

Executive Board – 17 November 2023

Subject:	Social Housing Decarbonisation Fund Wave 2.1 Additional funding														
Corporate Director(s)/Director(s):	Colin Parr - Corporate Director for Communities, Environment and Resident Services														
Portfolio Holder(s):	Cllr David Mellen, Leader of Council and Portfolio holder for CN28														
Report author and contact details:	Angie Lillistone angie.lillistone@nottinghamcity.gov.uk														
Other colleagues who have provided input:	Adrian Prestidge adrian.prestidge@nottinghamcity.gov.uk Kayleigh Bentley kayleigh.bentley@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: 2 October 2023															
Total value of the decision:		£1,117,644													
Wards affected: All															
Date of consultation with Portfolio Holder(s): 22/9/2023															
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>The Social Housing Decarbonisation Fund schemes aim to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs. Funding through schemes such as this is essential for us to continue delivering our award-winning Greener Housing programme.</p> <p>Nottingham City Council has been allocated and had approval to accept and spend grant funding to retrofit social housing homes through two main grant funding streams as follows:</p>															
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Scheme</th> <th style="width: 15%;">Grant funding £</th> <th style="width: 15%;">Match funding £</th> <th style="width: 20%;">Exec board approval date</th> </tr> </thead> <tbody> <tr> <td>Social Housing Decarbonisation Fund Wave 1</td> <td style="text-align: right;">2,881,923.67</td> <td style="text-align: right;">1,891,876</td> <td>19 July 2022</td> </tr> <tr> <td>Social Housing Decarbonisation Fund Wave 2.1</td> <td style="text-align: right;">2,910,500.84</td> <td style="text-align: right;">2,910,500.84</td> <td>20 June 2023</td> </tr> </tbody> </table>				Scheme	Grant funding £	Match funding £	Exec board approval date	Social Housing Decarbonisation Fund Wave 1	2,881,923.67	1,891,876	19 July 2022	Social Housing Decarbonisation Fund Wave 2.1	2,910,500.84	2,910,500.84	20 June 2023
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The grant allocations represent a proportion of the consortium bids awarded to the Midlands Net Zero Hub (MNZH) from the Department of Energy Security and Net Zero which received a total of £14.89 million of Government funding under SHDF Wave 1 and £47.2 million under SHDF Wave 2.1.

The retrofit works are being delivered as part of a programme of works across SHDF Wave 1 and SHDF Wave 2.1 combined. Our match funding is provided by utilising funds already allocated in the Housing Revenue Account and Major Repairs Reserve for agreed maintenance. The grant funding will be used to deliver a higher standard of refurbishment to the identified properties. This is an established method of providing match funding that has been used on several of our social housing programmes.

Due to the time constraints and complexity of some of the social housing properties associated with SHDF Wave 1, it has not been possible to complete the entire programme of planned works and there has been an underspend of both grant and match funding to date. The underspend of grant has been returned to MNZH, partially reallocated and the rest returned to the funder. The corresponding match funding from the underspend is currently unallocated. To enable NCC to get the most out of the combined opportunity some reprofiling has taken place to move a proportion of the work into SHDF Wave 2.1.

A change request has been submitted and approved via Midlands Net Zero Hub to the Department of Energy Security and Net Zero and as a result Nottingham City Council has been allocated an additional grant amount of £558,822 from the Department of Energy Security and Net Zero for the Social Housing Decarbonisation Fund Wave 2.1, enabling us to reprofile the delivery of the works. This additional allocation has been confirmed via a new grant funding agreement from DESNZ.

The additional allocation for Nottingham City Council comes from funds originally allocated to another Local Authority within the consortium of Local Authorities who were part of the original funding bid but were unable to utilise these funds. This does not represent a change to the overall Wave 1 or Wave 2.1 allocation awarded to the Midlands Net Zero Hub (MNZH) from the Department of Energy Security and Net Zero but a repurposing of funding.

Nottingham City Council are now seeking approval to accept and spend the additional funding, and to utilise up to £558,822 of match funding initially allocated in SHDF Wave 1 within the Housing Revenue Account Capital Programme (HRACP) corresponding to the aforementioned underspend. All of the HRA match funding is available following the reallocation of existing approvals.

The additional funds offered will be spent in line with the original purpose and timescales of SHDF 2.1 but will require a variation to the original grant agreement for SHDF 2.1.

The additional grant funds offered to NCC are understood on the basis of earlier advice not to comprise a subsidy, but existing subsidy control requirements will continue to be met by delivering the scheme compliantly.

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

No

Recommendation(s):

<p>1. To accept and spend the additional grant allocation of £558,822 from the Department of Energy Security and Net Zero in line with the SHDF Wave 2.1 grant funding conditions to support the regional delivery of SHDF Wave 2.1 allocated through the Midlands Net Zero Hub.</p>
<p>2. To approve the use of £558,822 of match funding from approved budgets within the Housing Revenue Account Capital Programme (HRACP). To be covered if required across both 23-24 & 24-25 financial years to maximise the grant spend and support delivery.</p>
<p>3. To delegate authority to the Corporate Director of Communities, Environment and Resident Services to manage the additional grant allocation.</p>
<p>4. To delegate authority to the Director of Housing to procure, award and enter into contracts with third party providers, utilising the additional funding for the provision of goods and services associated with the delivery of the project.</p>

1. Reasons for recommendations

- 1.1 SHDF has been 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 contribution to the Carbon Neutral by 2028 target 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.
- 1.5 The additional funding will allow us to complete a range of works across our programme, allowing us to install energy-efficiency measures to 45 additional homes, dependant on fluctuating costs and the condition of the stock.

2. Background (including outcomes of consultation)

- 2.1 Nottingham City Council (NCC) is the accountable body for the Midlands Net Zero Hub (MNZH) sitting within the Environment and Sustainability Division of the Communities, Environment and Resident Services Corporate Directorship of the Council. As the Lead Authority for consortia members, the Council, via the MNZH has been awarded SHDF funding from DESNZ.
- 2.2 On 19 July 2022 Nottingham City Council gave Executive Board approval to accept and spend £2.88m of funds allocated via the Midlands Net Zero hub

for works delivered under the SHDF Wave 1 scheme, together with associated match funding from the Housing Revenue Account.

- 2.3 Due to complexities with some of the social housing there has been an underspend of both grant and match funding to date. The underspend of grant has been returned to MNZH, partially reallocated and the rest returned to the funder. The corresponding match funding from the underspend is currently unallocated.
- 2.4 SHDF Wave 2.1 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).
- 2.5 A Leader's Key Decision 4934 was approved in May 2023 for the MNZH to spend the grant funding under SHDF Wave 2.1.
- 2.6 An Executive Board Decision was taken on 20th June 2023 for NCC to accept and spend NCCs portion of the consortium grant funding under SHDF Wave
- 2.7 Following an approved change, Nottingham City Council has been allocated an additional total of £558,822 grant funding for Wave 2.1 of the SHDF scheme which will run from 1st April 2023 to 31st March 2025. This decision seeks approval to accept this additional funding and utilise the HRA match funding reduction identified as part of the scheme reallocation.
- 2.8 In line with the executive board approval given on 20 June 2023, the funding will be spent in accordance with the Grant Agreement conditions previously entered into with DESNZ pursuant to Section 98 of the Natural Environment and Rural Communities Act 2006 ("NERC") Delivery will be supported through internal NCC teams including Environment & Sustainability Division, Procurement and Legal, with funding available for staffing costs.
- 2.9 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.
- 2.10 Housing Services seek to utilise the additional funding through two new contracts for works awarded to Surefire Management Services for SHDF Wave 1 & 2. A third party framework was utilised to appoint the contractor via a negotiated procedure in line with the Framework terms and conditions.
- 2.11 Governance structures will follow the 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 Retrofit Programme Board.
- 2.12 As regards subsidy control compliance, external legal advice was obtained in relation to the SHDF 2.1 scheme and original Subsidy Control Act 2022 principles assessment undertaken by DESNZ. Whilst the funding awarded to NCC was not likely to comprise a subsidy, compliance with the scheme would provide a compliant route to awarding subsidies under the Subsidy Control Act 2022. As long as subsidies are awarded in accordance with the scheme,

the original principle assessment carried out by DESNZ will continue to cover future subsidies, avoiding the need to undertake a further principles assessment.

2.13 The recommendations in the report follow internal scrutiny and have been reviewed by the Commercial Oversight Board on 23rd October 2023.

3. Other options considered in making recommendations

3.1 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.

4.2 Until a formal variation to the existing grant agreement has been entered into with DESNZ in line with the change the request the Council is not able to utilise the additional funding on delivery of the SHDF 2.1 project.

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

5.1 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)

6.1 This approval will amend the capital programme as detailed in **Table 1**, by reallocating funding due to scheme complexities within SHDF Wave 1 and securing additional **£0.5m** of capital grant for Wave 2:

Table 1: Amendment Required to the HRA capital programme							
	Current Approved Position			Proposed Position			Variance £
	External Grant £	HRA Funding £	Total Budget £	External Grant £	HRA Funding £	Total Budget £	
Scheme Reallocation							
SHDF Wave 1 (Exec Board Jul-22)	2,881,927	6,508,789	9,390,716	2,075,200	3,196,381	5,271,581	(4,119,135)
SHDF Wave 2 (Exec Board Jun-23)	2,910,501	2,910,501	5,821,002	2,910,501	4,801,334	7,711,835	1,890,833
Subtotal post reallocation	5,792,428	9,419,290	15,211,718	4,985,701	7,997,715	12,983,416	(2,228,302)
Wave 2 – Additional Grant and HRA Match (*)	0	0	0	542,056	558,822	1,100,878	1,100,878

Total (post approval)	5,792,428	9,419,290	15,211,718	5,527,757	8,556,537	14,084,294	(1,127,424)
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() £558,822 grant is split £542,056 capital and £16,766 ancillary costs (i.e. revenue)*

- 6.2 The reduction in HRA match funding requirement of £0.8m (i.e. 9.4m less £8.6m), means £0.8m of Major Repairs Reserve (MRR) is uncommitted within this project.
- 6.3 This amendment to the schemes being delivered as part of SHDF wave 1 and 2 will directly impact the routine capital works over the MTFP, leading to a requirement to revise the HRA capital Programme over the MTFP as part of the 2024/25 budget process. It is assumed that the **£0.8m** MRR reduction will be recommitted as part of this capital budget process.
- 6.4 The project manager is required to ensure that the schemes are deliverable within the grant conditions reducing the risk of grant clawback and require the HRA to provide further match funding.

Tom Straw (Senior Accountant – Capital Programmes) – 8th September

7. Legal colleague comments

- 7.1 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.
- 7.2 This report concerns approval to 1) accept and spend additional SHDF 2.1 funding, re-allocated (it is understood following approval from DESNZ to a change request) to Nottingham City Council as part of a consortium of bidders including other local authorities and Registered Housing Providers; and 2) to reallocate and spend previously underspent match funding from the HRA re SHDF wave 1, against the aforementioned additional SHDF 2.1 funding,
- 7.3 It is understood the additional funding would be accepted subject to the same grant funding conditions that apply to the Council under the original SHDF wave 2.1 Grant Agreement entered into pursuant to Section 98 of the Natural Environment and Rural Communities Act 2006 (“NERC”). 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 funding that it does so in accordance with the grant funding conditions set under the NERC Grant Agreement.
- 7.4 There will need to be an assessment by the Council’s external legal advisors on the project as to whether the additional grant to the Council, alongside the original award, comprises a subsidy, whether an exemption applies and if not,

is in 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.

7.5 Subject to the above when spending the funding, the Council will need to ensure 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. Relevant grant condition imposed under the NERC Grant Agreement (as varied) will need to be cascaded down into relevant contracts with suppliers selected following any compliant procurement processes. . The use of the proposed framework from which to call off the award of contracts is recognised as an appropriate route to market.

7.6 Richard Bines, Solicitor – Contracts and Commercial Team – 25.10.2023

8. Other relevant comments

8.1 The proposed route to market is using Third-party frameworks, which are allowed under NCC Contract Procedure Rules (CPR's).

8.2 We currently have a contract with Surefire Management Services and Westville for SHDF Wave 1, with their respective Framework conditions to appoint the Contractors was via a negotiated procedures in line with the Framework Terms and Conditions.

8.3 It is proposed to procure two new Works Contracts and draw down the additional funding toward a new contract with Westville and Surefire Management Services.

Jeremy Delderfield NCC Housing Services Procurement & Sourcing Manager
20/10/2023

9. Crime and Disorder Implications (If Applicable)

9.1 **N/a**

10. Social value considerations (If Applicable)

10.1 All procurement exercises overseen by the Council's Procurement team consider social value.

11. Regard to the NHS Constitution (If Applicable)

11.1 **N/a**

12. Equality Impact Assessment (EIA)

12.1 report been assessed?

No



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

Yes

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. 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

A CIA is not required as this is a continuation of grant funding under a scheme for which a full carbon impact assessment as completed for the Executive Board Decision taken to accept and spend the initial grant allocation on 20th June 2023

Yes

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

15.1 None

16. Published documents referred to in this report

16.1 Executive Board meeting on 20th June 2023 – Social Housing Decarbonisation Fund Wave 2.1

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

16.3 Agenda for Executive Board on Tuesday, 20th September 2022, 2.00 pm - Nottingham City Council

16.4 MNZH Delegated Decision Social Housing Decarbonisation Fund Wave 2.1 signed 12/05/2023 DD4934.pdf