

Forward Plan reference number: FP/232/11/21

Report title: Addition to the Capital Programme for the Social Housing Decarbonisation Fund (SHDF) Wave 1 funding programme and entering Memorandum of Understanding	
Report to: Councillor Lesley Wagland - Cabinet Member for Economic Renewal, Infrastructure and Planning and Councillor Chris Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs	
Report author: Samantha Kennedy, Director Environment & Climate Action	
Date: 01/03/2022	For: Decision
Enquiries to: Aaron Goldie-McSorley, Energy & Low Carbon Project Development Officer Aaron.Goldie-McSorley@essex.gov.uk	
County Divisions affected: All Essex	

1. Everyone's Essex

- 1.1 Everyone's Essex, our new organisation strategy, sets out four strategic aims and 20 commitments. The Social Housing Decarbonisation Fund (SHDF) helps to deliver against three of the four strategic aims (Economy, Environment and Health) and key commitments:
 - a) 'Net Zero' through reduction of 534 Tonnes CO₂e/year in Essex homes,
 - b) 'Transport & Built Environment' through the retrofit of social homes to make them more resilient and improve the Energy Performance Certificates (EPC) of the Essex housing stock.
 - c) 'Green Growth' using local suppliers and subcontractors in the low carbon sector.
 - d) 'Levelling up the economy' by keeping more money in our residents' pockets, reducing energy bills by on average £118 per year.
 - e) 'Levelling up health' by improving poor housing and creating warmer, healthier homes for Essex residents living in social rented homes.
- 1.2 The purpose of this report is to seek approval to enter into arrangements to receive the £1.621m funding and add this to the Capital Programme for the SHDF Wave 1 external funding, provided by the Department for Business, Energy & Industrial Strategy (BEIS) following Essex County Council's (ECC) successful application on the 07/02/2022, to retrofit social rented homes (the Project) owned by project delivery partners Sanctuary Housing and Eastlight Community Homes (Consortium Partners) for completion by March end 2023.

2 Recommendations

Councillor Chris Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs

- 2.1 To agree and approve the addition of the £1.621m funding received to the Capital Programme for the SHDF Wave 1 programme for the year 2022/23.

Councillor Lesley Wagland, Cabinet Member for Economic Renewal, Infrastructure and Planning

- 2.2 To approve ECC entering a Memorandum of Understanding (MOU) BEIS to establish the way the parties will work together to deliver the SHDF – Wave 1 as set out in this report.
- 2.3 To approve ECC entering a Grant Funding Agreement (GFA) with the Consortium Partners (as listed in 1.2) to establish the way the parties will work together to deliver the SHDF – Wave 1 as set out in this report.

3 Background and Proposal

- 3.1 The SHDF is a £3.8bn 2019 Conservative manifesto commitment over a 10-year period to improve the energy performance of social rented homes, on the pathway to Net Zero 2050. The SHDF will upgrade a significant amount of the social housing stock currently below EPC B and C up to that standard, delivering warm, energy-efficient homes, reducing carbon emissions and fuel bills, tackling fuel poverty, and supporting green jobs.
- 3.2 A requirement for the funding from BEIS is that a Local Authority must be the lead bidder due to the payment mechanisms in place from the funder therefore ECC, keen to ensure funding could be brought into the county reached out to the private and local authority social housing sector. Following engagement with registered housing providers and Essex district, borough and city authorities, ECC agreed to submit a bid in October 2021 to lead a Consortium with the Registered Providers to deliver the Project within the county saving a total 534 TonnesCO₂e/year (reducing the carbon dioxide emissions per year). This funding will unlock significant investment in Essex social housing stock whilst kickstarting further investment and retrofit in the county ahead of future waves of funding. The Project will deliver significant carbon emission savings, reduce household energy bills, and support green jobs. ECC were confirmed as successful for the funding on 7th February 2022.
- 3.3 The Project supports the delivery against key recommendations made by the Essex Climate Action Commission report:
 - Two-thirds of all homes to be retrofitted as far as possible to net zero carbon standards by 2030 and all by 2040 with incentives introduced to accelerate the shift to low carbon heating solutions.
 - Existing homes – carbon emissions reduction of 50 per cent by 2030 and carbon zero by 2040.
 - 100 per cent of fuel poor homes to be retrofitted and supplied with affordable energy by 2030.
- 3.4 In order to secure funding from BEIS, it is a requirement that ECC enters into a MOU with BEIS which sets out the conditions for administering the Fund, how it can be claimed and how it is to be used. The MOU is to be completed by 31st March 2022 and is for a term of 1 year.

- 3.5 As part of the conditions under the MOU there is a requirement for ECC to enter into a GFA with the Registered Providers to deliver the Project. The obligations under the GFA mirror those in the MOU and sets out the Consortium's role and responsibilities in relation to the Fund from BEIS.
- 3.6 Under the GFA, ECC will pass the Fund it receives under the MOU to the Registered Providers via the GFA in line with the terms and conditions of the MOU and ECC will oversee the delivery of the Project and Fund spends.
- 3.7 Following completion of the MOU, ECC and the Registered Providers will execute the GFA. These Agreements are due to commence on the 31st March 2022 for a period of 1 year.

4 Links to our Strategic Ambitions

- 4.1 This report links to the following aims in the Essex Vision
- Develop our County sustainably
- 4.2 Approving the recommendations in this report will have the following impact on the Council's ambition to be net carbon neutral by 2030:
- a) By energy retrofitting social homes and reducing emissions by an estimated 534 TCO₂e/year
- 4.3 This report links to the following strategic priorities in the emerging Organisational Strategy 'Everyone's Essex':
- A strong, inclusive and sustainable economy
 - A high quality environment
 - A good place for children and families to grow

5 Options

5.1 Option 1 – To agree for the addition of £1.621m to the capital programme for the delivery of SHDF Wave 1 and enter into the MOU and Agreements– Preferred option

- 5.1.1 By approving the addition to the Capital Programme for SHDF this will ensure ECC can deliver the commitments of the grant funded project. Delays in adding to the capital programme will further delay the start of the already approved project, reducing the delivery timescales and deliverability. This will lead to the energy retrofit of social homes, saving an estimated 534 TCO₂e/year with an on average £118/year energy bill saving.
- 5.1.2 By working closely with Registered providers on this funding ECC can accelerate the retrofit of housing, encourage the wider registered providers and local authority owned housing associations to engage with future rounds of SHDF funding. This also has wider benefits for the supply chain, providing

confidence that delivery of energy retrofit measures is supported by and encouraged by ECC.

5.2 Option 2 – Do nothing

5.2.1 By doing nothing the funding will not be able to be used by ECC for its purpose in accordance with the grant conditions with BEIS. ECC and in turn the housing association partners would therefore not receive the funding in accordance with the terms of the grant agreement, as set out in section 6 below. Low EPC social housing in Essex would in turn not benefit from the funding to improve the energy efficiency of these homes, reducing their energy bills and added health benefits as well as the greenhouse gas emission reductions. ECC would in turn miss the opportunity to deliver a total of £1.621m funding to Essex residents.

6 Issues for consideration

6.1 Financial implications

6.1.1 ECC have been notified of their successful application to the BEIS SHDF. ECC will enter into a MOU with BEIS as the lead local authority of the Consortium and receive a £1.621m capital grant. ECC will enter into GFA with the two delivery partners to passport the funding and set out the terms and conditions of their participation. Under the MOU the grant is to be spent by 31 March 2023. Funds will be received from BEIS in advance of eligible expenditure being incurred by delivery partners and payments will be passported to delivery partners within 30 days of receipt of a valid undisputed invoice. All terms and conditions in the MOU with BEIS will be mirrored in the GFA with the delivery partners but ECC as lead local authority will be responsible for any failure by the delivery partners to meet the commitments and principles set out in the MOU.

6.1.2 BEIS will not provide additional funding, so any cost escalation is the responsibility of the Consortium. There is clawback funding risk under the terms and conditions of the MOU. In order to mitigate its exposure to the risk, performance by delivery partners will be monitored closely and actions put in place to redress underperformance and the validity of expenditure incurred by delivery partners will be verified for compliance with the scope of the SHDF fund. Under the GFAs the delivery partners will be solely responsible for underperformance and clawback risk will be transferred to them but ultimately the liability remains with ECC as lead local authority.

6.1.3 BEIS will monitor adherence to the MOU on a monthly basis and a change control mechanism will be used in the case of any changes to the performance, cost and time envelope of projects, including potential extensions beyond 31 March 2023.

6.1.4 Co-funding of a third of the total eligible expenditure as required under the MOU will be provided by each of the delivery partners (£1.015m).

6.1.5 BEIS is to be notified of any unspent grant by 31/12/22 and agreement on the action to be taken in respect of those monies secured. If no agreement is reached the unspent grant is to be returned to BEIS by 30 April 2023.

6.1.6 Approval is sought to add the capital grant of £1.621m to the capital programme in 2022/23.

6.2 Legal implications

6.2.1 The proposed MOU sets out the terms in which the Funding will be administered, and it is a requirement of BEIS that an MOU is entered into. Although the MOU is not a legally binding agreement it does impose conditions on ECC in relation to the Fund which is in ECCs best interests to adhere too legally, politically and reputationally.

6.2.2 ECC will then enter into GFA that mirrors the conditions and is pursuant to the MOU, in order to pass funding on to the Registered Providers that are responsible for delivering the Project and liable to repay funds and indemnify ECC in the event of any breach on their part.

6.2.3 Declarations will be sought from the Registered Providers in receipt of the Funds that they will comply with the Subsidy control rules.

7 Equality and Diversity Considerations

- 7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3 The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

8 List of Appendices

- EQIA

9 List of Background papers

- Full Business Case
- Bid Application submission
- Risk Management Plan
- Project Financial Statement

I approve the above recommendations set out above relating to my portfolio for the reasons set out in the report.	Date
Councillor Lesley Wagland, Cabinet Member for Economic Renewal, Infrastructure and Planning	17/03/2022

I approve the above recommendations set out above relating to my portfolio for the reasons set out in the report.	Date
Councillor Chris Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs	17/03/2022

In consultation with:

Role	Date
Councillor Peter Schwier, Deputy Cabinet Member to the Leader / Climate Czar	17/03/2022
and	
Gavin Jones, Chief Executive consulted	15/03/2022
Executive Director, Corporate Services (S151 Officer) Please send to your Head of Finance/Finance Business Partner who will arrange S151 sign off.	10/03/2022
Stephanie Mitchener on behalf of Nicole Wood	
Director, Legal and Assurance (Monitoring Officer)	10/03/2022
Susan Moussa on behalf of Paul Turner	