EPC) C up to that standard. It will support the installation of energy performance measures in social homes in England, and help deliver warm, energy-efficient homes; reduce carbon emissions; tackle fuel poverty; support green jobs; develop the retrofit sector; and improve the comfort, health and well-being of social housing tenants.

£800 million has been committed for the SHDF as part of the 2021 Spending Review settlement. The Wave 2.1 competition will allocate as much of this funding as possible to support the installation of energy performance measures in social homes in England. Grant funding agreements signed with successful lead applicants / projects start from February 2023, with the delivery window for SHDF Wave 2.1 runs to 30 June 2025.

MNZH led a successful regional consortium bid for SHDF Wave 1. The grant funding value for this bid was £14.9 million, with a total project cost of £26.4 million. The current delivery model developed and implemented through SHDF Wave 1 offers an effective route for the delivery of SHDF Wave 2.1 across the Midlands. This decision will generate an additional £200,000 management fee to contribute £100,000 towards 2023/24 financial returns and £100,000 towards 24/25 financial returns from the Carbon Reduction, Energy and Sustainability (CRES) Division supporting MTFP projections.

Does this report contain any information that is exempt from publication?

Appendix 1 to the report is exempt from publication under Paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because it includes commercially sensitive details that, if published, could prejudice future

negotiations between the Council, the Department for Business, Energy and Industrial Strategy, and other Local Authorities.

Recommendation(s):

1. To approve the submission of a regional consortium bid for funding of up to £150 million for the Social Housing Decarbonisation Fund (SHDF) from the Department for Business, Energy and Industrial Strategy, with the Council as the Lead Authority and Accountable Body, to be administered by the Midlands Net Zero Hub.
2. To delegate authority to the Director of Carbon Reduction, Energy and Sustainability to accept any funding secured, subject to a business case and the funding conditions being submitted to and approved by the Director for Legal and Governance and the Corporate Director for Finance and Resources.
3. To note that the spend of any funding received will require further approvals and support from Legal, Finance and Procurement colleagues, prior to allocation.

1. Reasons for recommendations

- 1.1 The SHDF aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty and support green jobs. This directly supports the Council's 2018-25 Fuel Poverty Strategy and will see fuel bills reduce. Additionally, the project will drive retrofit measures to improve building fabric, decarbonise heating systems and see more renewable energy in social housing across the city and region, supporting the Carbon Neutral by 2028 aspiration and national carbon reduction targets.
- 1.2 The project is also intended to stimulate the supply chain and facilitate a green economic recovery from Covid-19. These funds will help bring forward a range of works that would not otherwise take place, enabling homes in fuel poverty to reduce energy costs and improve EPCs, addressing challenging stock and creating local jobs through transferring central government funding to the private sector.
- 1.3 The MNZH's role in the scheme would be delivered through 100% grant funding. The MNZH will use a proportion of the administration budget to support project delivery, and the project will be governed by existing structures in place for SHDF Wave 1. The MNZH has a risk register for SHDF Wave 2.1 and this has been included in the Project Initiation Document (PID). Housing providers, including the Council, will be required to provide a minimum of 50% match funding.

2. Background

- 2.1 The Council, under its CRES Division is the accountable body for the Midlands Energy Hub. MNZH will lead a consortium bid to deliver SHDF Wave 2.1 as the Lead Authority for consortia members.
- 2.2 On 22 October 2021, a Leader's Key Decision (DD4415, 'Social Housing Decarbonisation Fund') was approved to bid for and accept funding from the BEIS under SHDF Wave 1, up to a value of £32 million. This bid was successful, with Wave 1 will running from January 2022 to January 2023. SHDF is being launched over a 10-year period to improve the energy performance of social rented homes, on the pathway to 'Net Zero 2050'. The scheme aims to support the social housing sector across England, improving the comfort and well-being of residents by installing energy efficiency and low carbon heating upgrades with Wave 2.1 timeframe of March 2023 – June 2025.
- 2.3 The funding will be spent in accordance with a Section 31 grant and associated Memorandum of Understanding. The funding will enable regional delivery helping thousands of fuel poor households across the Midlands and support the Government's and the Council's carbon neutral target. Delivery will be supported through internal Council teams including the CRES Division, Procurement and Legal, with funding available for staffing as well as a management fee to the Council. The MNZH SHDF Wave 1 scheme has a team already in place to support regional delivery. MNZH has also recruited new team members to build capacity and further support project delivery.
- 2.4 SHDF Wave 1 provides an effective delivery model for SHDF Wave 2.1 as local authorities and Responsible Providers of Social Housing (RPs) can benefit from continued support from the MNZH to ensure delivery is efficient and achievable. The MNZH has set up two Dynamic Purchasing System to help support local authorities and RPs, to procure accredited suppliers for delivery.
- 2.5 Regional delivery enables all local authorities in the region to access available funding, particularly those that do not have the capacity to bid, and provides efficiencies through regional support. A regional application removes local competition to access funding and enables greater shared learning as more collaborative processes help to build capacity across the region both with regards local authorities sharing best practice, but also supporting the local supply chain by knowing the amount of funding available and available work in the area. The MNZH approach offers a longer period of time for all local authorities and RPs in the region to develop their proposals and identify a pipeline for the schemes.
- 2.6 Existing contracts are in place to support regional delivery. The MNZH is working with Legal and Procurement to compliantly extend the existing delivery model for SHDF Wave 1/Sustainable Warmth/Local Authority Delivery Phase 2, which will also encompass SHDF Wave 2.1, including providing award letters with terms and condition to each local authority and regional partner within the consortium.

3. Other options considered in making recommendations

- 3.1 To submit individual bids for local authorities or RPs: this option is rejected as it represents a missed opportunity for income generation through the management fee. As a result of feedback, some local authorities and RPs lack capacity or quantity of properties to submit an individual bid for funding. In addition, the BEIS has enforced a minimum number of homes per bid, and therefore some smaller projects would not be able to bid without a lead authority. The MNZH has procured services to assist with customer journey and implementation and also have two Dynamic Purchasing Systems for local authorities to use to procure installers and professional services.
- 3.2 To not submit a bid: this option is rejected as, without MNZH support, there could be a significant missed opportunity to bring financial support into Nottingham and the wider Midlands region to address the fuel poverty and domestic decarbonisation issues within social housing.

4. Consideration of Risk

- 4.1 A full risk register has been completed for SHDF Wave 2.1 and will be included in the PID.

5. Finance colleague comments

- 5.1 This decision seeks the approval to bid for up to £150 million. As described in the report, the MNZH has processes in place already aligned and set up due to the approval of Wave 1 and, therefore, if a bid is successful, the MNZH will be able to fulfil the terms in the Memorandum of Understanding quickly and efficiently. As the Accountable Body, the Council will be financially responsible for the proper recording of the receipts and payments and ensure minimal risks of any claw-back or over-spending resulting in a pressure to the Council.
- 5.2 As specific use and amount is yet to be confirmed, further details will be required as to how the MNZH will receive and allocate the funding. There will need to be sufficient tools to record the receipts and expenditure by setting up appropriate accounting codes. The Project Officer will be required to monitor the budgets to ensure the grant is received and allocated correctly and in a timely manner, following all financial regulations. Any administration and support costs to administer the grants to the successful Local Authorities will also need to be detailed.
- 5.3 As is acknowledged in the report recommendations, a business case will be required prior to accepting the funding, which can only be accepted in conjunction with the Director for Legal and Governance and the Section 151 Officer for approval. This will ensure that the use of the funding will be properly scrutinised prior to committing the Council to accepting the monies, particularly in light of its role as Accountable Body for the MNZH.

Comments provided by Michelle Pullen, Senior Commercial Business Partner, on 6 September 2022.

6. Legal colleague comments

- 6.1 Submission of the bid and acceptance of the funding that is the subject of this report is aimed to ensure the continued improvement of energy performance of social rented homes in the region by the installation of energy performance measures. If successful, the Council will continue to act as the Accountable Body for the MNZH for this wave of the project and will be responsible for the allocation of the funding in accordance with the grant funding conditions from the BEIS.
- 6.2 As Accountable Body, the Council must ensure that it passes through to any recipients of grant funding all obligations for which the Council remains primarily liable under its grant agreement / Memorandum of Understanding with the BEIS. The Council has the power to undertake this role in accordance with the Localism Act 2011 pursuant to the general power of competence.
- 6.3 As is acknowledged in the report recommendations, a business case will be required prior to accepting the funding, which can only be accepted in conjunction with the Director for Legal and Governance and the Section 151 Officer for approval. This will ensure that the use of the funding will be properly scrutinised prior to committing the Council to accepting the monies, particularly in light of its role as Accountable Body for the MNZH.
- 6.4 As the specific use and allocation of the monies is yet to be confirmed, more detail will be required with respect to how the monies are proposed to be used or allocated upon receipt. This is likely to be via grant awards and internal spend. Legal, Finance and Procurement colleagues will need to review and advise upon proposed allocation of spend to ensure scrutiny and compliance (including in line with the Subsidy Control Rules) and to ensure appropriate agreements are in place. Further approvals with more specific detail of funding distribution will therefore be required in due course. In addition, an assessment of any grants made to third parties will need to be undertaken.

Comments provided by Dionne Screatton, Senior Solicitor – Contracts and Commercial, on 31 August 2022.

7. Procurement colleague comments

- 7.1 The recommendations this report is seeking to have approved relate to applying for, and if successful, managing, external grant funding, including internal staffing costs. As such, there are no direct Procurement implications to this report.
- 7.2 Any subsequent procurement activity related to the grant, or operations by or for the MNZH related to the grant, will need to be undertaken in accordance with Contract Procedure Rules and, where applicable, the Public Contracts Regulations 2015. The Procurement team will continue to support the MNZH to undertake these activities compliantly, for both their own operations and by providing procurement support and advice to members of the consortium.

Comments provided by Jonathan Whitmarsh, Lead Procurement Officer, on 26 August 2022.

8. Social value considerations

- 8.1 A series of contracts with options for extension have been procured and awarded as part of project delivery. All procurement exercises overseen by the Council's Procurement team consider social value. This included job creation and Customer Journey Support offers added value services such as income maximisation, aiming to provide up to £4 million in additional savings to residents through their support services.

9. Regard to the NHS Constitution

- 9.1 Improving energy efficiency of homes is linked to a reduction in cold-related health concerns and associated hospital admissions.

10. Equality Impact Assessment (EIA)

- 10.1 An EIA is not required because this decision does not represent proposals for a new or changing policy, service or function.

11. Data Protection Impact Assessment (DPIA)

- 11.1 A DPIA is not required because this report does not represent proposals for the collection of personal data.

12. Carbon Impact Assessment (CIA)

- 12.1 A CIA is not required because one of the key objectives of this work is to reduce carbon emissions. Upon commencement of the project, it will be possible to profile expected carbon savings with partners.

13. List of background papers relied upon in writing this report

- 13.1 None.

14. Published documents referred to in this report

- 14.1 Delegated Decision 4415 – Social Housing Decarbonisation Fund
<https://committee.nottinghamcity.gov.uk/ieDecisionDetails.aspx?ID=7768>