

To: Cabinet
Date: 16 November 2022
Report of: Head of Corporate Strategy
Title of Report: Social Housing Decarbonisation Fund bid approval

Summary and recommendations	
Purpose of report:	To approve Oxford City Council's submission of a bid to Government under the Social Housing Decarbonisation Fund 2.1 bidding round to seeking funding towards a retrofit programme for around 300 council houses.
Key decision:	Yes
Cabinet Members:	Councillor Linda Smith, Cabinet Member for Housing; Councillor Imogen Thomas, Cabinet Member for Zero Carbon Oxford and Climate Justice
Corporate Priority:	Pursue a zero carbon Oxford; Support thriving communities
Policy Framework:	Council Strategy 2020-24, Zero Carbon Council by 2030: 4th carbon management plan 2021/22 to 2029/30, Zero Carbon Oxford Action Plan

Recommendations: That Cabinet resolves to:	
1.	Grant approval for Oxford City Council to submit a funding bid in the Social Housing Decarbonisation Fund 2.1 bidding round in November 2022, seeking a Government funding contribution towards a retrofit programme for around 300 council houses;
2.	Delegate authority to the Head of Corporate Strategy, in consultation with the Cabinet Member for Housing, the Cabinet Member for Zero Carbon Oxford and Climate Justice, and the Head of Housing Services, to finalise the bid document for submission to Government by 18 November 2022;
3.	Recommend to Council that if the bid is successful it grants approval for the release of up to £6.050 million of HRA capital funding required for match funding under the terms of the SHDF 2.1 scheme in accordance with the estimated spend profile in paragraph 24;
4.	Delegate authority to the Executive Director (Communities and People) in consultation with the Head of Financial Services/Section 151 Officer to spend the HRA funds together with SHDF 2.1 grant funding for the purposes of the

proposed retrofit scheme including entering into contracts with contractors to deliver the works;

5. **Note** that officers are developing plans for tenants' involvement to help shape the funding bid, to build understanding and support for the application of energy saving measures in tenants' homes, and – if the bid is successful – to work with the appointed contractor to ensure appropriate arrangements are made to support the tenants of those properties involved during the period of works; and
6. **Note** that officers have entered into contracts with consultants with a total value of c£25,000 to develop the bid proposals and complete the associated documentation for submission.

Introduction and background

1. Oxford City Council has set a target of getting 95% of its housing stock (currently at 7,979) to an EPC C or above by 2030.
2. Currently 2,466 properties are rated at EPC D or below and require retrofit measures such as insulation within cavity walls, in lofts and roofs, and internal or external wall insulation to bring them up to the level of EPC C. This insulation-led approach to retrofit is known as 'fabric first' and should typically be considered ahead of the application of new technologies such as heat pumps. The current HRA Business Plan includes circa £8.7 million for retrofit over the next 4 years. The earmarked capital spend over the following 10 years is £37.0 million.
3. The Council recently commissioned consultants Baily Garner to undertake an assessment of specific measures that would be required to achieve EPC C rating or above across the wide range of property types in its housing stock; and to cost these works. Baily Garner found there was a significant variation in the degree of retrofit work required across different property types and estimated the total cost of works to achieve EPC C across the whole housing stock at between £64 million and £151 million.
4. The funding gap between earmarked capital for retrofit and likely costs of measures highlights the need to seek external funding to support works wherever possible.
5. In 2021, Oxford City Council bid unsuccessfully in the SHDF 1 round with a proposal to retrofit 125 council house voids (empty properties) with an EPC of D rating and lower. Feedback received from Government on why the bid had failed indicated any future submissions would need to involve tenanted properties.
6. Government is inviting bids by social housing providers to its Social Housing Decarbonisation Fund 2.1 (SHDF 2.1) bidding round, which offers a total pot of £800m to support fabric first retrofit measures. Under the terms of the scheme, Government finance must be at least 50% match funded by the housing provider, and funding is capped at between £5,000 and £16,000 per property – depending on housing type and existing EPC rating. Schemes must involve a minimum of 100 properties. All Government funding must be spent by 31 March 2025, with all works completed by 30 September 2025.
7. Given the significant amount of retrofit work needed across the Council's housing stock and the guidance that Government wants to get as much funds out of the door on this bidding round – it is proposed an ambitious bid is submitted, while ensuring the Council's match funding contribution remains within the envelope of available

retrofit funding identified in the HRA Business Plan. As some of the earmarked £8.7 million will be required for ongoing programmes such as retrofit of voids and trials of air source heat pump and ground source heat pump technologies, it is proposed that the Council releases a maximum of £6 million for match funding in its SHDF 2.1 bid.

8. Bids must be submitted by 18 November 2022, and Government has indicated that it will announce the award of funding in late February/early March 2023. If Oxford City Council is successful.
9. Cabinet is asked to:
 - a. grant approval to the submission of a bid for SHDF 2.1 funding involving a Council match-funding contribution under the terms of the scheme of up to £6.050 million.
 - b. delegate authority to the Head of Corporate Strategy, in consultation with the Cabinet Members for Housing, the Cabinet Member for Zero Carbon Oxford and Climate Justice and the Head of Housing Services, to finalise the bid document for submission to Government by 18 November 2022.
 - c. recommend to Council that it approves the release of HRA funds of up to £6 million for use in matchfunding in the event the SHDF 2.1 bid is successful.
 - d. delegate authority to the Executive Director for Communities and People in consultation with the Section 151 Officer to spend the HRA funds together with SHDF 2.1 grant funding for the purposes of the proposed retrofit scheme including entering into contracts with contractors to deliver the works
 - e. delegate authority to the Executive Director for Communities and People in consultation with the Section 151 Officer to spend the HRA funds together with SHDF 2.1 grant funding for the purposes of the proposed retrofit scheme including entering into contracts with contractors to deliver the works.

Retrofit programme delivery

10. To maximise the number of properties that can be retrofitted with the available funds, it is important we minimise the cost of works per property. This can best be achieved by concentrating the scheme on a small number of property archetypes (eg. post war, cavity wall houses, or pre-war solid wall houses), and minimising the geographic spread of sites across the city where works will take place. While analysis is still ongoing at the time of writing, it is expected that between 250 and 300 homes will be included in the SHDF 2.1 bid, with an average cost of works per property of £25,000 to £36,000, i.e between £6.2 million and £10.8 million total spend with the Council contributing approximately two thirds of the costs and Government funding comprising approximately one third.
11. Initial modelling suggests the retrofit works applied across these properties is likely to deliver typical savings of between £400 and £750 per annum in heating costs for these homes. That represents a 25-40% reduction on the typical annual heating bill, taking into account the recent sharp increase in energy prices.
12. Tenant involvement will be key to the successful delivery of a retrofit scheme and consideration of how tenants will be engaged must be referenced in the SHDF 2.1 bid documentation. A tenant ambassador has already been involved as member of the Programme Board that is overseeing development of the bid, and a draft Tenants Involvement Strategy has been produced by the Landlord Services team. Learnings

have been gained from the experience in delivering the Council's LAD1b retrofit scheme, which has involved applying retrofit measures across 60 properties.

13. As the Council's first large scale retrofit programme, the SHDF 2.1 scheme would provide further important learnings on how such schemes can best be delivered in a way that minimises overall risk. Given the added complexity involved in delivering works across blocks of flats, which typically include both tenanted and leasehold dwellings, it is proposed the bid focuses solely on houses – all of which will be tenanted.
14. If the bid is successful the Council will tender for a lead contractor to undertake the works. A PAS2035 assessor and retrofit coordinator will also need to be appointed to help oversee programme delivery. ODS has the PAS2030 accreditation required to undertake retrofit works and we will explore opportunities for it to be involved in delivering packages of work.
15. Under the terms of the contract, the lead contractor would be responsible for operational tenant liaison through the construction phase. However this would interface closely with the Council's Landlord Services and Property Teams. The Council will need to take the lead initially to build awareness and support for the programme among tenants and stakeholders. This needs to be properly resourced and these costs are eligible under the terms of the SHDF 2.1 funding.
16. In general, as is currently the case with works to replace bathrooms and kitchens, it is anticipated the retrofit works would be undertaken with the tenant in situ. However, there may be individual cases where additional provision may be required.
17. Where possible and appropriate, other non-retrofit works that may be required for the selected properties will be programmed in at the same time – for example fire stopping in the roof space.

Selection of properties

18. The Baily Garner analysis of Oxford City Council housing stock has grouped the multiple housing types into twelve distinct 'archetypes'. These include different forms of pre-war and post-war construction, and different forms of accommodation – terrace, semi-detached, and flats.
19. The bid will put forward a specific number of properties across three or four archetypes for retrofit, with the funding ask based on the modelled cost of works across these properties. However, it is not expected that this will include a list of individual addresses.
20. The SHDF 2.1 scheme provides flexibility for individual properties to be moved in or out of the scheme, as long as this is in line with the funding caps against the different types of property.
21. Given the sharply higher energy costs, it is assumed the majority of tenants will be keen to have retrofit works undertaken as this will significantly reduce their annual heating costs. However, in the event that a tenant of a property identified for the scheme is not willing to participate, an alternative dwelling will be sought to replace it.
22. The process of detailed engagement with individual tenants will start only when, and as soon as, the Council has confirmation its SHDF 2.1 bid has been successful. Up until then, the Council will undertake more general awareness raising among tenants of the benefits of retrofitting and that it is submitting a bid to the scheme.

Financial Implications

23. The total cost to the Council of the retrofit works that will form the basis of the funding bid to Government is expected to be between £5 million and £6 million. This is within the total £8.7 million allocation for retrofit works in the current MTFP, leaving some headroom for other ongoing retrofit-related programmes.
24. However, this would nonetheless represent a significant commitment of the available funds into one scheme over a three year period. Expected expenditure on retrofit projects has been phased accordingly. Including government grant funding if the bid is successful, total expenditure associated with the SHDF 2.1 programme is expected to be between £6.2 million and £10.8 million.

	2022/23	2023/24	2024/25	2025/26	Total
Resources	£100,000	£165,000	£200,000	£200,000	£665,000
LAD 1B	£400,000				£400,000
Retrofit Projects	£200,000	£250,000	£250,000	£200,000	£900,000
Existing spend	£700,000	£415,000	£450,000	£400,000	£1,965,000
Council spend on SHDF 2.1	£50,000	£3,000,000	£3,000,000	-	£6,050,000
Grant funded SHDF 2.1 expenditure	-	£1,500,000	£1,500,000	-	£3,000,000
Total spend	£750,000	£4,915,000	£4,950,000	£400,000	£11,015,000

25. Non-capital costs of up to 15% can be claimed under the terms of the SHDF 2.1 scheme – these can include PAS2035 assessor costs, preparatory building works, tenant recruitment and aftercare costs.
26. The indicative cost of bringing all Oxford City Council properties to EPC C rating or above is between £64 million and £151 million at today's prices. This is significantly greater than the total funds earmarked for retrofit works within the HRA - £8.7 million to 2025/26 and a further £37.0 million to 2035/36 and officer have initiated a review of the HRA budget priorities over the medium to longer term taking this new information into account.
27. However, it should be noted there are other competing priorities for HRA funding which will need to be balanced, including the delivery of new affordable housing and the general improvement of the quality of the Council's housing stock. Regardless of the outcome, it is evident that significant external funding will be required if the Council is to fully deliver its retrofit commitments.

Equalities considerations

28. While the Council's commitments to retrofit its housing stock were led in particular to its objectives to tackle climate change and to improve the overall condition of its

housing stock and comfort for tenants, the recent more than doubling of energy prices provides another significant driver for action – which is to make heating their homes more affordable for tenants.

29. The proposed approach to the SHDF 2.1 bid seeks to maximise the number of households that would benefit from retrofitting with the available funds. It will target homes based on their existing thermal efficiency, and hence the degree of improvement that can be delivered and cost saving from the energy bill. It does not aim to target those individual households most in need of retrofit measures for financial reasons, linked to the affordability of energy. And it does not aim to target those that may be most in need of warmth linked to protected characteristics such as age or disability. However, where a decision needs to be made between selecting two equivalent properties, the circumstances of the individual tenant will be taken into account.
30. The SHDF 2.1 bid should be seen as a building block in a bigger programme that should in due course benefit all tenants.

Environmental considerations

31. Oxford City Council has committed to bringing 95% of its housing portfolio to EPC C rating by 2030, with currently 2,466 or 31% of properties still below that level. If successful, the bid could deliver up to around a further 300 homes up to EPC C or above, which is equivalent to around 12% of the stock that is EPC D and below.
32. The fabric first approach to retrofit – applying comprehensive insulation measures to reduce heat loss, before considering the application of low carbon technologies such as heat pumps or solar PV – is recommended by the Committee on Climate Change, the Carbon Trust and most other experts on retrofit – including the Council’s Scientific Adviser, Professor Nick Eyre.
33. Retrofit measures proposed in the bid would deliver significant energy savings which translate into carbon savings. In aggregate the measures applied will in many cases save over a tonne of carbon for each household, and across 300 properties should deliver nearly 300 tonnes of carbon saving per annum.

Legal issues

There are no significant legal implications arising from this report. Legal input will be required in due course with respect to the procurement of contractors to deliver the retrofit programme.

Levels of risk

34. The primary risk at this stage of the process is around whether or not Oxford City Council’s proposed bid will be successful. External consultants have been recruited to help develop as strong a bid as possible.

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Background Papers:

None.

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