

**North Yorkshire Council**  
**Assistant Director Resources ( under subdelegated powers from the Chief Finance Officer ) in consultation with Executive Members: Cllr Myers and Cllr White and Cllr Dadd**

**09.01.24**

**Request to bid for Social Housing Decarbonisation Fund Wave 2.2**

**Report of the Corporate Director Community Development**

**1.0 Purpose of Report**

- 1.1 To explain the Social Housing Decarbonisation Fund (SHDF) application process.
- 1.2 To indicate the proposed bid.
- 1.3 To request approval from the Assistant Director Resources following consultation with the Executive Member for Finance and the Executive Member for Culture, Arts and Housing and the Executive Member for Managing our Environment to authorise the submission of an application for grant funding of up to £3million.

**2.0 Background**

- 2.1 Government has provided competitive funding to improve the energy performance of social rented homes, on the pathway to Net Zero 2050. The SHDF aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs. Wave 2.2 has built on previous rounds, by awarding up to £80m of additional funding for social housing retrofit. The Department for Energy Security and Net Zero (DESNZ) is now inviting social housing landlords to apply for funding to be used to improve the energy performance of social housing. A fabric first approach (of insulation and heat loss prevention measures) to works is required and installation of low carbon heating is subsequently included also.
- 2.2 North Yorkshire Council has circa 8300 social homes. These are located in the former District and Borough areas of Harrogate, Richmond and Selby. The Social Housing (Regulation) Bill sets an energy-efficiency target of all social housing properties attaining a minimum Energy Performance Certificate (EPC) C rating by 2030. As Landlord the Council has a duty to deliver this where practical, cost-effective and affordable.
- 2.3 An internal Housing Retrofit Board is in place to review and co-ordinate activities. This is chaired by the Corporate Director Community Development and considered the proposal to apply to SHDF on 20.10.23
- 2.4 Domestic housing is one of North Yorkshire's highest carbon emission sectors with an estimated 19% of the total. The York and North Yorkshire Routemap to Carbon Negative identifies improvements to home energy efficiency and low carbon heating as a priority to meet our ambitions to be a carbon negative region by 2040.
- 2.5 Improving home energy efficiency also has many 'co benefits' including improved health outcomes from warmer homes, reducing fuel poverty and supporting low income residents to switch to low carbon choices. Investment spend in this geographic area will provide economic boost to local supply chains as part of the transition to the low carbon economy.

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### 3.0 Report

3.1 The Social Housing Decarbonisation Fund Wave 2.2 funding programme was announced 20.11.23 with a bid submission date within a 5 working day window in mid January 2024. Successful applicants will be notified from late February 2024 and projects may start from March 2024. The delivery window for SHDF Wave 2.2 will run to 31st March 2026.

3.2 It is a competitive funding programme. Eligible proposals will be ranked based upon their total score. In general, applications with higher scores will qualify for funding ahead of those with lower scores, with funding provided to as many applications judged as suitable within the budget available.

3.3 DESNZ will require at least 50% of total eligible costs to be provided by the applicant.

3.4 The programme guidance indicates:

- i. A minimum of 100 eligible social housing properties at Energy Performance Certificate (EPC) band D-G per bid must be included.
- ii. All existing social housing (as defined by the Housing and Regeneration Act 2008) that is below EPC C, owned by eligible applicants, regardless of archetype, can be included.  
Some additional properties in private ownership or above the EPC threshold may be included where they enable effective works to social housing.
- iii. Properties must reach at least EPC B band C, or EPC band D (for current EPC F/G properties) upon completion of works. Key performance indicators will be used to monitor programme performance.
- iv. Improving properties to a space heating demand level of 90 kwh/m2/year where reasonable and cost effective is possible.
- v. Eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve the energy performance of homes, excluding heating systems which are solely fuelled by fossil fuels.

3.5 Due to the scale and size of the projects, applicants are expected to have Administration and Ancillary (A&A) costs associated with the delivery of the project of not more than 15% of total grant funding. A&A costs may include:

- Project management, reporting and governance costs,
- New pre-installation assessment and EPCs to verify eligibility of households to demonstrate starting EPC rating,
- Building works to prepare for installation – for example, removal of failed cavity wall insulation,
- PAS 2035:2023 retrofit assessor and coordinator costs (although this could also be considered as a capital cost),
- Search costs associated with resident recruitment and sign-up including communication activities
- After-care services to ensure households know how to use any new technology.

3.6 SHDF Wave 2.2 measures include low carbon heating. However, it must be demonstrated that:

- Energy bills will not increase as a net result of all retrofit works to the home, relative to what they would have otherwise been.

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- Post retrofit, homes must comply with SHDF performance outcomes.
  - A fabric first approach must be taken.
- 3.7 The importance of tenant engagement and securing tenant ‘buy-in’ is highlighted in Wave 2.2 as poor engagement has challenged successful delivery of previous rounds, leading to refusal of access or tenants withdrawing from the project at a later stage. Applicants are expected to outline how suitable support and information will be provided both during retrofit and occupancy so that tenants are able to maximise benefits from installations. Reasonable adjustments should be made to minimise negative impacts and inconvenience to tenants
- 3.8 In order to contribute to the ‘green jobs’ agenda applicants must also consider the role of small to medium sized enterprises in the supply chain and ensure that barriers to participation are minimised in their procurements.

#### **4.0 NYC proposed application**

- 4.1 The bid content is currently being prepared for submission through a cross Directorate officer ‘Task and Finish’ (T&F) group led by the Housing Service and including colleagues from Align Property Partners.
- 4.2 It is proposed to utilise an existing housing retrofit approved budget within the Housing Investment Programme (HIP) of £2.3million with additional approved spend of £0.7million from the approved HIP budget to provide up to £3million match funding. This would enable a bid for up to £3million to SHDF which would enable up to 150 properties to be included in the programme. These properties will be across the North Yorkshire social housing stock geographically.
- 4.3 Consideration was given to joining a consortium. However, neighbouring and local partner organisations have previously received SHDF funding are therefore not eligible and the Yorkshire and North East Net Zero Energy Hub are not creating a consortium for this wave as they have previously.

#### **4.4 Housing Retrofit in North Yorkshire**

This project supports a range of housing retrofit and energy efficiency projects undertaken by North Yorkshire Council and partners. These include

- Previous rounds of Sustainable Warmth Funding for private sector retrofit. (Now completed)
- Home Upgrade Grant Round 2 (HUG2) for private sector retrofit, currently being delivered in NY to March 2025.
- Local Energy Advice Demonstrator programme. This is a £1.2million programme to prove domestic energy efficiency advice in targeted North Yorkshire locations, to be launched by January 2024 to March 2025.
- Warm and Well programme supported by Public Health. This programme provides vulnerable households with energy efficiency advice.
- Housing stock analysis and archetypal dwelling retrofit study undertaken in 2022. (‘Hitting Hard’ study; a Community Renewal Funded study into ‘hard to heat’ stone homes and Victorian terraces)
- York and North Yorkshire Local Enterprise Partnership projects funded through the North Yorkshire Shared Prosperity Fund:
  - Housing Retrofit Supply Chain analysis and action plan to maximise local economic gain from retrofit investment (2023) and

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- Housing retrofit skills development to be rolled out 2024.

## **5.0 Consultation**

- 5.1 Internal consultation has taken place through the T&F group, which is a cross Directorate group to ensure officer engagement.

## **6.0 Contribution to Council priorities**

- 6.1 Council Plan: Place and Environment - Good quality, affordable and sustainable housing that meets the need of our communities and Organisation - A carbon neutral council
- 6.2 North Yorkshire Council Climate Change Strategy: Mitigation 7(a)(i) Retrofit commercial, community and residential properties and assets using a 'fabric first' approach.

## **7.0 Alternative options considered**

- 7.1 Not to bid: this was rejected as the SHDF supports investment in the Council's housing stock with associated co benefits of alleviating fuel poverty, improving public health and supporting low carbon economic transition.
- 7.2 To bid as part of a consortium: this was rejected as previous applicants cannot reapply.
- 7.3 To bid for more or less funding: This was rejected. Up to 150 properties is felt to be challenging whilst being realistic and also supported with existing budgetary commitment.

## **8.0 Financial Implications**

- 8.1 The application requires at least 50% of total eligible costs to be provided by the applicant in the form of match funding, of which a minimum of 25% of this match funding should be spent up to 31st March 2025. The match funding has been identified from the existing approved Housing Investment Programme as outlined in 4.2 above.
- 8.2 The delivery window for SHDF Wave 2.2 will run to 31st March 2026. All grant funding for SHDF Wave 2.2 projects will be transferred to the grant recipient and spent by 31st March 2025, meaning projects can use only co-funding in the final 12 months of delivery.
- 8.3 Payment timeline:
  - 8.3.1 Successful applicants will be required to sign and return a Grant Offer Letter (GOL), Grant Funding Agreement (GFA) and a Data Sharing Agreement (DSA) so DESNZ can issue grant payments under Section 98 of the Natural Environment and Rural Communities Act 2006 (NERC).
  - 8.3.2 Payments will be made on a regular basis (at least every four months and at most monthly), following receipt of a drawdown request for spend incurred from the applicant. It is possible for a one-off upfront payment of up to 10% of the project grant funding to be made once the GFA is signed.

8.5 Financial Services support to the Housing Service to make claims and to monitor spend will be required throughout the delivery of the programme. Financial Services are involved in the T&F group.

## 9.0 Legal Implications

9.1 If the bid is successful, acceptance of the funding may require NYC to enter into a formal grant agreement. Any legal agreement required to be signed, will be reviewed by legal services and if any of the terms and conditions present unacceptable risk for the Council then the grant offer would be declined.

## 10.0 Equalities Implications

10.1 An Equalities Impact Assessment screening has been undertaken and is in Appendix A. There are no specific equality implications to report. The SHDF programme will support residents on lower incomes and in energy inefficient housing to make the transition to the low carbon economy.

## 11.0 Climate Change Implications

11.1 The bid will support NYC Climate Change Strategy as outlined in 6.2. A climate change impact assessment has been completed and is in Appendix B.

## 12.0 Risk Management Implications

12.1 A project of this size and complexity does present risk for the Council. However, previous experience of delivery housing retrofit projects has highlighted areas which require mitigation. These include:

- i. **Information** – As the properties in this programme are social housing, the Council has access to much greater information than in the previous similar HUG2 application which dealt with private sector dwellings. Access to information about the housing stock is therefore considered low risk. However, EPCs must be reviewed and updated to ensure compliance with the programme and this can be included in the A&A costs. Over 200 properties already have recent EPCs.
- ii. **Procurement** – the timescale to procure a supplier to administer and deliver the programme in a crowded retrofit market. Procurement colleagues are involved in the T&F group to ensure efficient compliance with the Procurement Strategy.
- iii. **Capacity** – The delivery process is complex and social housing decarbonisation is a relatively new area of work for North Yorkshire Council. However social housing retrofit has been undertaken by the former District and Borough councils, the T&F group is able to pool knowledge and resources across a number of Directorates and officers are participating in the DESNZ Social Housing Retrofit Accelerator programme to provide pre application advice. 15% of the bid amount can be claimed to support A&A and this is likely to be split between the contract management (utilising the Council's property partner through a Teckal arrangement) and the retrofit supplier, which relieves some of the burden on the LA in terms of ensuring the programme is on track and making financial claims. Overall project management remains challenging for the Council within existing capacity and it is therefore proposed that a new post, funded from the administration funding, be created to support programme delivery and to deliver a comprehensive tenant engagement plan.

- iv. **Financial** – At least 50% match funding budget is required. Funding has been secured from the existing capital Housing Improvement Programme budget to provide this. Any cost overrun will be met by the housing revenue account.
- v. **Delivery timescale** – Retrofit of buildings is experiencing over-stretched supply chains with high demand and a growing but still limited skill base. Marketing the programme and comprehensive tenant engagement and planning works around empty properties to minimise tenant disruption will support delivery. The retrofit supply chain and training outlined in 4.4 above will also support delivery.
- vi. **Reputational** - During the cost of living crisis and unprecedented energy price rise and with a great emphasis on climate change, it is important that NYC is able to support residents, particularly those on lower incomes, to transition to the low carbon economy.

### **13.0 Conclusion**

- 13.1 Although the process of the SHDF application is both complex and challenging, Officers from across Directorates have progressed this work, recognising the significant impacts improved energy efficient and low carbon housing will have on ensuring a futureproofed social housing stock is delivered, which will have multiple co benefits for the Council's tenants.
- 13.2 Domestic housing retrofit is an area of growth for North Yorkshire Council as it delivers energy efficiency programmes for both the public and private sector housing. In addition, knowledge of the technology and market along with improved delivery techniques develops with every iteration of energy efficiency programmes and this process will continue over time.

### **14.0 Reason for the recommendations**

- 14.1 It is recommended that NYC submits a bid to the SHDF to support investment of the social housing stock. It will also contribute to delivery of multiple Council objectives in the Council Plan, Climate Change Strategy and emerging Housing Strategy. It will also have positive impact on the Economic Development Strategy and public health targets regarding fuel poverty.
- 14.2 At this stage, the complex application form is not yet completed. However, to ensure the bid is submitted by the required deadline window, it is recommended to delegate approval of the final bid to Corporate Directors.

### **15.0 Recommendation**

- 15.1 That the Assistant Director Resources ( under sub delegated powers from the Chief Finance Officer) following consultation with the Executive Member for Finance and the Executive Member for Culture, Arts and Housing and the Executive Member for Managing our Environment authorises the submission of an application for grant funding of up to £3million and that approval of the scope of the submission and the final bid document be delegated to the Head of Homes and Places

Appendices:

Appendix A: Equality Impact Assessment

Appendix B: Climate Change Impact Assessment

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21.12.23

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Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

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