

# STROUD DISTRICT COUNCIL

## HOUSING COMMITTEE

TUESDAY, 28 MARCH 2023

<b>Report Title</b>	<b>Social Housing Decarbonisation Fund</b>			
<b>Purpose of Report</b>	To present members with an update on the Social Housing Decarbonisation fund available to the HRA.			
<b>Decision(s)</b>	<b>The Committee RESOLVES to note the contents of the paper.</b>			
<b>Consultation and Feedback</b>	Consultation consisted of:- <ul style="list-style-type: none"><li>• Briefings with the Chair and Vice-Chair of Housing Committee</li><li>• Briefings with members of SLT</li><li>• Briefing with Alliance Leadership Team</li><li>• Discussion with the Retrofit T&amp;F Group</li><li>• Discussions with Finance</li><li>• Discussions with the Strategic Head of Housing</li></ul>			
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<b>Options</b>	None			
<b>Background Papers</b>	None			
<b>Appendices</b>	None			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	Yes	Yes	No	Yes

### 1. Introduction / Background

- 1.1 The Tenant Services Energy Strategy was adopted by Housing Committee in March 2017. The Strategy sets out its key aims, which are to:
  - Relieve fuel poverty.
  - Maximise carbon reduction in line with the Council's existing and future agreed targets.
- 1.2 Housing Committee adopted option 2 of the Options Appraisal – Decarbonisation and energy efficiency of Council Housing on 14 September 2021. Option 2 was to invest an additional £18 million so that by 2030 the average energy efficiency rating across all Council housing stock will be SAP C
- 1.3 SDC is delivering a range of capital investment works into its properties and these programmes are in a strong position. Some deadlines have been reviewed in the context of wider market conditions, however Stroud's performance against its forward plan is comparable with, and in most cases, ahead of similar work being delivered by other providers in the region and across the rest of the country.
- 1.4 The council is carrying out planned capital investment in two main areas 1) BEIS grant funded work 2) HRA Investment programme work, both involve the retrofit of energy efficiency measures. Our progress on delivery of these works is outlined in this report.
- 1.5 Our performance has been recognised in the professional industry. Our programme and delivery has recently been highly commended by the Retrofit Academy Awards who recognise excellence in retrofitting across the market.

## 2. Main Points

- 2.1 SHDF – Social Housing Decarbonisation Fund, where the Government has proposed a £3.8bn fund over a 10-year period, to improve the energy performance of social rented homes.
- 2.2 Department for Business, Energy, and Industrial Strategy (BEIS), who we work with in terms of grant funding for Retrofit Decarbonisation Works. We report to them monthly on our projects where we have received grant funding, in terms of progress towards the programme of works and money spent etc.
- 2.3 Severn Wye Energy Agency (SWEA) – These are our Retrofit Coordinators on our Retrofit Projects. A Retrofit Coordinator ensures that all elements of domestic retrofit are properly managed and coordinated, and that a cohesive retrofit plan is designed and implemented. SWEA have undertaken surveys on each of our properties on the Wave 1 project and have produced Measure Evaluation Reports, which outline different packages of measures and the projected output, in terms of carbon saved, reduction in energy use and fuel savings, once the works have been completed. They have a very active role in the whole project, from approving designs, attending works on site to ensure they are being installed correctly.
- 2.4 PAS 2035 – Is the retrofit process that we are required to follow for projects, which have been funded by the government (BEIS). It is a specification for “whole-house retrofit” and is an approach to the installation of energy efficiency measures which takes into account the requirement of the entire building, both from a technical standpoint and considering factors like occupancy comfort. It is used in conjunction with PAS 2030: 2019, which sets out the standards required for installing the energy efficient measures, and is what installers are required to follow.
- 2.5 Whole House Retrofit – This is an approach to retrofit where all appropriate works to a single property, are carried out in one programme. An example of this would be carrying out Cavity Wall Insulation (CWI), Loft Insulation, Window and Door replacements and upgrading the heating system. The idea of this is to allow all works to be completed in one hit and allows for the plans and designs of the retrofit works to consider how each measure interacts with each other. However, this approach to retrofit requires a large capital expenditure on each property, as all measures are installed in one time and if this approach is used, it could mean that less properties receive works each year, as opposed to if one measure, such as CWI, was selected to be installed on a greater number of properties.
- 2.6 The demonstrator Project: Hamfallow Court

In April 2022, we successfully completed our demonstrator project at Hamfallow Court, an independent living site which incorporates 28 flats, based in Berkeley. This site was chosen to utilise £425,834.60 of grant funding, which we were able to secure under the Social Housing Decarbonisation Fund Demonstrator project. Alongside the grant money, we provided £680,000 in matched funding, bringing the total project cost to just over £1,105,000.

The properties were originally heated by night storage heaters, and hot water was supplied via an electric cylinder. We have installed of Cavity Wall Insulation, Ground Source Heat Pumps (GSHP), PV Panels with Battery Storage and a top-up of existing loft insulation where required. New fire rated doors and double-glazed windows were also fitted throughout the scheme, which included individual properties and the communal areas.

We engaged with the tenants of Hamfallow Court regularly, ensuring that they were kept up to date with the project and our plans for the works. A wide range of communication methods were utilised in addition to regular letters to tenants.

As a result of these works there has been a huge improvement in the performance of the flats; in terms of reduced energy usage, reduced output of carbon and improved warmth and comfort in the homes. Following the works, we have received very positive feedback from the tenant's of Hamfallow Court. Tenants are telling us that their homes are warmer than before the work was carried out and that minimal heating is now required to keep them warm in their homes. Prior to the works, some tenants didn't use their previous form of heating (night storage heaters) as they did not provide enough heat in relation to the cost outlay. Now tenants can use their heating and feel the impact of this straightaway, with the heat also being retained in the property for longer, due to the increased thermal efficiency of the flats.

In order to offset the increased use of electricity being used by the GSHP's, we installed PV Panels with battery storage, this results in the tenant's using less electricity from the grid and subsequently will see lower energy bills, than if battery storage had not been installed. Considering the current high energy costs the market is seeing at the moment, it has compounded the importance of the works we carried out.

Hamfallow Court Post Project Info:

Of the 28 flats, 4 have achieved a very high EPC SAP B score, with the remaining all achieving an EPC SAP A, with 9 achieving a SAP score of 100 or more. An average of 97 across the flats.

- 74 tonnes of CO<sub>2</sub> are saved across the site per year due to the works carried out.
- Following the works, it is expected to save the resident £730.43 per annum on their energy spend per year, even in the current energy market! (a mean average across the 28 flats)
- The average heat demand across the 28 flats is 27 kwh/m<sup>2</sup>.a

2.7 SHDF Wave 1 – This is the second round of funding that has been made available by BEIS and is the project that is currently underway. We were again successful in gaining funding as part of a consortium, where Stroud District Council are the project lead along with other consortium members that include Cheltenham Borough Homes (CBH), Two Rivers Housing (2RH) and Gloucester City Homes (GCH).

We were awarded £1,828,116 of funding, along with our own match funding of £914,059. Funding was applied for works to be carried out to 187 properties. Work has started on the properties that require Cavity Wall Insulation work with 15 properties now completed.

We will be initiating the handover and lodgement phase with our Retrofit Coordinator imminently on these. We are currently finalising the Retrofit Design phase on the properties that require External Wall Insulation and have started work on our first archetype, as the designs are being completed on an archetype basis, and once a design is signed off by our Retrofit Coordinator, works can commence on the next archetype.

The consortium has applied and been granted by BEIS a project extension of six months, taking the project completion until 30 September 2023.

The expected improvements to our housing stock on wave 1 will:

- Increase of lowest Sap of 45 to a C
- Average Tonnes of CO<sub>2</sub> expected to be saved across the project – 1.1 tonnes per property, 204 tonnes in total
- Expected Energy Bill Savings - £203 per annum
- Heat Demand – 87.82

2.8 SHDF Wave 2 – On the 18 November 2022 we put in a bid for the third round of funding from BEIS. This is again a Consortium bid, made up of the same members from Wave 1 – CBH, 2RH and GCH. This application will focus on a ‘fabric first’ approach - similar to Wave 1, including energy efficiency improvement measures such as Cavity Wall Insulation, External Wall Insulation, Loft Insulation as well as window replacements.

We have requested funding for 250 properties, all with similar expected works as Wave 1, being CWI, EWI, Loft Insulation and ventilation. We have requested grant funding of £1,696,480.

The Wave 2 funding is spread across two financial years, and we expect to hear the outcome of the bid in March 2023 and if successful, the project will commence in May 2023. We are hopeful we will secure another successful bid, which will continue support towards retrofitting our housing stock and providing our tenants with warmer, more energy efficient homes.

The expected improvements to our housing stock on wave 2 will:

- Increase of lowest lowest SAP 43 to a C
- Average Tonnes of CO2 saved across the project – 0.74 tonnes per property, 184 tonnes in total
- Energy Bill Savings - £206.43 per annum
- Heat Demand – 91.12

### 3. Investment Programmes – External Works

3.1 Stroud District Council already has a strong council house investment plan in place to improve energy efficiency and reduce carbon production. This includes an annual circa £3m multiple work stream programme delivering improvements to our homes. It includes:

- External wall insulation
- Loft and Cavity Wall Insulation
- New Roofs
- New Windows

The spend at quarter 2 on the 2022/23 Investment programmes on the above works are £3,742,657 and the breakdown is detailed below.

Workstream	cost	Qty
Insulation works – Cavity/loft	£448,362	107
Windows	£270,000	115
External works – Roofs/EWI/RWG	£3,024,295	171
<b>Total</b>	<b>£3,742,657</b>	<b>393</b>

The table above shows 393 planned works components completed, some properties required more than one component to be completed, for clarity 361 homes have had Retrofit work completed.

3.2 Part of the option approved at Housing Committee in September 2021 was to undertake the work above and target the off-gas properties. Although the work is being delivered, the decision around which heating method to be used going forward for these properties has not yet been finalised.

We have engaged with several leading manufacturers and are discussing with our current contractors to pilot additional new and innovative technologies. By doing this we hope to be able to demonstrate how we can work with partners to overcome the innovation barriers and target investment for those households in most need.

As discussed at Housing Committee, SDC does not want to be an early adopter of heating technology due to investing early, which previously resulted in the heating systems becoming replaced with newer technology in the market and SDC having issues maintaining the systems, as well as initial expected life cycle of the system not being met.

#### **4. CONCLUSION**

- 4.1 Options to retrofit our housing stock hold both financial and resource limitations. Investment needs to be made on sound financial assessments and be sustainable over the longer term, however the programmes are being delivered at an appropriate pace.
- 4.2 The Regulator of Social Housing is currently revising regulatory standards, we need to respond to these changes and agree future investment priorities with our tenants to ensure that the HRA remains viable.
- 4.3 While pilots have and will take place on new innovative technology, feasibility studies need to continue before larger investment is made on heating technologies.
- 4.4 Officers will continue to take advantages of any new funding or grant incentives and continue to consider technological advancements in the renewable sector.

#### **5. IMPLICATIONS**

##### **5.1 Financial Implications**

Funding required to deliver the Social Housing Decarbonisation Fund programme will be provided from the Department of Business, Environment, and Industrial Strategy (BEIS) grants.

The allocated budget for Wave 1 is £2,742,000. As detailed in paragraph 2.7 grant funding of £1,828,116 was awarded from BEIS with £914,059 match funded from Stroud District Council. The remaining Wave 1 budget will look to be carried forward in line with the 6-month extension of the project.

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##### **5.2 Legal Implications**

Stroud District Council entered into a consortium agreement with Cheltenham Borough Council, Two Rivers Housing and Gloucester City Homes on the 23<sup>rd</sup> February 2023. The agreement details the arrangements around the process for payment and obligations of the Consortium Members in respect of the grant for the Social Housing Decarbonisation Fund Wave 1. The agreement is due to expire at the end of September 2023.

Stroud District Council have also entered into an agreement with Turner and Townsend as the Social Housing Retrofit Accelerator.

Officers will work with One Legal and the Corporate Governance Team to ensure that all contracts associated with the delivery of the programme comply with the terms of the BEIS Funding agreement, the Councils Contract and Procurement Procedure Rules and, where applicable, the Public Contract Regulations 2015.

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### 5.3 **Equality Implications**

An EIA is not required because there are not any specific changes to service delivery proposed within this decision.

### 5.4 **Environmental Implications**

Key documents and policy which will influence our approach going forward include but not limited to:

- CN2030 Strategy
- Tenant Services Energy Strategy
- Housing Committee: Agenda Item 6 14 September 2021
- Non-Traditional Homes Strategy
- The Future Homes Standard
- The charter for social housing residents (Social Housing White Paper)
- The Housing and Regeneration Act 2008
- Clean Growth Strategy
- Committee on Climate Change (December 2020) The UK's Path to Net Zero