

London Borough of Enfield

Operational Report of Housing and Regeneration Director of Place

Subject: Memorandum of Understanding – signing up to the Memorandum of Understanding for release of grant funding from BEIS for Wave 1 SHDF

Cabinet Member: Cllr Gina Needs, Cabinet Member for Social Housing

Executive Director: Sarah Cary, Executive Director Place

Key Decision: KD 5441 / U239.

Purpose of Report

1. To obtain approval to proceed with and sign up to central government funding from the Department for Business, Energy and Industrial Strategy (BEIS) that is available to Enfield council by signing up to the Memorandum of Understanding (MOU).
2. The Council submitted an application to the Social Housing Decarbonisation Fund Wave 1 competition and were notified that they were successful on the 7th February 2022. The next stage in the process is to sign and return the MOU by the 28th February 2022 to ensure release of the funding.
3. 70 properties were included in the application as 'shovel ready' project as these properties had been identified in a capital works project for the installation of external wall insulation.
4. The signing of the Memorandum of Understanding will release BEIS funding an to the value of £787,588.31 and enable the external wall insulation works to proceed to the 70 Council properties.
5. The Council's match funding of this energy efficiency upgrade works will be drawn down from the existing demand-led works budget in the housing capital programme as detailed in KD 4969 Housing Revenue Account 30 year business plan which authorises the council to draw down and use the budget in this way.

Proposal(s)

6. In accordance with the delegated powers provided under Key Decision 5441 / U239, that the Director of Housing and Regeneration approve signing the Memorandum of Understanding by the 28th February 2022 deadline to ensure grant funding from Central Government is obtained.
7. To authorise entry into the Memorandum of Understanding and complete all other necessary legal documentation to achieve the objectives of the energy efficiency upgrade works.
8. To use grant funding to support the approved capital programme which will result in no addition to the programme or any increase in borrowing.

Reason for Proposal(s)

9. Enfield Council have been successful in the bidding application for Wave 1 SHDF funding and the next step is for Enfield Council to sign and return the Memorandum of Understanding and associated documentation included within the MOU by the 28th February 2022 to secure the funding.
10. If documentation is returned after this date BEIS cannot guarantee grants will be processed and we may have to retract our offer. Ultimately, if the MOU is not signed and returned by the 28th February 2022, the grant offer will be retracted.
11. The release of the external funding from Central Government supports the Council in the delivery of a retrofit plan, working towards a minimum SAP score of 86 for every property by 2030 and the targeting of investment in order to achieve its Carbon Neutral Pledge.

Relevance to the Council Plan

12. The energy efficiency upgrade works will support the priorities and principles contained in Councils Climate Action Plan to commence the decarbonisation of the Councils Housing stock.

Background

The Assessment Criteria included in the application for Wave 1 SHD funding scheme:

- We have identified 70 households in an existing capital works project that would benefit from energy efficient retrofit measures such as external wall insulation to existing solid walls, that currently have EPC ratings of D.
- To help these homes move to C and above ratings, we will install external wall insulation. We are taking a fabric first approach as doing so reduces the energy needs of the property and will enable any low carbon heating and renewable measures to be more effective and efficiently sized to meet the needs of that insulated property.

- Our ambition is that after the installation measures have been completed, all properties addressed in this project will improve their EPC rating to C or above. This will be measured by the Pre- and Post-EPC assessments.
- We plan to use this funding to target properties where our residents are most at risk of fuel poverty. These works target specific housing property types ie solid wall construction and form part of the overall strategic objectives contained in Enfields Climate Action Plan and Housing Asset Management and Sustainability Strategy.
- These households will all have EPC ratings of D with the potential to improve towards an EPC rating of Band C or above. We will verify these EPC ratings by using a combination of LA stock surveys and registered EPC data. Of the 61 households targeted, early estimates demonstrate that the majority will improve to C as a result of the proposed measures.
- If there is no existing EPC at a property, we will undertake energy performance assessments to ensure these properties are in scope, ensuring there are clear Pre-EPCs and Post-EPCs once the retrofit measures have been installed.

The Memorandum of Understanding (MOU)

13. This Memorandum of Understanding describes the way BEIS and the LA will work together, the roles and responsibilities of both, and the understanding regarding the grant for Wave 1 SHDF funding.
14. We are required by BEIS to review and return completed and signed, including any documentation and information requested in Appendix 1 of the MOU by 28th February 2022.
15. We have received prior Cabinet approval for the HRA 30 Year Business Plan 2020 and approval for the 5 year investment programme which was provided in January 2020 (KD4969) as such we have the relevant authority for a total spend of £245m within the 5 year programme for “Environmental improvements” and it has been identified that the capital expenditure for the deep retrofit works to the 36 properties will be funded from the 30 year Capital Programme at to the report which shows £2.5m under ‘Environmental Improvements’.
16. Advice has been sought from the Councils Legal Team and although it is acknowledged that monies have been moved around within the 5 year programme between years to consolidate the spend in 2021/22 to match fund these energy efficiency works, we are still within the agreed spend envelope. The reprofiling of the budget is approved.
17. The 70 properties that have been identified for the energy efficiency works fall with 4 Council Wards which are Southbury, Bush Hill Park, Cockfosters and Ponders End.

Main Considerations for the Council

18. The 70 properties that have been identified by Enfield Council to be put forward for external wall insulation works and the amount of funding that would be available for this from BEIS is £787,588.31.

19. Due to time constraints imposed by BEIS the MOU needs to be signed and returned to BEIS by Monday 28th February 2022 and it was not possible to give the required 28 day notice and include the decision on the Council's Key Decision List because of the tight timescale imposed by BEIS.
20. We request Rule 16 is implemented and authorised as due to the tight time constraints imposed by BEIS there is a real risk that the council will lose out on the funding available if the Memorandum of Understanding is not signed and returned within the specified timescales imposed by BEIS.

Monitoring

21. In adherence with the Memorandum of Understanding monitoring will be undertaken in accordance with Key Performance Indicators specified in the MOU to ensure the release of funding at the various critical stages.
22. The works are scheduled to be completed by 31st January 2023.

Safeguarding Implications

23. As with all projects involving council tenants, there are potential safeguarding implications for young people, children and vulnerable adults. These risks will be managed through normal housing capital works procedures (e.g. DBS checks for suppliers).

Public Health Implications

24. Our Joint Health and Wellbeing Strategy sets out how we will work with partners to make Enfield a place where people eat well and are active, smoke-free and socially connected.
25. Homes which are better insulated and require less energy and cost to heat are better for resident's health. Also, retrofit has the potential to address internal air quality, mould and damp health issues.

Equalities Impact of the Proposal

26. It is not envisaged that the strategy will have a negative impact but may have a positive impact in terms of fuel poverty and potential creation of jobs.

Environmental and Climate Change Considerations

27. In line with the Climate Action Plan and with Government support and external funding enables the Council to work towards a minimum SAP score of 86 for every property by 2030.

28. The Climate Action Plan baseline shows that housing stock counts for 31% of the Council's overall emissions, therefore the implementation of energy efficiency works to Council houses will contribute towards reducing these.
29. The successful attainment of this funding will put the Council in a position to better deploy resources and tailor future interventions and funding opportunities.

Risk Management

30. Risks that may arise if the proposed decision and related work is not taken

Risk Category	Mitigation
Strategic	<p>Risk: The Council does not deliver against the Climate Action Plan targets.</p> <p>Mitigation: By signing up to the Memorandum of Understanding and the energy efficiency works starts the Councils journey in achieving its long-term vision and ambitious target to reduce borough wide emissions.</p>
Financial	<p>Risk: Failure to sign up to the memorandum of Understanding will result in the missed opportunity of obtaining Government Funding and the commencement of energy efficiency works to residents and Council Housing that has been identified as being most in need of these works.</p> <p>Mitigations:</p> <ul style="list-style-type: none"> • Sign up to the Memorandum of Understanding and make best use of partnership opportunities and external funding streams. • Develop property type specific feasibility case studies to ensure all reasonable costs are captured. • Explore strategies to decrease the additional cost – such as using economies of scale in supply chain, funding and grants and setting the standards at the 'launch' of the project.
Reputational	<p>Risk: Failure to sign up to the Memorandum of Understanding when other LA Partners that have been successful in obtaining funding are progressing.</p> <p>Mitigation:</p> <ul style="list-style-type: none"> • Sign up to the Memorandum of Understanding and make best use of partnership and external funding streams, create employment opportunities in the supply chain and the delivery of works.

<p>Operational and financial</p>	<p>Risk: that the energy efficiency works are unsuccessful in reducing energy use or cause unforeseen issues for tenants</p> <p>Mitigation:</p> <ul style="list-style-type: none"> • Learn lessons from other local authorities that have obtained funding • Monitor implementation • Engage and brief residents early on, so they understand the works being undertaken <p>Risk: That insufficient progress is made within the required timescales regarding the attainment of financing; funding and skills to support programme delivery</p> <p>Mitigation:</p> <ul style="list-style-type: none"> • Create capacity within the Housing asset team to deliver the deep retrofit programme; • Share knowledge and expertise across council departments and the Sustainability Project Board. • Learn lessons from other local authorities in the same programme
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Financial Implications

Budget - capital

31. Budget of £1.650m has been approved for 2022/23 in respect of external works and it is assumed these are funded from internal HRA resources.
32. The approved budget for 2021/22 is £1.931m and an element of this is expected to slip into 2022/23 which will also be eligible for grant funding.
33. There will be no increase in the capital budget from this proposal.

Budget - revenue

34. External grant of £787,588 will enable internal resources to be used for other schemes or offset borrowing for development schemes in the HRA
35. Assuming an average borrowing rate of 3½% interest expense would reduce by some £28k per annum if the impact of the grant was fully recognised in diminishing the requirement to borrow elsewhere in the HRA.

Key Grant conditions and accounting treatment

36. Terms of grant require eligible expenditure to be completed by 31 March 2023 and expenditure to be on eligible works and properties.

37. Although there are conditions for repayment these cover extreme conditions where the grant is used ultra-vires or the claim made fraudulently.
38. As there is no explicit condition for repayment should the grant not be utilised by 31st March 2023 the grant should be classified as Capital Grants unapplied as opposed to a Receipt in Advance as the probability of repayment is considered remote. This accounting treatment is in accordance with the revised Code of Practice to be used for the closing of the Council's account 2021/22.

Borrowing

39. The grant cannot be used for major works although it can be used in place of internal resources which could then displace the requirement to borrow elsewhere in the HRA.
40. There will be no increase in borrowing as a result of this proposal.

Taxation

41. Grant is outside scope of VAT and applicable input tax recoverable through normal mechanisms.

Legal Implications

Workforce Implications

42. There are no immediate implications and no redundancies. The Housing Capital Programme team will need to gear up to support this programme.

Property Implications

43. Contained within the body of this report.

Other Implications

44. None

Options Considered

45. To not sign the Memorandum of Understanding and miss out on £787,588.31 of grant funding to improve the energy efficiency of homes for residents.

Conclusions

46. By signing up to the Memorandum of Understanding the Council will be

in receipt of Central Government funding that will support the delivery of Enfield Council's Housing and Growth Strategy 2020-2030 and specifically the objective of "Investing and being proud of our Council homes" and the delivery of the Council's Climate Action Plan.

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Date of report 22 nd February 2022

Confidential Appendix – Memorandum of Understanding