

Cheltenham Borough Council
Cabinet
12th October 2021
Social Housing Decarbonisation Fund Wave 1:
Agreement to submit a grant bid

Accountable member	<p>Councillor Mike Collins – Cabinet Member for Housing</p> <p>Councillor Max Wilkinson – Cabinet Member Climate Emergency</p>
Accountable officer	Martin Stacy, Lead Commissioner – Housing Services
Ward(s) affected	Any
Key/Significant Decision	Yes
Executive summary	<p>Cheltenham Borough Council (CBC) has set a challenging target for Cheltenham to be net carbon zero by 2030. As a result, Cheltenham Borough Homes (CBH) is developing a CBH Climate Action Plan to assist in achieving CBC's targets. This will include plans for CBC's existing social housing portfolio, taking account of associated Housing Revenue Account (HRA) budgetary requirements.</p> <p>Under the Government's £3.8bn Decarbonisation fund, the Department for Business, Energy and Industrial Strategy (BEIS) released a competition for £160m grant funding through the Social Housing Decarbonisation Fund (SHDF) Wave 1. The grant funding intensity is to up to two thirds (2/3) of project costs.</p> <p>The grant funding is aimed at 'fabric first measures', such as improved insulation to reduce the energy demand of homes with eligible homes being currently SAP D, E, F or G, with measures to improve the home to at least SAP C. Whilst other measures may be considered, they must not result in increased energy costs for the resident.</p> <p>A number of Gloucestershire local authorities and Registered (social housing) Providers propose to submit a consortium bid under the SHDF Wave 1, for which CBC wish to be a partner organisation. Stroud District Council will be the lead local authority for the bid; and an expression of interest was submitted to BEIS on 10th September by Stroud District Council listing the following parties to the consortium:</p> <ul style="list-style-type: none"> • CBC (and CBH, as managing agents) • Stroud District Council • Two Rivers Housing • Gloucester City Homes – who have requested to be added after the expression of interest was submitted

It is intended that the bid includes 'fabric first' works to around 50-60 CBC homes at a total budget cost in the region of £1.26m. The measures proposed include:

- Upgrading loft insulation to 400mm;
- Installation of external wall or cavity insulation;
- Improved glazing;
- Ventilation; and
- Ground source heat pump installation

The anticipated grant level is estimated to be up to around 780k, with CBC funding up to around £480k through the HRA.

Please note that as a number of acronyms are used throughout this report, a glossary of these key terms are provided at Appendix 2.

Recommendations

That Cabinet

- 1. Agrees to inclusion of CBC in the consortium bid to be submitted by Stroud District Council for grant funding under the SHDF Wave 1;**
- 2. Delegates authority to Lead Commissioner – Housing Services, in consultation with Cabinet Members for Housing and for Climate Emergency, to accept the said grant funding offer, if the bid is successful, and to enter into any agreements or documentation as necessary;**
- 3. Delegates authority to Lead Commissioner – Housing Services to enter into a partnership agreement with Stroud District Council, if the bid is successful.**

Financial implications	<p>The anticipated grant level is estimated to be up to around £780k, with CBC funding the difference (up to around £480k) through the HRA. There is currently £200k of funding from the 2021/22 HRA capital budget programme specifically allocated to support carbon reduction measures. The remaining sum (currently estimated to be around £280k) is currently unallocated and will need to be included either by viring budget from elsewhere in the 2021/22 HRA Capital budget or included as part of the HRA capital budget programme for 2022/23. The HRA Capital programme budget will require approval by Council, ahead of the new financial year. It is anticipated this will be done as part of the Council's approval of the HRA budgets for 2022/23.</p> <p>The anticipated grant level is the total value of the maximum grant per property and if the number of properties included is reduced, the grant available will also reduce. Cost estimates are based on current prices and could increase due to current market pressures associated with Brexit, Covid-19 etc. If costs do increase then the level of funding required from the HRA may need to increase to cover the price rises.</p> <p>Contact officer: Gemma Bell</p> <p>Gemma.bell@cheltenham.gov.uk 01242 264124</p>
Legal implications	<p>The Lead authority for this project is Stroud District Council. If successful, Stroud District Council will be required to enter a Memorandum of Understanding with BEIS and will be paid by the government upon provision of required documentation, with payments subject to Subsidy Controls (previously known as State Aid). Stroud District Council will be responsible for distributing to the partners the relevant grant allocation. CBC will be required to enter into a Partnership Agreement with Stroud District Council which will set out the roles and responsibilities of the respective parties to the agreement.</p> <p>Contact: One Legal</p> <p>Legal.services@onelegal.org.uk 01684 272691</p>
HR implications (including learning and organisational development)	<p>None as a direct consequence of this report.</p>
Key risks	<p>Please refer to the Risk Register at Appendix 1 of this report.</p>
Corporate and community plan Implications	<p>This initiative will support one of CBC's key priorities within our corporate plan, which is to achieve a cleaner and greener sustainable environment, as well as improved health outcomes as a result of better insulated homes.</p>
Environmental and climate change implications	<p>It is intended that this project will improve the energy efficiency of our council homes and will assist in reducing carbon emissions from these properties, supporting the target for Cheltenham to be carbon neutral by 2030.</p>

Property/Asset Implications	As detailed at sections 1.5 to 1.8 of this report. Contact officer: gemma.bell@cheltenham.gov.uk
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1. Background

- 1.1 CBC has set a challenging target for Cheltenham to be net carbon zero by 2030. As a result, CBH are developing a Climate Action Plan (for the managed CBC homes, CBH business and CBH owned homes) to assist CBC in achieving its net carbon zero target. This will include plans for the existing social housing portfolio, taking account of associated HRA budgetary requirements. Around 4,500 homes will need to be improved over the next 9 years to meet the net zero carbon target.
- 1.2 The SHDF Wave 1 is a £160 million grant programme under the government's £3.8bn funding commitment to support social landlords to tackle climate change. This funding follows on from last year's SHDF Demonstrator Funding initiative (which CBC was successful in securing grant funding to undertake 'deep retrofit' works to two of our homes, following a consortium bid with Stroud DC and Two Rivers Housing).
- 1.3 The minimum bid requirement for Wave 1 is £1m and a consortium bid is again proposed. To this end, we have been working with Stroud District Council who would again act as the Lead Authority. In addition to CBC/CBH, Two Rivers Housing and Gloucester City Homes have expressed an interest in being part of the consortium bid. Stroud District Council registered an expression of interest on behalf of the consortium on 10th September.
- 1.4 The closing date for bids is 15th October 2021. This is very tight given the amount of work required to identify properties, eligible measures and costs, and to prepare the bid submission. If successful, the works must be delivered by January 2023.
- 1.5 This round of grant funding expects bidders to focus on the following:
 - 1.5.1 Delivering at 'lowest regret' (i.e. minimising the potential for measures to have to be replaced at a later date due to poor installation or improved technologies becoming available);
 - 1.5.2 Tackling the worst performing homes; and
 - 1.5.3 Taking a 'fabric first' approach (i.e. heat loss prevention measures), focussing on measures of low complexity and delivering high volumes.
- 1.6 Essentially, the criteria for the bid are that homes must be poor performing (SAP D, E, F & G) and that measures proposed should improve the energy performance of homes to at least SAP C with a heat demand no greater than 90kWh/m². If any low carbon heating is included, then this (without other measures) must not result in an increase in the energy costs for the resident.
- 1.7 All works must be undertaken to PAS2035, being the mandatory standard specification for energy retrofit of domestic buildings receiving public funding.
- 1.8 There is no income related eligibility for social housing tenants, and works to leasehold properties can be included where this is required as 'infill', for instance to provide complete external wall insulation to a block. This eligibility for leaseholders is means-tested, with 100% of costs grant funded for leaseholders with an annual income of less than £30,000. Leaseholders with an income above this will be required to contribute 1/3 of costs, up to a maximum of £3,300. Any difference will have to be made up by the HRA, however this will assist in CBC achieving the wider goal of Cheltenham becoming carbon neutral. It is anticipated that some leasehold properties will be included within this programme. Any proposed works that include leaseholders will be subject to the usual consultation requirements.
- 1.9 In order to identify homes to be included within the bid, it is necessary to first identify those with a SAP D, E, F or G that can be improved to at least a SAP C through the eligible measures. Modelling this scenario has identified 50-60 homes (allowing for an element of refusal) that meet the eligibility requirements for measures including loft, cavity and external wall insulation. In

addition, it is anticipated that the bid will include measures for a ground source heat pump installation, which will be installed as a pilot to better understand this form of low carbon heating. Alongside improvements to insulation and to meet PAS 2035 requirements, it is important to improve ventilation to combat issues related to condensation. Proposals will therefore also include measures for improved ventilation.

- 1.10 Development of the bid proposal involves a detailed assessment of the eligible measures, homes and level of improvement that can be achieved. Further analysis will be required and it is possible that the ultimate number of homes could reduce slightly.
- 1.11 The bid will include provision for administration and ancillary costs, these being legitimate cost elements. If successful, this funding will therefore support the increased resource that will be required to deliver the programme.

2. Reasons for recommendations

- 2.1 CBH is currently developing a Climate Action Plan to align itself with the target set by CBC for Cheltenham to be carbon neutral by 2030. This will require significant investment through the HRA in the existing housing portfolio. This project will enable improvements to be made to a significant number of homes, making them more energy efficient, reducing carbon emissions and reducing running costs for residents.
- 2.2 Furthermore, the HRA capital budget for 2021/22 and proposals for 2022/3 will include provision for improving the energy efficiency of homes. This grant funding will therefore support this work and reduce the financial costs to the HRA.

3. Alternative options considered

- 3.1 Not submit a bid for grant funding. This would deny CBC the opportunity of reducing the financial costs on the HRA for improving homes in line with the target for Cheltenham to become carbon neutral.

4. How this initiative contributes to the corporate plan

- 4.1 This initiative supports one of our key priorities within our corporate plan, which is to achieve a cleaner and greener sustainable environment. CBC has also set a challenging target for Cheltenham to be net carbon zero by 2030.

5. Consultation and feedback

- 5.1 This initiative is supported by key officers within CBC and CBH.

6. Performance Management – monitoring and review

- 6.1 If successful, Stroud District Council, as the lead authority, will provide regular progress updates to BEIS for the grant funding to be paid.
- 6.2 Regular updates on programme delivery will also be provided to CBC's Lead Commissioner – Housing Services as part of the CBC-CBH quarterly senior officer liaison meetings.

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Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Glossary of Terms

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If there is a breach in the State aid restrictions, then either the grant funding will not be made to the council, or if payments have already been made, then the council will be required to return the grant funding (with interest).	Martin Stacy	13.9.21	2	3	6	Reduce	An assessment of implications of State Aide Restrictions will be made. CBH will seek approval from Council to include a contingency in the HRA budget, in the event that grant funding is claimed back/subsequently withheld.		Vicky Day	
2	If CBH are unable to procure the works and deliver them by the deadline of January 2023, then the grant funding may be withdrawn	Vicky Day	13.9.21	2	3	6	Reduce	A project plan will be produced and will be monitored closely to ensure actions to mitigate delays are taken in a timely way. Procurement options will be an early consideration		Vicky Day	
3	If there is no budget (over and above the grant funding) to deliver the pilot, then the initiative will not proceed, and any grant funding received will have to be returned with interest.	Paul Jones	13.9.21	2	6	12	Reduce	Budget approval exists for £200k of required funding and the 2021/22 budget proposals included for funding in 2022/23 we will seek approval from Council via next HRA budget round for	February 2022	Vicky Day	

								2022/23			
								Due to timescale to mobilise works it is likely that the majority of costs will be incurred in 2022/23 and therefore a rollover of budget from 2021/22 will be required.			
4.	If the number of homes or measures varies to those included in the grant bid, once detailed analysis has been undertaken, the amount of grant funding and HRA match funding will vary.	Vicky Day	17.9.21	2	4	8	Reduce	Detailed budget management and reporting will be a feature of the project, the programme will be managed to ensure that costs do not exceed the initial bid process without approval	Dec 2022	Vicky Day	
5.	If the number of parties to the consortium reduces then a grant bid could become ineligible.	Vicky Day	13.9.21	2	2	4	Reduce	Discussions with other parties are ongoing and it is considered unlikely that any drop out will impact on the ability to submit a bid, unless Stroud District Council were to pull out, though this is very unlikely	October 2021	Vicky Day	
6.	If leaseholders affected by proposed improvements refuse to allow works to progress then this could delay delivery beyond the grant deadline for the grant.	Vicky Day	17.9.21	4	2	8	Reduce	Early engagement with leaseholders to reduce risk of delays. Leaseholders will benefit from either 100% grant funding or if required to contribute then costs would be capped at £3,300, the	Jan 2023	Vicky Day	

								benefits from reduced energy costs and increased asset value would outweigh this so it is considered very unlikely that refusal would be an issue.			
7	If costs increase then the additional costs will be borne by the HRA	Vicky Day	24.9.21	3	3	9	Reduce	Where possible existing contractual arrangements will be utilised which reduces the risk of material or labour price increases.	Jan 2023	Vicky Day	