



# City of Doncaster Council

## Report

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**Date:** 06/12/2023

**To:** Cabinet

**Report Title:** Housing Retrofit – Gainshare Funding Award

Relevant Cabinet Member(s)	Wards Affected	Key Decision?
Cllr Glyn Jones	All	Yes

### EXECUTIVE SUMMARY

1. Since declaring a Climate & Biodiversity Emergency in September 2019, the Council identified housing retrofit as one of the key contributors to achieving its zero emissions targets. Few other interventions deliver the same level and extent of impact than that of housing retrofit, which include benefits to the local economy, jobs, personal finance, physical and mental health from having a warm home, as well as reduced carbon emissions.
2. In 2019-20 the Council took a decision to deliver a Thermal Improvement Programme to insulate the remaining 1,800 uninsulated properties from its 20,000 housing portfolio. We now have around 600 that remain uninsulated.
3. These properties are made up of varying archetypes and are distributed across the borough, with some locations having a greater density of properties than others. The properties are deemed to be of non-traditional construction comprising of solid walls, narrow cavity or part solid wall and cavity wall and therefore require wall insulation to be applied to the outside or inside of the property. In this programme the works are focused on external wall insulation.
4. Delivery has been very challenging due to a number of factors including rising costs, availability of qualified labour and the required specification of materials, weather dependent works, and high levels of short-term government funding creating unprecedented demand on the insulation industry.

5. When the programme commenced in 2019, the cost of works was around £7,000 per 3-bedroom property, but when the programme paused and restarted late 2020, following the Covid outbreak and Brexit, the cost of works more than doubled.
6. The Council has therefore taken all opportunities to access external funding to offset the high delivery cost and even reduce the original forecast cost of delivering the programme.
7. A series of successful funding bids have secured £10.9m and of this the Council has been able to retain £7.15m for the Thermal Improvement Programme.
8. The most recent success has added a further £2.7m from the South Yorkshire Mayoral Combined Authority (SYMCA) Gainshare, of which a further £1.25m will contribute to the programme and £840,000 will help deliver 'deep retrofit' works to 21 Council properties. The remaining funds will help deliver a more inclusive neighbourhood programme by funding works to adjoining privately owned homes.
9. The deep retrofit works are expected to produce a number of co-benefits for the Council, the tenant, and the economy, as well as providing important data to help create a business case for a *return on investment* from a blended public and privately funded retrofit programme.

## **EXEMPT REPORT**

10. N/A

## **RECOMMENDATIONS**

11. To delegate acceptance of the funding award of £2.7m from the South Yorkshire Mayoral Combined Authority Gainshare and the entering into the funding agreement to the Director of Place and Assistant Director of Finance.
12. To agree that the funding be added to the Council's Housing Capital programme.

## **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

12. Our most vulnerable residents will be supported to ensure they fully benefit from the works and take advantage of fuel savings and increased comfort, giving an improved outlook on household finance and health.

13. Reduced heating and energy bills allow more disposable income for residents, which can be spent locally as opposed to being paid to energy companies.
14. Residents will feel more included and able to contribute towards local and national targets to reduce carbon emissions. They can feel proud that they 'are doing their bit'.

## **BACKGROUND**

15. The Gainshare funding award of £2.7m represents the sixth successful funding bid for housing retrofit since 2020-21. Other funding bids include:
  - a. Local Authority Delivery schemes – funded by Department for Energy Security & Net Zero (DESNZ)
    - i. Phase 1 – £684,000
    - ii. Phase 1B – £517,000
    - iii. Phase 2 – £2.45m
      1. The three phases of this funding programme delivered works to 315 homes, a total of 528 energy saving improvements
  - b. Social Housing Decarbonisation Fund – DESNZ
    - i. Wave 1 – £3.24m
      1. Works to 272 homes delivering 480 improvements
    - ii. Wave 2 – £4m
      1. Starting November 2023. Will include 370 homes and 540 improvements
16. Of the £10.9m of external funding secured, £7.15m has been retained and contributes to the delivery of the Thermal Improvement Programme. The remaining funds supported works to privately owned homes and project management costs.
17. The £2.7m Gainshare is proposed to fund the following:
  - a. £1.25m (250 council homes) contribution towards the Council's Thermal Improvement Programme
  - b. £500,000 (50 privately owned homes) contribution towards external wall insulation works to neighbouring privately owned homes
  - c. £840,000 (21 council homes) to match fund the cost of 'deep retrofit' works
  - d. £110,000 Project Management Fees for the Council, including Monitoring and Evaluation over the 2 years of the programme.
  - e. In summary, 96% of the funding will be allocated to capital works.
18. The Gainshare funding is to be defrayed by 31<sup>st</sup> March 2025.

19. Gainshare will act as match funding to the existing Council's Housing Capital Programme and the recently awarded government Social Housing Decarbonisation Fund (SHDF) Wave 2.
20. A forecast breakdown of the three contributing funds is as follows but are subject to final programme costs presented by the Council's contractor, Wates Living Space.

Works	No. Properties	Council Housing Capital	SHDF Wave 2	Gainshare	Total
Insulation - Council	250	1,250,000	2,500,000	1,250,000	5,000,000
Insulation - Privates	50	0	300,000	500,000	800,000
Deep Retrofit - Council	21	315,000	0	840,000	1,155,000
Project Management				60,000	60,000
Monitoring & Evaluation				50,000	50,000

21. The decisions relating to the Council's secured match funding are as follows:
  - a. Council Capital Strategy and Capital Budget 2022/23 – 2025/26, in February 2022, to deliver a 4 year programme of thermal improvement works to Council owned homes. Please see page 26 of the [report](#) – Appendix 1f – EXTERNAL WORKS – THERMAL EFFICIENCY - ECO WORKS.
  - b. Social Housing Decarbonisation Fund – Wave 2, of £3.9m has been awarded to the Council. Please see the confirmation of approval to receive the funding [here](#).
22. SYMCA have provided the Council with a small number of conditions to meet in advance of a forthcoming funding agreement.
  - a. Confirmation that all other funding is secured
  - b. Procurement of main contractor and evidence of cost certainty e.g. return of contractor tenders and confirmation of material costs
  - c. Submission of a detailed project plan and risk register including sufficient contingency provision for all activities and related mitigation costs.
  - d. Submission of acceptable Subsidy Control opinion
  - e. All required statutory consents including all planning conditions must be satisfied.
  - f. The following conditions must be included in the funding contract
    - i. Clawback on outputs and outcomes at SYMCA discretion.
    - ii. Scheme promoter to address any cost overruns without unduly compromising project outputs and outcomes.
23. In addition to the 7no. conditions presented by SYMCA for pre and post contract execution, the Council seeks to include a condition/permission on

flexible use of funding, specifically *to transfer any scheme underspend from qualifying works to privately owned homes to qualifying works on social homes, in order to reduce the risk of project underspend. The Council also seeks written confirmation of the available extensions beyond March 2025 if any programme delays are to be encountered.*

24. For those 21 Council homes proposed to receive *deep retrofit* works, a selection of different archetype and tenancies will be chosen from across the borough. This will provide a more informed monitoring and evaluation report to show the impact of the works. The properties are yet to be chosen.
25. The deep retrofit works will include insulation to walls, loft and ground floor, new windows and doors, air source heat pump, solar and battery storage. The works are expected to significantly reduce energy and heating costs and reduce carbon emissions. Once fully supplied by a renewable energy tariff, the homes may be deemed to meet the standard of *zero emissions in operation*.
26. While the works proposed are intended to be mitigating actions to reduce carbon emissions, the Council may also seek to incorporate measures to adapt to climate change, such as wider guttering, soakaways next to the front and back door, or window shutters to prevent overheating during extreme weather.
27. The evaluation and monitoring of the deep retrofit, and insulation only, works will help to prove a business case for producing a financial return on investment, of which the findings can be shared with government to allow consideration of a blended public and private financial package to help deliver these works at scale, across all housing tenures.
28. Wates Living Space are the incumbent delivery contractor and are in contract for the duration of the works through available contract extensions.

## **OPTIONS CONSIDERED**




29. Option 1 – Do not accept the funding
  - a. The Council would continue to pay for works at a higher cost than that originally budgeted for, and possibly reduce the delivery of the programme or present a cost pressure.
  - b. The testing of ‘deep retrofit’ would not be undertaken due to the significant cost it presents per property.
  - c. The monitoring and evaluation of the impact of deep retrofit would be missed. The Council would rely on other case studies and experience of other housing providers when seeking to understand the viability of the business case to prove a return on investment.

## REASONS FOR RECOMMENDED OPTION

30. The Council has already submitted five successful bids for this type of work. A sixth will enable the Council to direct resources in the most impactful and beneficial way and maximize the outcomes for some of Doncaster's most vulnerable households.
31. This sixth successful bid will enable the Council to seek greater social value from its contract, create job and apprentice opportunities as a result of giving continuity of delivery and security to the supply chain.
32. This will be one of many housing retrofit schemes which helps move the borough towards its net zero carbon emissions objectives.
33. The Council will seek to take and maximise inward investment and seek its share of all external funding opportunities.

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

34.

Great 8 Priority	Positive Overall	Mix of Positive & Negative	Trade-offs to consider – Negative overall	Neutral or No implications
 <b>Tackling Climate Change</b>	✓			
<p>Each property receiving insulation measures will result in reduced carbon emissions, improved energy efficiency and lower energy demand and heat loss. Retrofit is one of the key priorities for tackling climate change.</p>				
 <b>Developing the skills to thrive in life and in work</b>	✓			
<p>This programme of work presents significant opportunity to safeguard and support local jobs by extending our contract with our preferred supplier. This will provide opportunities for re-skilling and for young people to find opportunities in retrofit. We anticipate that a number of apprenticeships can be supported by this scheme.</p>				
 <b>Making Doncaster the best place to do business and create good jobs</b>	✓			

Improving local housing to have higher efficiencies and standards will encourage residents to remain or relocate to Doncaster. It is hoped that the project will support economic resilience and a green recovery.				
 <b>Building opportunities for healthier, happier and longer lives for all</b>	✓			
This programme will support our most vulnerable and low-income households by creating healthier homes that improve the physical and mental health of the residents as a result of having a warm home and reduce risk of cold related ill health, this will support our fuel poverty/cost of living programmes.				
 <b>Creating safer, stronger, greener and cleaner communities where everyone belongs</b>	✓			
The actions being implemented reduce carbon emissions and will aim to protect residents from rising energy costs.				
 <b>Nurturing a child and family-friendly borough</b>	✓			
This project will look to support those on the lowest incomes many of which will be families. The thermal improvement programme will help to support the mental and physical wellbeing of children and young people by reducing incidences of cold related illness.				
 <b>Building Transport and digital connections fit for the future</b>				✓
Not Applicable				
 <b>Promoting the borough and its cultural, sporting, and heritage opportunities</b>				✓
Not Applicable				
<b>Fair &amp; Inclusive</b>	✓			

Supporting residents with housing retrofit, ensuring all communities benefit.

**Legal Implications [Officer Initials: NJD | Date: 23/10/23]**

35. Section 1 of the Localism Act 2011 provides the Council with a general power of competence, allowing the Council to do anything that individuals generally may do. Section 111 of the Local Government
36. SYMCA have advised the Council of a number of conditions which will form part of the funding agreement (set out at paragraph 19) and the Council have made a request to SYMCA to allow unspent funding to be transferred to be used for privately owned homes for qualifying works on social homes.
37. Legal should be contacted to review the funding agreement once received. The Council we be required to comply with the terms and conditions of the funding agreement as failure to do so may invoke clawback.
38. The Council must procure any works/services relating to this funding in compliance with the terms and conditions of the funding agreement, the Councils contract procedure rules and the public contracts Regulations 2015.
39. Should the Council fail to comply with the terms and conditions of the funding agreement, SYMCA may invoke clawback of the funding.
40. Further legal advice will be given as the project progresses

**Financial Implications [Officer Initials: DH/MS | Date: 25/10/23]**

41. The report is seeking approved delegation of acceptance £2.7m South Yorkshire Mayoral Combined Authority Gainshare funding to the Director of Place and Assistant Director of Finance once a detailed funding agreement has been received.
42. The funding contribution will be used towards the Council's Thermal Improvement Programme equating to £5k per property for an estimated 250 Council properties and a further £40k per property for deep retrofit works to an estimated 21 Council properties.  
A further £10k per property will be used to contribute towards external wall insulation works to 50 neighbouring private owned homes.
43. The exact terms and conditions of the grant are yet to be received however it is expected that match funding totalling £4.385m will be required. This will be met from approved resources for the Thermal Improvement programme in the Housing Capital programme, including the recently awarded government



Social Housing Decarbonisation Fund (SHDF) Wave 2. A breakdown of the indicative costs has been provided by the existing contractor and are detailed along with the match funding assumptions at Para 17.

44. Upon approval, the grant will be added into the Housing Capital programme and reflected in the quarterly Finance and Performance report.
45. The acceptance of the £2.7m Gainshare funding award is subject to Financial Procedure Rules, in particular:
  - a. E.13 Directors are responsible for ensuring that action plans are in place (including exit strategies and match funding arrangements) for all external funding within the Directorate.
  - b. E.14 The CFO, in consultation with the respective Director, is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts. Directors are responsible for promptly informing the CFO about such funding and of any subsequent modifications to timing and amounts of anticipated funding.
  - c. E.15 Where the income is receivable against a grant claim, the respective Director is responsible for producing the grant claim and shall provide sufficient information to enable the claim to be signed by the Chief Executive, CFO or any other relevant person where appropriate.
46. The Council has an uncommitted allocation of Gainshare capital funding of £83m over 26 years. The housing retrofit works are considered to be committed by SYMCA. The Council could decide not to accept the grant and that would increase the uncommitted balance and enable the funding to be spent on other priorities.

#### **Human Resources Implications [Officer Initials: AA | Date: 26/10/2023]**

47. There are no direct HR Implications in relation this report.

#### **Technology Implications [Officer Initials: NR | Date: 23/10/23]**

48. There are no specific technology implication in relation to this report, however, where a technology requirement is identified, Digital and ICT will need to be consulted.

#### **Procurement Implications [Officer Initials: GS | Date: 26/10/23]**

49. The works set out in this report will be completed via contract agreement C9716 External and Internal Repairs and Improvement Works. This contract was commissioned in compliance with the Councils Contract Procedure Rules

and UK Procurement Regulations and by accessing the EN:Procure Installation and Repairs Framework which was procured via contract notice [2019/S 100-241324](#)

50. Procurement therefore supports the recommendations set out in this report.

## **RISKS AND ASSUMPTIONS**

51. The timing of delivery combined with inconsistencies of labour and materials supply chain makes it challenging to deliver the scheme in full by March 2025. The council's experience of delivering housing retrofit over the past 3 years has been the most challenging. The works are to a higher standard and are more complex, as is the monitoring and reporting for compliance. This creates a significant draw on resources for the contractor and project managers in the council.
- a. The Council has procured a preferred contractor who has already started to mobilise in the target area.
  - b. The installation of external wall insulation is the most important part of the proposed bid, and key to securing the fuel poverty and carbon reduction outcomes. The works are weather dependent and, although we should be working in the dryer seasons, weather will no doubt interrupt the works at times.
  - c. In addition to our strong community connections and use of intelligence data, we have Neighbourhood Sustainability Officers whose job is to target and support households through the grant application process and so our resident liaison resource can ensure residents are fully engaged and supported pre, during and post works.
52. Not everyone will benefit.
- d. The Council has a strong record of delivering home energy efficiency improvements, but there are some who missed out on previous schemes that could be revisited.
  - e. The Council can seek to blend the SHDF with existing schemes to enable a more inclusive scheme, but there will still be some homes that cannot benefit from a full package of works due to the qualifying criteria limiting a totally inclusive scheme.
  - f. The SHDF funding will extend an existing program of works delivering high value works to low-income residents who are unable to afford them. This is a small scheme, but it is very worthwhile.
53. Works are not completed, and monies are not defrayed by the 31<sup>st</sup> March 2025, which would result in an underspend that would need returning to the funder.
- a. The council already has experience of this. The short timescales given for delivery and defrayment of funds are short. This is compounded by the various challenges, many of which are out of council control such

as the weather, rising costs influenced by global events, availability of labour due to the huge demand on the insulation market.

- b. The compliance and evaluation process has also had significant changes. Compliance experts are overwhelmed with offers of work. They are struggling to meet the demand and they can choose to work for the highest bidder.

## **CONSULTATION**

54. Mayor – Ros Jones
55. Cllr Mark Houlbrook – Cabinet Member for Sustainability & Waste
56. Cllr Glyn Jones – Deputy Mayor and Cabinet Member for Housing and Business

## **BACKGROUND PAPERS**

57. None.

## **GLOSSARY OF ACRONYMS AND ABBREVIATIONS**

58. SYMCA – South Yorkshire Mayoral Combined Authority
59. SHDF – Social Housing Decarbonisation Fund
60. DESNZ – Department for Energy Security & Net Zero

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