

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 8</b>
<b>DATE OF MEETING:</b>	<b>05 OCTOBER 2023</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (SERVICE DELIVERY)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>CRAIG LODEY, 07435 766937, <a href="mailto:craig.lodey@southderbyshire.gov.uk">craig.lodey@southderbyshire.gov.uk</a></b>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>DEVOLUTION RETROFIT FUNDING</b>	
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM08</b>

## **1.0 Recommendations**

- 1.1 To accept a Grant offer of £583,500 from Midlands Net Zero Hub to fund low carbon retrofit measures to be installed at social and private housing across South Derbyshire on the terms of the Grant Agreement (**Appendix A**).
- 1.2 To authorise the Chief Executive in consultation with the Chair of the Finance and Management Committee to negotiate changes to and revisions of the programme, milestones and Grant Agreement.

## **2.0 Purpose of the Report**

- 2.1 This report is intended to seek approval from members to accept the Grant Offer of £583,500 to fund energy improvement measures on residential properties in South Derbyshire.

## **3.0 Executive Summary**

- 3.1 This report seeks to outline the recent offer of £583,500 of funding to South Derbyshire District Council made by the Midland Net Zero Hub (Nottingham City Council) to install energy efficiency measures in homes within the district.
- 3.2 The funding may be regarded as complementary to funds already received or committed by Midland Net Zero to existing LAD3 and HUG2 funding but has no co-dependencies with those funds.
- 3.3 Funds can be used to support the installation of energy efficiency measures on both private and social housing.

## **4.0 Detail**

- 4.1 In preparation for the Combined Authority the Department for Levelling Up, Housing and Communities (DLUHC), has allocated a total of £18m of capital funding to Derbyshire County Council as the Lead Funder on behalf of the four Constituent Councils of the EMCAA, if the grant is approved Midland Net Zero Hub (Nottingham City Council) will received a total of £16M. The total award is to be distributed equally

between the 15 District and Borough Councils in the region and the 2 City Councils and are intended to bridge the funding gap that currently exists where households who need support but are not receiving support due to the stringent criteria of the national funding schemes such as HUG2 that is exclusive to 'off-gas' property. The intervention will also better allow a place-based approach enabling Local Authorities in the region to identify key areas of need, or to fill in the gaps of existing programmes LAD3 or SHDF Wave 2.1.

4.2 For each of the constituent councils the overall objectives set by the scheme are:-

- To undertake 'whole house' retrofit on 5 properties
- Install measures to comply with PAS2035:2019 to 36 properties
- To improve the health and wellbeing of home occupiers through pre and post survey assessment
- Reduced energy consumption and lower carbon footprint
- Reduce the number of households at EPC band D or lower
- Effect a net improvement in SAP rating

4.3 Funds could also be utilised for additional measures in properties that further increases EPC rating and prevents repeat visits under future schemes minimising disruption and maximising benefits for the occupiers.

4.4 The funding can be used to carry out works on private, private rented and social housing.

4.5 Measures might include insulation, energy efficient windows and doors and improved ventilation. Where indicated by retrofit design low carbon heating measures such as Air Source Heat Pumps, Solar photovoltaics or battery storage may be appropriate.

4.6 The works must be carried out by contractors with PAS2030 accreditation and in accordance with the process set out in PAS2035.

4.7 Works can be carried out to complement measures being installed under other energy efficiency schemes such as SHDF or HUG but funding cannot be used to subsidise a single measure already funded by another scheme.

4.8 Delivery plan

Subject to refinement the delivery plan has been developed on known information or anticipated demand. Based on existing commitments and experience gained in earlier initiatives, the programme, delivery has been structured to allow time to more carefully select property suitable for 'whole house' retrofit and avoid unforeseen costs that those homes may present.

	<b>Eligible homes signed up to receive measures</b>	<b>Whole Retrofits completed</b>	<b>Other measures installed*</b>	<b>Number of homes that improve to a EPC band C or above</b>	<b>Number of homes that have been improved by at least 1 EPC band from a starting SAP 1-54 rating (EPC-EFG)-170</b>
	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
<b>2023/24</b>					
<b>Q1</b>					
<b>Q2</b>	0	0	0	0	0
<b>Q3</b>	20	0	0	0	0
<b>Q4</b>	20	0	15	10	15
<b>2024/25</b>					
<b>Q1</b>	36	0	36	28	30

<b>Q2</b>	36	<b>3</b>	36	36	36
<b>Q3</b>	36	<b>5</b>	36	36	36
<b>Q4</b>					

- 4.9 The delivery plan is provisional and some degree of flex is anticipated by the funder.
- 4.10 This offer presents an opportunity for the housing department to undertake energy efficiency works that would otherwise be funded by the planned maintenance budget or from reserves.
- 4.11 Undertaking ‘Whole house’ retrofit on a home that is tenanted would be highly disruptive to the residents. The Council does not have a pool of property into which sitting tenants can be decanted or a budget to make appropriate compensatory payments for disturbance therefore it is proposed that this type of work is only carried out on suitable properties that are currently void.
- 4.12 The offer allows the opportunity to carry out energy efficiency works on private residential property that cannot be treated under the LAD3 or HUG2 schemes.

## **5.0 Financial Implications**

- 5.1 This grant is not subject to any co-funding conditions.
- 5.2 An upfront payment of 20% of the funding will be provided with the balance paid on delivery progress being achieved.
- 5.3 The grant spend profile is to be agreed between Nottingham City Council (the funding body) and South Derbyshire District Council. The following table indicates how the grant would be spent based on known work and commitments.

FY	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
2023-24								10k	15k	15k	10k	50k	£583,5
2024-25	£100k	£50k	£133.5k	£100k	£100k								

- 5.4 The Council will retain all financial records relating the expenditure
- 5.5 The funding is regarded as Capital expenditure and not revenue.
- 5.6 The MOU contains a list of expenditure that is not eligible and the scheme is subject to an assessment of eligible expenditure and a monthly reconciliation report is required.
- 5.7 The Contractor appointed to deliver the works funded by the Grant Funding must be properly procured. As they are competent to complete to the PAS2030 and PAS2035 standard it is anticipated that retrofit works will be undertaken by the contractors already delivering the SHDF and HUG works however SDDC will consult with [DSFS Procurement Team to ensure compliance with procurement rules](#).

## **6.0 Corporate Implications**

### **Employment Implications**

- 6.1 This funding is additional to existing programs and places an obligation on council officers to select suitable property and deliver in line with the scheme objectives. However, using the skills of existing officers but this is felt to be achievable and therefore no additional resource is necessary.

### **Legal Implications**

- 6.2 The funder will cease payment or demand repayment if; -
- The agreed programme milestones are not met or the Funder perceives that progress is slow
  - The grant funding is not used for the purposes for which the scheme has been set designed.
  - The Council has in the opinion of the Funder breached subsidy control rules.
- 6.3 The funder requires an Information Sharing Agreement to be agreed. This is only to be invoked in the event that the Funder changes the reporting requirement.
- 6.4 The Council must report any incidence where financial mismanagement or fraud is suspected.
- 6.5 The Grant Conditions are stringent and can result in claw back. This will expose the Council to financial and reputational risk.
- 6.6 Officers will need to take advice as to whether each payment made under the MOU is compliant with Subsidy Control Rules

### **Corporate Plan Implications**

- 6.7 This funding would assist the Council's commitment to achieving its corporate net zero target.
- 6.8 The funding of energy efficiency measures will improve the living conditions of residents in council accommodation.

### **Risk Impact**

- 6.9 The Council is already engaged on delivering significant SHDF and HUG projects and has experienced delays resulting from insufficient capacity in the retrofit industry to complete works to PAS2030/2035 standards.
- 6.10 The Grant funding would add additional workload on officers delivering the existing programmes especially when considering the whole house retrofit works.
- 6.11 During the delivery of 'Whole House retrofit' it can be anticipated that works additional to those previously identified will be found to be required and that this may entail additional cost that could prejudice the overall budget.
- 6.12 The Council's recent experience with PAS2030/ 2035 equips it well to understand the issues and risks attendant on retrofit works and to mitigate these to an acceptable level.

## **7.0 Community Impact**

### **Consultation**

- 7.1 As there is an existing reserve of LAD3 applications there is no requirement to advertise this award or consult widely.
- 7.2 Council housing residents are already engaged with SHDF programme and the communication strategy is in place. Work on void property requires no specific consultation with residents.

### **Equality and Diversity Impact**

7.3 There are no implications for equality and diversity.

### **Social Value Impact**

7.4 This award will allow the council to install energy efficiency measures at homes that could not be completed under the LAD3 scheme due to budget and delivery constraints.

7.5 The award will allow the council to undertake 'whole house' retrofit works on a small number of its void properties that would otherwise not be carried out for budgetary reasons.

7.6 The award may be used to support 'whole house' retrofit on privately owned property that Environmental Services may have considered un-viable using existing funding sources.

7.7 Improved health, comfort and financial wellbeing of our stakeholders.

### **Environmental Sustainability**

7.8 The initiative is concerned with delivering energy efficiency and low carbon heating solutions that are intended to reduce carbon emissions and therefore is aligned with the Council's stated policy to achieve net zero by 2030.

7.9 There are no adverse impacts on environmental sustainability.

## **8.0 Conclusions**

8.1 This funding is offered with few conditions.

8.2 The funding requires no Council co-funding commitment.

8.3 The programme can be delivered by existing Council officers and no additional resource.

8.4 The funds can be utilised to improve the council's own social housing stock and so reducing pressure on the planned maintenance budget.

8.5 The funding can be used to fill the gap created between applications for LAD3 improvements, the funding available and the lack of a follow-on LAD4 scheme.

## **9.0 Background Papers**

Appendix A – Memorandum of Understanding