

TITLE OF REPORT: **Heat Network Efficiency Scheme Grant Funding for East Street Flats**

REPORT OF: **Colin Huntington, Strategic Director, Housing, Environment and Healthy Communities**

Purpose of the Report

1. To inform Cabinet of an urgent decision taken to bid for £0.75m of funding from the Heat Network Efficiency Scheme (HNES) to refurbish the heating system of East Street Flats.
2. To inform Cabinet of an urgent decision taken to accept £0.75m of funding from HNES following a successful outcome of the funding bid over the summer recess.

Background

3. The Council developed and submitted a speculative bid to the Heat Network Efficiency Scheme (HNES) to support heating system improvement works at East Street Flats, Bridges Ward (120 properties)
4. The bidding window was too short to allow full consultation and submission of cabinet report at the time, and chances of success were unknown. The Council was informed of a successful bid on 11th August 2023, and was required to accept the funding by 4 Sept 2023.

Proposal

5. Its reported to Cabinet that officers took urgent decisions to both submit the bid initially and to accept the grant.

Recommendations

6. It is recommended that Cabinet:
 - (i) notes the urgent decision taken to bid for £0.75m of HNES funding to support the refurbishment of the heating systems at East Street Flats; and
 - (ii) notes the urgent decision taken to accept £0.75m of HNES funding to support the refurbishment of the heating systems at East Street Flats

For the following reasons:

- (i) The refurbishment works are required with or without the funding and this will help to reduce the financial cost for the council

- (ii) These works will benefit the residents of the flats, with more efficient heating for their homes and resulting in reduced heating bills
- (iii) These works will reduce the energy use and carbon emissions of the blocks, support the Climate Change Strategy

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APPENDIX 1

Policy Context

1. The project is to take place in line with the priorities detailed in the Housing Revenue Account (HRA) Asset Management Strategy. The proposal has been developed to support funding to undertake improvement works at East Street Flats (Park, Peareth & Priory Courts). This will contribute to the Council's Thrive Agenda, by reducing heating bills for 120 Council tenants, and improving housing condition. It will also support the Climate Change Strategy, by saving energy and reducing carbon emissions.

Background

2. In line with the priorities detailed in the HRA Asset Management Strategy a scheme is being developed to undertake improvement works at East Street Flats (Park, Peareth & Priory Courts). Work has been undertaken to survey and inspect the blocks to facilitate the development of a package of works that will deliver improvements, linked to the Decent Homes Standard, the Building Safety Agenda and Climate Change Strategy.
3. The blocks were built with a communal heat network, which is now 50 years old, and has never been upgraded. In 2018, the blocks were connected to Gateshead's District Energy Network, to provide low cost, lower carbon source of heat for the blocks, but no additional works were possible at that time to the communal network and heating systems within flats.
4. The East Street flats heating network has high heat losses leading to poor efficiency, and heating controls for residents are minimal. There is no heat metering to allow residents just to pay for what they use, and the system is at risk of failure. As a result, customer heating bills are high, and equally shared by residents, regardless of how much heat they use. Heating costs have increased significantly over the past 5 years – initially, as the Council increased the charges to ensure full cost recovery of heating bills for the blocks, and recently due to the energy crisis.
5. The project will address these issues by completely replacing all of the heating pipes supplying heat to the blocks and into homes. In addition, residents will receive new radiators, heating controls and smart heat metering, so they pay for what they use. Hot water tanks will be removed and replaced with instantaneous hot water supply from the heat network. Heat losses are estimated to be reduced by 40%, customer demand by 15% and customer bills will drop by 20%.
6. This funding is specific to upgrading the heating network of the blocks but will form part of a wider package of works under development, which will include wall insulation for the blocks, new double-glazed windows, and other necessary safety and condition works.

Proposal

7. The Government's Heat Network Efficiency Scheme HNES is a core element of the government's Heat Network Transformation Programme, aiming to improve efficiency of heat networks, and in particular support heat networks where customers are at a detriment financially, due to inefficient, old systems.
8. The most recent bidding window for HNES opened in mid April 2023, with a deadline to submit a funding bid by mid May 2023. The bid was developed by the Energy Services Teams, within Energy, Major Projects and Development Service. Due to the short bidding window, the bid was submitted as an urgent decision, approved by the budget holder for the HRA, the Deputy Strategic Director, Housing, Environment and Healthy Communities. This was the Council's first bid to this funding scheme, and chances of success were unknown.
9. The Council was notified of the successful outcome of the funding bid on Friday 11th August 2023. There was a requirement to sign the Memorandum of Understanding (MoU), to accept the grant funding, by 4 Sept 2023, or the Council risked losing the funding. Another urgent decision was taken by the Deputy Strategic Director, Housing, Environment and Healthy Communities to accept the funding, with the MoU signed by the Strategic Director, Resources and Digital and the Strategic Director, Corporate Services and Governance

Next Steps

10. Funding for the heating elements is provided in financial years 2023/24 and 2024/25 and must be spent within this period. Energy, Major Projects and Development Service has been appointed to manage the design and construction of the wider East Street Flats refurbishment scheme for the HRA. The target is to complete the heating works by end March 2025, with other works continuing into 2025/26.
11. Work is ongoing to determine a procurement route and to develop detailed design and construction budgets, which will be brought to cabinet in October 2023 at the earliest to seek approval to commence the procurement and delivery of the detailed design stage. Following design, and further cabinet report confirming construction costs and scope is expected around March 2024.
12. It's noted that the construction sector still is experiencing considerable inflation, and only after the design stage will the Council determine the final scope and budget for the scheme. It's possible that all of the improvements required in the wider refurbishment scheme may not be affordable, and Cabinet will be provided with what is affordable at that stage.

Consultation

13. Housing and Economy Portfolio has been informed of the grant acceptance, as well as Ward Members via a briefing note only, due to the late nature of the report.

Alternative Options

14. *Defer bidding to allow time to consult cabinet on bid submission.* Later rounds of funding were available however this would have not left sufficient time to deliver works by March 2025.
15. *Not accept the funding agreement.* The Council would have lost the £0.75m grant funding, severely impacting the scope of works that could be funded by the HRA at East Street Flats.

Implications of Recommended Option

16. Resources:

- a) **Financial Implications** – The Strategic Director, Resources and Digital, confirms that the programme of works this funding will support was planned within the Housing Revenue Account (HRA) capital programme and therefore will have a positive impact on the funding available within the HRA.
- b) **Human Resources Implications** – the funding will support project administration costs within Energy, Major Projects and Development, as part of income targets to cover service staffing costs.
- c) **Property Implications** – The funding for this project will deliver energy and fabric improvements for East Street Flats, providing improved homes for council tenants and securing the sustainable future for these blocks

17. Risk Management Implication – There is a risk that if they funding is not accepted, the improvement works may not be able to be funded from the overall HRA refurbishment scheme, which would impact the overall success of the project and have a detrimental impact on the residents.

18. Equality and Diversity Implications - None

19. Crime and Disorder Implications – None

20. Health Implications – The grant will support the improvement works to help residents of the flats to have safer and warmer homes, reducing the potential of them living in fuel poverty. By providing residents with more energy efficient homes that are cheaper to heat, to project is supporting them to live in a healthier home.

21. Climate Emergency and Sustainability Implications - The improvement works will provide more efficient properties, reduce heat loss and support the longevity of the properties to continue their use and ensure their sustainability.

22. Human Rights Implications - None

23. Ward Implications - The properties are within the Bridges ward.

24. Background Information - N/A