



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**



Rural and Communities Overview and Scrutiny Committee

8 December 2022

Report of: Councillor Robert Reid
Cabinet Member for Housing and
Property

Energy Efficiency and Grant Funding Update Council Housing

Report Author

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Purpose of Report

This report seeks to update the Committee on the energy efficiency measures being delivered within the Council's housing stock with the support of grant funding that has been awarded to deliver these improvements. Also to inform the Committee of the recent submission to the Social Housing Decarbonisation Fund (SHDF) by the Council.

Recommendations

That the Committee:

1. That the Committee notes the final position with regard to the delivery through the Local Authority Delivery scheme (LAD2) grant funding within the Council's social housing properties.
2. The Committee notes the grant funding submission to the Social Housing Decarbonisation Fund (SHDF) to further support delivery of energy efficiency measures for the next two years.

Decision Information

Does the report contain any exempt or confidential information not for publication? No

What are the relevant corporate priorities? Housing that meets the needs of all residents

Which wards are impacted? All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 This report sets out the funding that has been achieved through external grant and how the grant has been used to improved energy efficiency in the Council's housing stock. Should the SHDF application be successful then Council will be required to accept the grant and amend the capital programme accordingly.

Completed by: Richard Wyles, Chief Finance Officer

Legal and Governance

- 1.2 The appropriate governance has been followed in advance of the application for this funding.

Completed by: Alan Robinson, Monitoring Officer

Climate Change

- 1.3 South Kesteven District Council have been effective in leveraging in available grant funding schemes for domestic energy efficiency. Both schemes are central to the council's wider work on climate change and carbon emissions within the district.
- 1.4 The delivery of outlined Local Authority Delivery scheme LAD2 funding will result in a tangible carbon reduction from the wider district, associated with the upgraded heating systems. There are additional benefits for tenants, including addressing issues of fuel poverty and affordability of heating.
- 1.5 The Social Housing Decarbonisation Funding (SHDF) represents a strong opportunity for the Council to receive co-funding to continue a programme of energy efficiency upgrades over two years. The SHDF scheme has the core objectives of

improving energy efficiency and reducing associated carbon emissions, alongside reducing fuel bills and fuel poverty, and providing a regional boost for green jobs.

Completed by: Serena Brown, Sustainability and Climate Change Officer

2. Background to the Report

2.1 The Committee will be aware of the current pressures affecting all residents of our community in relation to increased utility costs, leading to increased numbers of residents in fuel poverty. It is estimated that fuel poverty impacts over 3.19 million people in the UK and, is reported that this is on the rise. The Council has priorities within its Corporate Plan 2020-2023 to provide both:

- A Clean and Sustainable Environment
- Housing that Meets the Needs of all Residents

With these in mind it is important that the Council seeks to take the necessary actions in order to seek to address this issue.

2.2 The Council has been seeking to explore and secure grant funding opportunities to maximise the delivery of energy efficiency upgrades to our housing stock. We were successful in securing LAD2 funding which has provided match funding for improvements over the last two years.

2.3 LAD2 Funding

The LAD2 scheme aims to improve the energy efficiency of the heating systems within low income and low energy performance homes with a focus on Energy Performance Certificate (EPC) ratings of E, F or G.

2.4 The Council have delivered energy efficiency improvements to 164 properties through this programme which equates to 2.78% of our stock.

The improvements were delivered across two main heating types:

- Electric Storage Heaters (ESH) 78 installations.
- Air Source Heat Pump (ASHP) 86 installations.

The Council have enabled draw down on grant of £770,800, we are now in the process of claiming a further 9% of the project cost to cover administration and ancillaries which equates to £69,372, currently we are awaiting feedback from Midlands Net Zero Hub (MNZH).

2.5 The Council has worked in partnership with contractors to qualify the installations to satisfy the grant conditions. The delivery of this programme has been hampered by numerous factors most notably:

- Supply chain issues
- Contractor resources
- Qualification of installations
- Staffing, both contractor and Council resources

2.6 SHDF funding bid

Wave 2.1 of the Social Housing Decarbonisation Fund (SHDF), announced by the Department for Business, Energy and Industrial Strategy (BEIS), is a £800m fund designed to support local authorities and registered social housing providers to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs.

- 2.7 Core scheme criteria is to upgrade social housing with an Energy Performance Certificate (EPC) below a Band C, with adequate energy efficiency and where appropriate provide low-carbon heating upgrades.
- 2.8 Regarding the nature of upgrades that can be funded through SHDF, the core aims are to improve energy efficiency, reduce carbon emissions and reduce fuel bills for the tenant. A fabric-first approach (of insulation and heat-loss prevention measures) to works is expected for upgraded properties. Eligible upgrades can include energy efficiency measures such as external wall or cavity wall insulation and additional loft insulation. Low-carbon heat upgrades can be applied to some properties, with a focus on air source heat pumps as a primary measure.
- 2.9 Various cost caps are in place through the scheme, depending on a properties' starting EPC rating and characteristics. If successful, the Council are expected to co-fund the programme at a minimum match-funding level of 50%.
- 2.10 The expectation of SHDF for completed properties is that they will achieve an updated EPC rating of C, or the maximum uplift possible.
- 2.11 South Kesteven District Council has identified the opportunity to bid into SHDF to facilitate energy efficiency upgrades of Council properties, supporting the Corporate Plan objective under Housing that Meets the Needs of all Residents to provide high quality homes and services to those who rent property from the Council.
- 2.12 Through work and consultation with key stakeholders, a portfolio of properties has been proposed for energy efficiency upgrades through the SHDF scheme. These include a number of properties with an EPC rating of E, F, or G and no connection to the gas main for heating, as well as a select number of properties with an EPC of D.
- 2.13 SK Housing stock property EPC data:

Starting EPC of property	Count
D	133
E	146
F	42
G	12
Total	333

- 2.14 A programme of energy efficiency and low-carbon heating upgrades has been prepared for the above properties, considering property archetype, heating system and relevant cost caps for the SHDF scheme.

The Council has prepared a bid to upgrade the properties:

Total Administrative and Ancillary cost	£972,788.63
Total Capital cost	£6,293,208.46
Total	£7,265,997.09

- 2.15 It is expected through SHDF for applicants to put forward a minimum co-funding of 50%, matching the grant funding received. Due to maximising the cost caps on some expected energy efficiency upgrades, it is estimated that the Council will therefore contribute the below total funding. This is equivalent to 53% of the overall total cost of the project.

- 2.16 This budget contribution will be sourced from the proposed Housing Revenue Account Capital Budgets in 2023/24 and 2024/25.

Social Housing Decarbonisation Fund Grant request	£3,418,480.27
South Kesteven District Council co-funding allocation	£3,847,516.82

- 2.17 The Council have been working with a contractor on the early stages of the project, allowing for expert advice on what energy efficiency upgrades can be expected and to develop firm costs for the scheme. If the bid to the SHDF proves to be successful, the Council has identified a compliant procurement route for the project in order to progress within the expected timescales.

- 2.18 The Department for Business, Energy, and Industrial Strategy (BEIS) have advised of the below key dates for applications to Wave 2.1 of the Social Housing Decarbonisation Fund:

- 18th November 2022 – Final date for SHDF applications from local authorities
- December 2022 – Bid assessment ends
- Late February/early March 2023 – Successful projects notified
- March 2023 – Grant funding agreements signed, and enablement funding released
- April 2023- March 2025 – Project delivery

- 2.19 The Council will provide updates on the status of the application throughout the process to key stakeholders. A list of the properties that have been included within the bid submission can be found in, Appendix 1 (Exempt) – SHDF property list.

3. Key Considerations

- 3.1 If successful the SHDF will enable valuable works to be undertaken to our housing stock which shall maximise the properties energy efficiency.

4. Reasons for the Recommendations

- 4.1 Committee to note the final position with regard to the LAD2 funded activity delivered.
- 4.2 THE SHDF scheme provides a tremendous opportunity to bring in grant funding to enhance the energy efficiency of our stock, aiding us to deliver the Corporate Plan objective under Housing that Meets the Needs of all Residents to provide high quality homes and services to those who rent property from the Council.

5. Appendices

- 5.1 Appendix 1 - Exempt – SHDF property list