

# Brighton & Hove City Council

## Cabinet

## Agenda Item 141

**Subject:** Warm Homes: Social Housing Fund

**Date of meeting:** 23 January 2025

**Report of:** Cabinet Member for Housing & New Homes

**Contact Officer:** Name: Corporate Director for Homes and Adult Social Care

**Tel:** 01273 293150

**Email:** miles.davidson@brighton-hove.gov.uk

**Ward(s) affected:** All Wards

**Key Decision:** Yes

**Reason(s) Key:** Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000.

**For general release**

### **1. Purpose of the report and policy context**

- 1.1 The purpose of this report is to seek cabinet's approval to enter into a grant agreement with the Department for Energy Security and Net Zero (DESNZ) pending a successful application to the Warm Homes: Social Housing Fund and, subject to this, award a contract to E.ON Energy Solutions to deliver works outlined in the agreement.
- 1.2 The Warm Homes: Social Housing Fund (previously known as the Social Housing Decarbonisation Fund) provides funding to local authorities, combined authorities, registered providers of social housing, and registered charities that own social housing in England to install energy efficiency upgrades and low-carbon heating measures to homes in England. Administered by the Department for Energy Security and Net Zero (DESNZ) the application window for Wave 3 of this funding closed on 25<sup>th</sup> November 2024. A bid was submitted on behalf of the council, successful applicants will be informed in early 2025.
- 1.3 The funding will enable the upgrade of up to 151 of our council homes to meet a minimum Energy Performance Certificate (EPC) band C standard, delivering warm, energy-efficient homes, reducing carbon emissions and fuel bills and tackling fuel poverty. This aligns with both the ambitions set out in our housing strategy – 'Homes for Everyone', in particular the priority to 'improve housing quality, safety and sustainability' and our planned investment of circa £30m in sustainability measures in council homes over 5 years, alongside the broader corporate plan outcomes: 'A City to be Proud of' and 'A Fair & Inclusive Council'.

## **2. Recommendations**

- 2.1 That Cabinet delegates authority to the Corporate Director for Homes and Adult Social Care, in consultation with the Cabinet member for Housing and New Homes and the Cabinet member for Net Zero and Environmental Services, to enter into the Grant Agreement with the Department for Energy Security and Net Zero for the Warm Homes; Social Housing Fund Wave 3.
- 2.2 That, subject to Warm Homes: Social Housing grant funding being agreed, Cabinet delegates authority to the Corporate Director for Homes and Adult Social Care, in consultation with the Cabinet member for Housing and New Homes, to award a contract, following 'negotiation without reopening competition to Suppliers', to E.ON Energy Solutions to deliver the works summarised in this report with a value up to £2.4 million from April 2025 to September 2028.

## **3. Context and background information**

- 3.1 The Warm Homes: Social Housing Fund (WH:SHF) Wave 3 opened for applications on 3<sup>rd</sup> October 2024 and closed at midday on 25 November 2024. This wave builds on previous waves under the Social Housing Decarbonisation Fund, as it was previously known. The project will upgrade up to 151 of our council homes currently below Energy Performance Certificate (EPC) band C up to that standard as a minimum.
- 3.2 The key aims and objectives set out nationally for WH:SHF Wave 3 are:
  - Fuel Poverty: Reduce the number of households in fuel poverty by improving the energy efficiency rating of social homes below EPC band C and reducing energy bills
  - Carbon: Deliver cost effective carbon savings to contribute to carbon budgets, and progress towards the UK's target for Net Zero by 2050 by reducing CO2 emissions from social housing
  - Residents: Improve the comfort, health, and wellbeing of social housing residents by delivering warmer and more energy-efficient homes
  - Green Economy: Support economic resilience and a green recovery in response to the economic impacts of Covid-19, supporting thousands of jobs
  - Develop the Retrofit Sector: Create the conditions for growth in the retrofit supply chain capacity and capabilities, boosting productivity and innovation in the construction sector. Additionally, upskilling social landlords in retrofit to support future improvements to energy efficiency in the social housing sector
- 3.3 Cost caps and funding: The Wave 3 cost cap is £7,500 of grant funding per home. This cap can be averaged across homes in an application. Landlords, as the applicant, are required to provide co-funding of at least 50% of total

eligible costs. There is an additional £7,500 of grant funding available if the Grant Recipient installs low carbon heating measures in homes off the gas grid. This grant requires no co-funding and sits outside of the wider co-funding structure of the application, we have included 4 homes in the project eligible for this additional funding.

- 3.4 The current breakdown of our council homes EPC ratings is set out below. The current estimated average Standard Assessment Procedure (SAP) rating across all tenanted properties is estimated at 74.4, EPC C:

| <b>EPC Band</b> | <b>No. Of Council Homes</b> |
|-----------------|-----------------------------|
| A               | 7                           |
| B               | 1,436                       |
| C               | 9,446                       |
| D               | 1,216                       |
| E               | 76                          |
| F               | 22                          |
| G               | 1                           |

- 3.5 The aim to get council homes to a minimum of EPC C aligns with a number of key national and local drivers, including the housing strategy 'Homes for Everyone', specifically the priority to improve housing quality, safety and sustainability, national and local fuel poverty plans and the Council's net zero aspirations. Our approach to managing and investing in our assets, outlined in the current HRA Asset Management Strategy & Energy plan, both due for consultation and review in 2025 identifies the need to improve the energy efficiency of council homes. This funding and subsequent project will assist us on this journey.

- 3.6 Key dates for funding:
- Application window closed Midday on 25th November 2024
  - Successful projects notified in early 2025
  - Project start date April 2025
  - Deadline for all grant funding to be transferred to Grant Recipients and spent 31st March 2028
  - Delivery window ends 30th September 2028

### **Route to delivery & outline of project**

- 3.7 We have worked alongside E.ON Green Funding Solutions to identify a viable project for which to bid for funding. E.ON have significant experience in managing and delivering these types of works and have had success with other landlords in the delivery of schemes in previous rounds of this funding. The work to date has been carried out at no cost to the council with no commitment to proceeding at each stage from application to funding agreement and delivery on behalf of the council.
- 3.8 If the funding bid is successful and authority is delegated to directly award a contract to E.ON, following negotiations as per the guidance related to the

framework set out in paragraph 11.1, they will provide a range of support through project delivery alongside the council, including: finalising project deliverables, resourcing resident engagement alongside the council, surveying identified properties and managing the installation of measures. As the lead, the council will have overarching responsibility for project management and reporting (both internal and external to DESNZ), contract management, resident engagement and delivery assurance; with the additional E.ON resource and knowledge in delivering similar schemes adding greater robustness.

- 3.9 The funding application is based on a programme of work for 151 identified eligible properties for multiple measures, including solar PV and insulation, with a potential total project value of £2.4m. This will be made up of £1.2m WH:SHF funding and £1.2m co-funding from the councils allocated Housing Revenue Account (HRA) capital budgets for energy efficiency and renewable energy improvements over the three years of the project. As part of the application process we were required to consider whether our application was subject to UK Subsidy Control rules. Following the guidance from DESNZ we were able to confirm that as we are a 'Local Authority applying as a single applicant for funding to use on their own social housing stock' we are not subject to subsidy control requirements.
- 3.10 If the funding application is successful, and the recommendations set out above are agreed, then we are able to directly award a contract to E.ON through an existing, compliant, procurement framework (see paragraph 11.1).
- 3.11 The contract with E.ON would be managed by Housing's Sustainability and Energy team with regular contract management meetings to monitor the Key Performance Indicators (KPIs) and feedback from tenants.
- 3.12 The KPIs for the contract will reflect those required in the reporting of the grant funding with the addition of a KPI for social value. The contractual obligation in accordance with Clause 24 of the Framework Agreement is that the appointed contractor will create social value equivalent to at least 10 credits for every £100k of contract value; this being the actual value of the contract between the contractor and the council. An example of how social value can be achieved through the credits is that 50 credits (based on £500k spend) should lead to 1 full time job created for one year.
- 3.13 The KPIs for the grant are:
- KPI 1 - No. of homes identified as suitable for retrofit
  - KPI 2 - No. of homes ready for installations to start
  - KPI 3 - No. of homes with installations started
  - KPI 4 - No. of homes with installations completed
  - KPI 5 - No. of homes completed (all measures have been completed and lodged on Trustmark)

#### **4. Analysis and consideration of alternative options**

- 4.1 Improving the energy efficiency of council homes is a key objective and aligns with the corporate plan outcomes: 'A City to be Proud of' and 'A Fair & Inclusive Council'.
- 4.2 Recent government announcements have indicated a requirement that all social housing, where feasibly practicable, will need to meet a minimum EPC C level by 2030. This provides an opportunity to attract additional funding for these works, focuses on some of our less energy efficient homes and builds on our internal resource and expertise to deliver works of this nature by working alongside an experienced partner. The alternative to applying for this funding is to fully fund the costs from HRA capital budgets.

#### **5. Community engagement and consultation**

- 5.1 Building on our experience of extensive resident engagement as part of our current solar PV programme and low carbon heating projects, a resident engagement plan will be developed alongside a delivery programme. This will ensure residents are suitably engaged and communicated with around the works, the benefits the works bring and the positive outcomes they can achieve.

#### **6. Financial implications**

- 6.1 As set out in paragraph 3.9 of this report, there will be a requirement to match fund £1.2m of the total projected project value. This can be met from within the proposed HRA capital budget for energy efficiency and renewable energy improvements, which has provisional budget allocations of £1.5m for each of the next 3 financial years (2025/26 - 2027/28), subject to formal Full Council approval in February 2025.
- 6.2 Any officer time involved in support of delivery and management of the project will be met from within existing and approved HRA revenue staffing budgets.

Name of finance officer consulted: Mike Bentley      Date consulted 03/12/24

#### **7. Legal implications**

- 7.1 The Council has the power to enter into the arrangements contemplated by the recommendations under section 1 of the Localism Act 2011. The Council is required to comply with the Public Contracts Regulations 2015 in relation to the procurement and award of contracts above the relevant financial thresholds for services, supplies and works. Using a Framework, such as the Fusion 21 Decarbonisation Supplier Framework, is a compliant route to market. The Council's Contract Standing Orders (CSOs) will also apply to this procurement exercise and the requirements of CSO 7.5 must be met. On the basis that E.ON provides value for money and the framework terms allow for a direct award, then the Council may award to E.ON as one of the

suppliers on the Fusion Framework Agreement without the need for a further competition.

Name of lawyer consulted: Eleanor Richards     Date consulted: 06/12/24

## **8. Equalities implications**

- 8.1 An Equalities Impact Assessment has been completed for similar programmes on our own housing stock, such as the current solar PV programme, this is in the process of being reviewed and actions identified as part of the preparation for engaging with residents and preparing for delivery of works in homes, pending notification of a successful bid.

## **9. Sustainability implications**

- 9.1 The project outlined above will improve the energy efficiency of up to 151 of our council homes, reducing carbon emissions from our housing stock and the city overall. The learnings from this project will also be used to inform future bids for external funding and the wider delivery of energy efficiency improvements on our own housing and private housing in the city.

## **10. Health and Wellbeing Implications:**

- 10.1 Addressing fuel poverty is a key objective with this funding and is reflected locally in a revised Fuel Poverty & Affordable Warmth Plan - presented at the Health & Wellbeing Board in November 2024. The impacts of cold homes on health are well known, the works that will be delivered as part of this project will have a positive impact on making homes more affordable to heat.

## **Other Implications**

## **11. Procurement implications**

- 11.1 If we are successful with a funding application and the recommendations set out above are agreed, we are able to directly award to E.ON through an existing compliant procurement framework. The procurement framework is an agreement in place with a range of providers where we can procure goods and services from a list of pre-approved suppliers with agreed terms and conditions and legal protections already in place. The Fusion 21 Decarbonisation Supplier Framework was awarded on a 60%/40% quality vs. cost basis, and a contract can be entered into via a direct award to the preferred supplier. The grant is not regulated by the Public Contract Regulations 2015 and therefore does not require procurement input.

## **12. Crime & disorder implications:**

- 12.1 None

### **13. Conclusion**

- 13.1 National policy and local plans are promoting that homes achieve a minimum level of EPC C, where practicably feasible to do so. If the grant funding is agreed then up to 151 households will benefit from reduced energy bills, the local economy will expand in relation to the retrofit sector and the funding will assist the council in achieving this for 151 council homes not currently at this standard. It will also reduce CO<sub>2</sub> emissions from social housing and thereby contribute to the UK's target for Net Zero by 2050 and local ambition.

