

Cheltenham Borough Council

Cabinet – 08 April 2025

Warm Homes: Social Housing Fund Grant Bid

Accountable members:

Cabinet Member for Housing - Councillor Flo Clucas

Cabinet Member Climate Emergency - Councillor Iain Dobie

Accountable officer:

Paul Leo, Interim Housing Transformation Director

Ward(s) affected:

All with council owned housing stock

Key Decision: Yes

Executive summary:

The Government announced £1.29bn of funding for the Warm Homes: Social Housing Fund Wave 3 (WH:SH Wave 3) 2025-2028 in the November 2024 Autumn Budget. The fund was oversubscribed by over £1bn with applications from social landlords. Cheltenham Borough Council made a bid of £5.288 million and have been offered £3.688 million.

Recommendation: That Cabinet:

1. **Accepts the £3.688 million grant offered by Department for Energy Security and Net Zero (DESNZ) under Warm Homes: Social Housing Fund Wave 3.**
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Implications

1.1 Financial, Property and Asset implications

The total capital costs for WH:SH Wave 3 are estimated to be £7.04m for improving 425 homes from April 2025 to September 2028. Grant funding is expected to cover £3.688m of this cost with the HRA funding the balance of the spend. The £7.04m total capital costs includes an allowance for inflation. The average cost per property has reduced from Wave 2 due to a lower proportion of external wall insulation works and higher proportion of more straightforward and lower cost loft insulation works.

Based on current estimates there is therefore sufficient budget in the 4-year capital programme, already approved, to cover the Wave 3 bid set out in this officer decision report.

Signed off by: Paul Jones, Deputy Chief executive (Section 151 Officer)

paul.jones@cheltenham.gov.uk

1.2 Legal implications

The lead authority for this project is Stroud District Council. Stroud District Council will be required to sign a Grant Offer Letter, Grant Funding Agreement and Data Sharing Agreement with DESNZ, a mirrored agreement will be signed between Stroud and the consortium partners (as previously under both SHDF Wave 1 and Wave 2.1) and will be paid by the Government upon provision of required documentation. 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 and the other consortium members which will set out the roles and responsibilities of the respective parties to the agreement.

The Council's Contract Rules will have to be complied with when appointing contractors to deliver the works the subject of the bid.

Signed off by: Claire Hughes, Director of Governance, Housing and Communities.

Claire.huges@cheltenham.gov.uk

1.3 Environmental and climate change implications

Fabric improvement of the HRA housing stock reduces heat demand and hence energy demand, thus reducing GHG emissions and supporting CBC's net zero aspiration. Installation of low carbon heating technologies would further support this. Additionally, improving the fabric of a dwelling can reduce the likelihood of

overheating during heat wave periods, supporting climate change adaptation

ambitions set out by CBC. Utilising available grant funding maximises the improvements that can be funded through the HRA.

Signed off by: Frances Crick, Climate, Flooding and Decarbonisation Manager,
frances.crick@cheltenham.gov.uk

1.4 Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Working with residents, communities and businesses to help make Cheltenham #netzero by 2030
- Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity
- Being a more modern, efficient and financially sustainable council

1.5 Equality, Diversity and Inclusion Implications

None as a direct consequence of this report.

1.6 Performance management – monitoring and review

Stroud District Council, as the lead authority, will provide regular progress updates to DESNZ for the grant funding to be paid, CBC will be required to provide information to support these updates and progress against the programme will be reported to the CBC Housing Committee.

2 Background

- 2.1 The Government has set a target for all social rented properties to achieve Energy Performance Rating Certificate (EPC) rating C by 2030. Cheltenham Borough Council (CBC) has set a target for Cheltenham to be net carbon zero by 2030. A Climate Action Plan which includes decarbonisation of CBC's existing social housing portfolio, will assist in achieving this ambition.
- 2.2 Under the Government's £3.8bn Decarbonisation fund, CBC was previously successful in securing grant funding under the Social Housing Decarbonisation Fund (SHDF) Demonstrator Project, Wave 1 and Wave 2.1 bid rounds, through consortium bids with other Gloucestershire local authorities and registered social landlords.

- 2.3 A further round of grant funding was announced last year by the Department for Energy Security and Net Zero (DESNZ), now rebranded as Warm Homes:

Social Housing Fund: Wave 3 (WH:SHF Wave 3). The local consortium made a further bid for a share of the £1.29bn grant funding available.

- 2.4 The grant funding is based on 50% funding per property, with a cost cap of £7,500 per home and can be averaged across all homes in the bid. There is an additional £7,500 per home to install low carbon heating for off-gas homes, whilst up to 10% of homes with a gas supply within the bid can access £20,000 to install low carbon heating.
- 2.5 DESNZ stated that all bids meeting the minimum requirements would be awarded funding, although if oversubscribed the funding would be reduced.
- 2.6 The programme aims to raise the energy performance of as many social homes as possible below EPC C, up to that level. All work undertaken must be compliant with the British Standards Institution's framework of technical standards for retrofit (as detailed in PAS 2035:2019 Retrofitting Dwellings for Improved Energy Efficiency - Specification and Guidance). Adherence to the PAS 2035 standard may necessitate other measures such as improved ventilation systems as well as additional testing (air tightness testing) and monitoring (internal air quality).
- 2.7 The bid included for 'fabric first' works and low carbon heating to around 600 CBC homes with grant funding of £5.228 million and a total budget cost of £9.568 million. However, funding has been reduced to approx. 70% of that bid for so the revised programme will include approx. 425 properties with grant funding of £3.688 million and a total budget cost of approx. £7.04 million (including administration & ancillary costs), hence an HRA (Housing Revenue Account) funding requirement of approx. £3.35 million.
- 2.8 The HRA has over £2 million allocated each year towards decarbonisation of the housing stock, so will be able to meet this match funding requirement. All works under WH:SHF Wave 3 will need to be undertaken in strict accordance with PAS 2035, necessitating each home to be fully assessed to determine most appropriate measures, for these to be designed to ensure they are effective and do not create later problems and for the process to be overseen and signed off by a Retrofit Co-ordinator.
- 2.9 The delivery period for this wave would be from 2025 to September 2028, with grant funding to be spent by 31 March 2028.
- 2.10 As with previous bidding rounds for Decarbonisation Grants, CBC submitted a

bid for grant funding as part of a wider consortium, comprising:

- CBC
- Stroud District Council (as the lead authority)
- Two Rivers Housing
- Gloucester City Homes

2.11 CBC has good experience of working with these other housing providers as part of a consortium and of working within the required consortium agreement with DESNZ.

2.12 The energy efficiency measures to be installed include:

- Upgrading loft insulation to 400mm
- Installation of wall insulation mainly external wall insulation (EWI), cavity wall insulation (CWI) and some internal wall insulation (IWI)
- Other minor fabric improvements such as sloping ceiling and room-in-roof insulation, and measures which improve energy ratings within the modelling tool for EPCs (Energy Performance Certificates)
- Installation of low carbon heating, such as heat pumps
- Solar PV
- Mechanical ventilation improvements
- Facilitating works

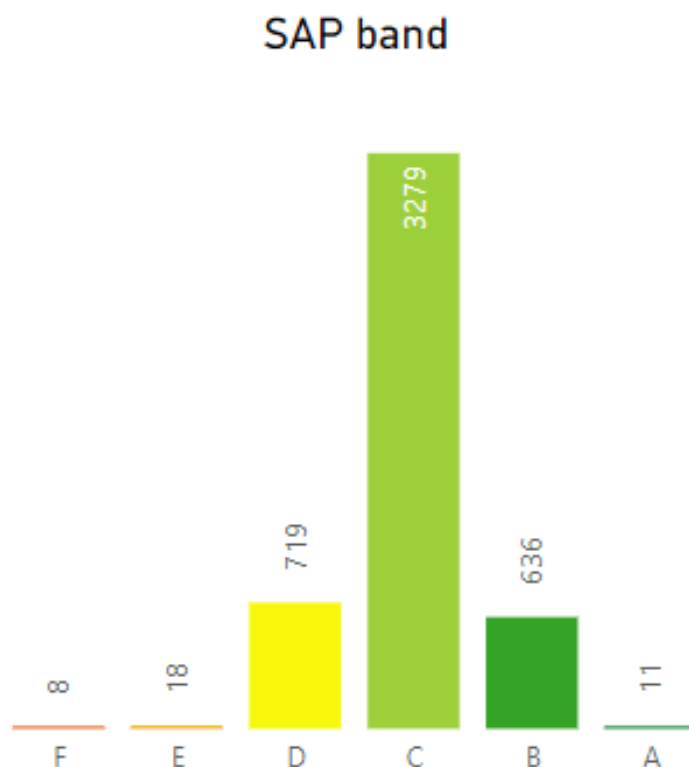
2.13 Works should commence (with retrofit assessments, design and planning work) from April 2025, once agreements are signed, with on-site installations of energy efficiency measures commencing around September 2025. All works will need to be complete by 30th September 2028 with all grant claimed by 31st March 2025.

2.14 CBC has set a target for Cheltenham to be net carbon zero by 2030. As a result, a Climate Action Plan is being delivered to assist in achieving this net carbon zero ambition. This includes plans for our existing social housing portfolio, taking account of associated HRA budgetary requirements. Around 4,500 homes would need to be improved over the next 5 years to meet the net zero carbon target.

2.15 The current Climate Action Plan aims to improve poorer performing homes to at least an EPC C by 2030.

2.16 The chart below indicates the current profile of the energy performance of the stock based on EPCs, it should be noted that around 100 of the EPC D and below properties are included in the current Wave 2.1 programme, awaiting improvement works and that these are being improved to EPC C in the next year. The current average EPC rating is 73.94 (mid EPC C).

Chart 1



Energy performance certificates (EPCs) consider how much energy properties use per square metre (e.g. for heating, light and so on), how much energy they lose (e.g. through poor insulation) and what costs are incurred through the energy used. EPCs rate a home from G (inefficient, high cost) to A (very efficient, low cost). EPC ratings are calculated using the Standard Assessment Procedure (SAP) calculation process to obtain a score from which the EPC rating/banding (A, B, C etc.) is then determined. A higher SAP score = a better EPC rating.

2.17 The objectives of Wave 3 are:

- Reduce the number of households in fuel poverty
- Deliver cost effective carbon savings to progress towards the Governments 2050 Net Zero target
- Improve resident health through warmer, more energy efficient homes
- Support economic resilience and green recovery
- Develop the retrofit sector, with growth in retrofit supply chain capability, boosting productivity and innovation.

2.18 All works will need to be undertaken in strict accordance with PAS 2035, necessitating each home to be fully assessed to determine most appropriate measures, for these to be designed to ensure they are effective and do not create later problems and for the process to be overseen and signed off by a Retrofit Co-ordinator.

- 2.19 It is expected that the spend profile over the grant period will be approximately 1/3 in each year, with some funding (from the HRA) in the final year
- 2.20 Approx 600 homes were included in the initial bid to DESNZ but the reduced level of funding (approx. 70% of that requested) available means that approx. 425 properties can be included in this project.
- 2.21 The cost of delivering works to these approx. 425 homes, together with ancillary and facilitating works and consultancy services is estimated to be approx. £7.04 million (capital and A&A costs). The grant available is £3.688 million and the HRA contribution will therefore be just approx. £3.35 million, against an existing provision of over £6m.
- 2.22 The grant will be released in phases subject to more detailed assessment of the homes and eligible measures.

3 Reasons for recommendations

- 3.1 CBC are committed to improving homes in support of the 2030 net carbon zero target, as well as reducing the burden of fuel poverty for its residents. This investment in our housing stock will come at a significant cost to the HRA. It is therefore important that CBC makes best use of grant funding opportunities as and when these become available.

4 Alternative options considered

- 4.1 Not to accept this grant funding. It is recommended this option is rejected on the basis that it would deny CBC the opportunity to secure funding to improve the energy efficiency of our council homes and with the likelihood that it will become mandatory for all homes to meet a minimum energy performance of EPC C, in the absence of grant assistance would burden the HRA with all costs associated with the necessary improvements.

5 Consultation and feedback

- 5.1 The bid proposals were previously discussed with Cabinet members for Housing and Climate Emergency who are in support of the bid, along with the wider Cabinet.
- 5.2 Work is ongoing the other consortium members, and discussions have been supported by RISE/Turner and Townsend the third-party consultants appointed by DESNZ to develop an achievable and feasible bid.

6 Key risks

- 6.1 If CBC are unable to procure the works and deliver them by the deadline of September 2028, then some or all of the grant funding may be withdrawn. We

will seek to reduce this risk by ensuring a detailed project plan is in place, paying particular attention to procurement timetables.

- 6.2 To deliver Wave 2.1 extensive procurement has been undertaken, with contracts in place for fabric measures as well as the necessary consultancy services, these would be utilised to ensure procurement delays do not jeopardise the initial phase of Wave 3. Some later procurement will still be required for some parts of the retrofit process, especially coordination and design services.
- 6.3 If costs increase due to inflationary pressures, then a greater financial burden will be borne on the HRA. We will aim to mitigate against this risk by exploring joint procurement opportunities with other consortium members in order to generate better economies of scale.
- 6.4 Please refer to Appendix 1 for a full assessment of risks.
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Report author:

Paul Leo, Interim Housing Transformation Director.

Appendices:

1. Risk Assessment
2. Equality Impact Assessment

Glossary of Acronyms

WH:SH Wave 3:	Warm Homes: Social Housing Fund Wave 3
DESNEZ:	Department for Energy Security and Net Zero
EPC:	Energy Performance Rating Certificate
SAP:	Standard Assessment Procedure for calculating energy
efficiency	
PAS 2035:	Public Available Specification for energy efficiency retrofit works
GHG:	Greenhouse Gas

Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
1	If there is no budget (over and above the grant funding) then the initiative will not proceed, and any grant funding received will have to be returned with interest.	Claire Hughes	2	3	6	Reduce	Budget proposals under the Carbon Reduction Plan allow for £2m funding/year for sustainability actions. This will be reviewed and updated annually and we will seek approval from Council via forthcoming HRA budget rounds.	Gemma Bell	Annually
2	If CBH are unable to procure (limited procurement required) for the works and deliver them by the deadline of September 2028, then the grant funding may be withdrawn (more likely to be in part than in full).	Paul Leo	4	2	8	Reduce	A phased project plan is being produced as part of the DESNZ requirements and will be monitored closely to ensure actions to mitigate delays are taken in a timely way. Procurement options are being reviewed as an early consideration	David Thomas	Phase 1 plan by Aug/Sept 2025
3	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.	Paul Leo	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	David Thomas	Late 2027
4	If costs increase then the additional costs will be borne by the HRA	Paul Leo	3	4	12	Reduce	Most costs are known from existing contracts. Measures installed could be reduced to minimise cost increases	David Thomas	Late 2027

Appendix 2: Equality Impact Assessment (Screening)

1. Identify the policy, project, function or service change

a. Person responsible for this Equality Impact Assessment

Officer responsible: Paul Leo	Service Area: Housing
Title: Interim Housing Transformation Director	Date of assessment: 20/03/25
Signature: P.Leo	

b. Is this a policy, function, strategy, service change or project?

Project

If other, please specify:

c. Name of the policy, function, strategy, service change or project

Acceptance of grant funding through Warm Homes: Social Housing Wave 3

Is this new or existing?

New or proposed

Please specify reason for change or development of policy, function, strategy, service change or project

d. What are the aims, objectives and intended outcomes and who is likely to benefit from it?

Aims: To improve some of the poorer performing (in term of energy use) Council properties (housing) via 'fabric first' works and low carbon heating

Objectives: To obtain grant funding to support retrofit works to improve homes with energy rating of EPC D or below to at least EPC C

Outcomes: Improved homes, reduced fuel poverty, move towards Net Carbon Zero

Benefits:	Lower bills for tenants and reduced energy use and hence carbon emissions

e. What are the expected impacts?	
Are there any aspects, including how it is delivered or accessed, that could have an impact on the lives of people, including employees and customers.	Yes
Do you expect the impacts to be positive or negative?	Positive
Please provide an explanation for your answer:	
As previously noted, the works will improve the homes of social housing tenants in terms of energy use and will hence help to reduce bills	

If your answer to question e identified potential positive or negative impacts, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

f. Identify next steps as appropriate	
Stage Two required	No
Owner of Stage Two assessment	
Completion date for Stage Two assessment	

Please move on to Stage 2 if required ([intranet link](#)).