

Executive Board – 20 June 2023

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| Subject: | Social Housing Decarbonisation Fund Wave 2.1 |
| Corporate Director(s)/Director(s): | Ita O'Donovan - Corporate Director for Communities, Environment and Residents Services Wayne Bexton - Director of Environment and Sustainability |
| Portfolio Holder(s): | Councillor Corall Jenkins, Portfolio Holder for Energy, Environment & Waste Services and Parks Councillor Jay Hayes, Portfolio Holder for Housing |
| Report author and contact details: | Angie Lillistone angie.lillistone@nottinghamcity.gov.uk |
| Other colleagues who have provided input: | Catherine Judge catherine.judge@nottinghamcity.gov.uk |
| 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 Capital Board Date: 10 th May 2023 |
| Total value of the decision: | Up to £5,821,001.68 |
| Wards affected: | all |
| Date of consultation with Portfolio Holder(s): | 31 May 2023 |
| Relevant Council Plan Key Outcome: | |
| Green, 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"/> |
| Living Well in our Communities | <input type="checkbox"/> |
| Keeping Nottingham Moving | <input type="checkbox"/> |
| Improve the City Centre | <input type="checkbox"/> |
| Better Housing | <input checked="" type="checkbox"/> |
| Serving People Well | <input type="checkbox"/> |
| Summary of issues (including benefits to citizens/service users): | |
| <p>Nottingham City Council has been allocated a total of £2,910,500.84 from the Department of Energy Security and Net Zero for the Social Housing Decarbonisation Fund Wave 2.1 scheme which will run from 1st April 2023 to 31st March 2025.</p> <p>This allocation represents a proportion of the consortium bid awarded to the Midlands Net Zero Hub (MNZH), which received a total of £47.2 million of Government funding.</p> <p>Nottingham City Council are now seeking approval to accept and spend their allocation of the MNZH consortium bid, and to utilise up to £2,910,500.84 of funds allocated within the Housing Revenue Account Capital Programme (HRACP) as match funding.</p> | |

The SHDF scheme aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs.

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

No

Recommendation(s):

- 1** To accept and spend the grant allocation of £2,910,500.84 from the Department of Energy Security and Net Zero in line with the Wave 2.1 bid to support the regional delivery of SHDF Wave 2.1 allocated through the Midlands Net Zero Hub.
- 2** To delegate authority to the Director of Environment and Sustainability to manage the grant including to approve entering into agreements with third parties for the provision of goods and services associated with the delivery of the project.
- 3** To approve the use of this grant alongside match funding from current budgets contained within the approved HRACP. The budget identified for match funding has been identified for these properties within the HRACP period to March 2027. Details of all movements are contained within the finance comments.

1. Reasons for recommendations

- 1.1 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.
- 1.2 The SHDF scheme aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs. This directly supports our 2018-25 Fuel Poverty Strategy and will see fuel bills reduce at a time when energy prices are at a record high.
- 1.3 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 our Carbon Neutral by 2028 aspiration and national carbon reduction targets.
- 1.4 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.

2. Background (including outcomes of consultation)

- 2.1 Nottingham City Council has already successfully bid for and accepted £2.81m of funds which are being delivered through SHDF Wave 1 to improve 298 homes. The SHDF Wave 2.1 scheme follows on from this successful bid.
- 2.2 Nottingham City Council's Environment and Sustainability Division is the accountable body for the MNZH. The Department of Energy Security and Net Zero has commissioned MNZH to deliver SHDF as the Lead Authority for consortia members.
- 2.3 SHDF funding was launched in June 2022 as a competition. Following approval by Executive Board in September 2022, MNZH submitted a regional bid on 18 November 2022 to access funding (up to £800m made available for Wave 2.1).
- 2.4 A Leader's Key Decision 4934 was approved in May 2023 for the MNZH to spend the grant funding under SHDF Wave 2.1.
- 2.5 Nottingham City Council has been allocated a total of £2,910,500.84 for Wave 2.1 of the SHDF scheme which will run from 1st April 2023 to 31st March 2025.
- 2.6 The funding will be spent in accordance with Section 98 of the Natural Environment and Rural Communities Act 2006. Delivery will be supported through internal NCC teams including Environment & Sustainability Division, Procurement and Legal, with funding available for staffing costs.
- 2.7 The project will be delivered by NCC with The Environment and Sustainability Division acting as the client, and Housing Services engaging contractors and managing the delivery of the project.
- 2.8 Housing Services will procure third party contractors under an approved tender process or utilise existing framework agreements.
- 2.9 Governance structures will follow this established existing process already in place for other grant funded programmes on social housing of this type, with regular steering group meetings reporting through to a monthly Council Housing Energy Efficiency Programme Board.
- 2.10 This report was presented at Capital Board on 10th May 2023, and DLT on 15th May 2023.

3. Other options considered in making recommendations

- 3.1 Not accepting the funding:
This funding offers the opportunity to address fuel poverty and domestic decarbonisation issues within social housing across Nottingham, helping to improve the lives of citizens and directly contributing towards NCC's carbon neutral targets. Not accepting the funding would greatly limit our ability to deliver these outcomes.

4. Consideration of Risk

- 4.1 A full risk register has been completed for SHDF Wave 2.1 and will be incorporated into ongoing governance reporting

5. **Best Value Considerations, including consideration of Make or Buy where appropriate**

5.1 **Please detail how best value is demonstrated including consideration of the following:**

The use of this grant funding for retrofit measures alongside existing budgets for roofing and external works enables a higher standard of work to be carried out on a greater number of properties than would be possible without the funding. By being part of a consortium project with the MNZH allows opportunity to collaborate with other local authorities and organisations to share best practice and lessons learnt.

6. **Finance colleague comments (including implications and value for money/VAT)**

The HRA match funding for the grant of up to **£2.9m** is coming from capital budgets within the current approved HRACP. All of the identified budgets are funded from Major Repairs Reserve unless otherwise stated and will be vired from the projects and financial years as identified below:

| Project | 2023/24 £ | 2024/25 £ | 2025/26 £ | Total £ |
|----------------------------|----------------------|----------------------|----------------------|--------------------|
| Roof & Chimney Replacement | 9,500 | - | - | 9,500 |
| Externals (Properties) | 402,880 | 1,191,140.00 | 1,260,981.00 | 2,855,001 |
| Heating | | 46,000 | | 46,000 |
| Total | 412,380 | 1,237,140 | 1,260,981 | 2,910,501 |

The grant of **£2.91m** combined with a maximum of **£2.91m** of match funding means the projects within this report have a combined value of **£5.82m** as detailed in **Table 2** below:

| | Wave 2.1 £ |
|----------------------------|-----------------------|
| Capital Expenditure | 5,821,001 |
| Grant – SHDF Wave 2.1 | (2,910,500) |
| PSHCP Match Funding | (2,910,500) |
| Total Funding | (5,821,001) |

To note that the use of this budget as match funding will not result in a reduced programme of maintenance work being carried out. The existing budgets will be used alongside the grant funding to enable a higher standard of work to be carried out for the identified properties.

This proposed scheme reallocates up to **£2.9m** of Major Repairs Reserve from within the current approved HRA Capital Programme (approved Executive Board February 2023). Should the scheme progress to formal approval the capital budget over the period to 31st March 2027 would increase by **£2.9m**.

As detailed in the body of the report the grant is required to be spent by March 2025.

The financial model for the SHDF Wave 1 assumed that the converted properties future maintenance requirements was increase of £70k across 103 properties over a 50 year model. The same guarantees regarding the revenue impact on the HRA will be required prior to getting formal approval to ensure that future Major Repairs Reserve requirements haven't changed.

Tom Straw – Senior Accountant (Capital Programmes), 26th April 2023

7. **Legal colleague comments**

Submission of a bid for SHDF wave 2.1 and acceptance of funding was approved by Executive Board in September 2022 – Minute No 45, 46 and 48 (Social Housing Decarbonisation Fund – Wave 2.1).

It should be noted that acceptance of the funding was 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. The decision maker will need to assure themselves that this internal governance measure has been completed.

£2.9m of the sum concerned forms part of £47.2m awarded from the Department for Energy Security and Net Zero (DESNZ) (formerly BEIS) is to support regional delivery of the Social Housing Decarbonisation Fund (SHDF) Wave 2.1 through the Midlands Net Zero Hub (MNZH), by securing improvement of energy performance of social rented homes in the region through the installation of energy performance measures. This report concerns the spend of the funding by Nottingham City Council as part of a consortium of bidders including other local authorities and Registered Housing Providers, on the basis the sum involved would be match funded.

The funding was accepted by the Council under a Grant Agreement pursuant to Section 98 of the Natural Environment and Rural Communities Act 2006 (“NERC”) and not under s31 of the Local Government Act 2003 as had been initially anticipated when the Executive Board approved the bid for funding in September 2022. The City Council will need to ensure, as the Accountable Body (acting through MNZH) with responsibility for the allocation of the funding, and when spending the grant that it does so in accordance with the grant funding conditions set under the NERC Grant Agreement.

There will need to be an assessment as to whether the grant comprises a subsidy, whether an exemption applies and if not, compliance with the subsidy control principles outlined in the Subsidy Control Act 2022. It is recommended that as the Accountable Authority, the Council adheres to the UK Government Subsidy Control Guidance, liaises and agrees a suitable subsidy assessment approach with DESNZ, to minimise risk of non-compliance with the Subsidy Control Act regime obligations and of clawback.

Subject to the above when spending the funding, the Council will need to ensure to it meets the legal requirements relating to public procurement under the Public Contract Regulations 2015 and the Council's own Contract

Procedure Rules, which will also ensure it meets its best value duty in this context.

Richard Bines, Solicitor – Contracts and Commercial Team - 15.05.2023

8. Other relevant comments

Procurement Comments:

There are no significant Procurement concerns with the recommendations set out in the report. Any contracts or agreements entered into for supply of goods, services, or works, must comply with relevant provisions of Nottingham City Council Contract Procedure Rules, the Public Contracts Regulations 2015 or its successor(s), and any other applicable legislation such as the Subsidy Control regime. Appropriate forms of contract for goods, services, or works, must be executed in line with Contract Procedure Rules after consultation with Legal Services.

We note the intention to use Housing Services (formerly Nottingham City Homes) to engage contractors and manage delivery of the works. Appointing a third party as managing agent can be an acceptable method to transfer risk and liability, however since NCH has been folded back into NCC this would sit entirely with the Council. The Head of Procurement requires an appropriate level of oversight, the details of which must be agreed between the Head of Procurement and Housing Services before any procurement activities commence.

Jonathan Whitmarsh – Corporate Procurement Officer, 11th April 2023

9. Crime and Disorder Implications (If Applicable)

9.1 n/a

10. Social value considerations (If Applicable)

10.1 n/a

11. Regard to the NHS Constitution (If Applicable)

11.1 n/a

12. Equality Impact Assessment (EIA)

12.1 Has the equality impact of the proposals in this report been assessed?

No

Yes

Attached as Appendix 1, and due regard will be given to any implications identified in it.

13. Data Protection Impact Assessment (DPIA)

13.1 Has the data protection impact of the proposals in this report been assessed?

No

A DPIA is not required because no personal information will be shared as part of this project. Privacy notices and processing agreements will be in place for all contractors. The DPO has been consulted.

Yes

14. Carbon Impact Assessment (CIA)

14.1 Has the carbon impact of the proposals in this report been assessed?

No

Yes

Attached as Appendix 2, and due regard will be given to any implications identified in it.

15. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

15.1 n/a

16. Published documents referred to in this report

16.1 Executive Board meeting on 20 September 2022 – Social Housing Decarbonisation Fund Wave 2.1

[Agenda for Executive Board on Tuesday, 20th September, 2022, 2.00 pm - Nottingham City Council](#)

16.2 MNZH Delegated Decision Social Housing Decarbonisation Fund Wave 2.1 signed 12/05/2023

[DD4934.pdf](#)