

Meeting:	Executive
Meeting date:	18th April 2024
Report of:	Director of Housing, Economy and Regeneration
Portfolio of:	Councillor Michael Pavlovic, Executive Member for Housing, Planning and Safer Communities Councillor Jenny Kent and Councillor Kate Ravillious, Executive Members for Environment and Climate Emergency

Housing Retrofit Update

Subject of Report

1. Around a third of the city's carbon emissions are from our homes. Reducing the energy consumption of our homes alongside the transition to low carbon heating systems are vital in supporting York becoming a net zero city. Alongside the climate challenge, our residents have experienced a significant economic cost of living crisis which has hit lowest income families the hardest. This has resulted in less people being able to afford to adequately heat their home, which is known to have a negative impact on both our mental and physical health. In order to help tackle this issue the council has been leading on a number of energy efficiency retrofit projects. This report seeks decisions to deliver further retrofit works in the private and social housing sector as well as supporting future retrofit activity through advice and support.
2. This paper provides an update on council led residential retrofit activity in the city, including completed retrofit works and on-going projects. This includes works to improve both Council housing stock and homes in the private sector. This work is motivated around three key objectives, to reduce the city's impact on climate change, to reduce fuel poverty, and to improve the health of people's homes.

3. Further to providing an update on existing projects, the report seeks decisions to progress our activity in the delivery of further retrofit works. Within the private sector approval is sought to enter into a delivery contract under the Home Upgrade Grants Phase 2 (HUG2) project. This project will deliver retrofit works for 60 low-income households who live in off-gas homes. The work is 100% grant funded and will take place during this financial year.
4. In the social housing sector, the paper seeks approval to enter into a Grant Funding Agreement with the York and North Yorkshire Combined Authority for a £1,895k investment into new low carbon communal heating systems at Alex Lyon House and Honeysuckle House which are council owned Independent Living Communities (ILC). The works are 100% grant funded using the Net Zero Fund. These works will both create a low carbon solution and crucially will significantly reduce fuel bills for the residents of these homes, estimated to be around a 50% reduction in cost.
5. Furthermore, the paper identifies the progress of the Local Energy Advice Demonstrator (LEAD) project which will both create demand for future retrofit work and support its delivery through advice. This project, led by the council, commenced in November 2023. The council is delivering retrofit advice alongside partners and this report notes progress on the signing of grant funding agreements with Joseph Rowntree Housing Trust, York Conservation Trust, York Travellers Trust, and Leeds Beckett University. This partnership will deliver retrofit advice for properties which are 'hard to treat' and will support residents who are often missed or not engaged with.

Benefits and Challenges

6. The key benefits of making the decisions outlined in the report are:
 - a) Noting the progress achieved so far in retrofit works and energy efficiency schemes undertaken by the Council in working towards the Council's ambition to be a net zero carbon city by 2030.
 - b) Noting the commencement of new retrofit and energy efficiency schemes undertaken by the Council.

- c) Enabling the Council to deliver the HUG2 project to enable up to 60 off gas properties to receive energy efficiency and retrofit measures, with measures being aimed at properties with an energy performance certificate (EPC) rating of D, E, F or G, and where the household income is £36,000 a year or less.
- d) Enabling the Council to work in partnership with the city partners to deliver retrofit assessments within their properties and provide their residents with energy retrofit advice.
- e) Enable the Council to upgrade 62 flats at two ILCs with low carbon, renewable based communal heating systems in place of existing expensive and higher carbon storage heater and immersion hot water systems. The communal areas of the schemes would also benefit from the upgrade. Once completed, the total Carbon savings are expected to be 305 tCO₂e (tons of carbon dioxide equivalent) over the next 10 years.

Policy Basis for Decision

- 7. All the updates and proposals, align with a number of the Council's commitments, including:
 - 2) **Affordability** – by delivering lower utility costs for people on lower incomes in up to 60 private sector homes and 62 council owned apartments and communal areas in 2 ILC schemes in York.
 - 3) **Climate** – reducing carbon emissions by increasing the thermal efficiency of up to 60 properties in York and providing low carbon heat sources and power generation for 122 homes across the projects.
 - 4) **Health** – improving the health of residents of York through improvement to properties thermal efficiency to help people stay warm in their homes.

In addition, they will also support the Council Plan priorities and the Council's ambition to be a net zero carbon city by 2030.

- a) **Health and wellbeing: A health generating city, for children and adults.**
Exposure of residents to excess cold exacerbates a range of health conditions and contributes to increased hospital

admissions during the winter months. Older and disabled residents are particularly at risk from excess cold. Retrofitting homes will make tangible improvements to the energy performance of dwellings thereby reducing incidents of excess cold and associated ill health. Excess cold and unaffordable utility bills are also factors which can contribute to mental ill-health. Therefore, these projects can provide a positive base for improved mental health for residents.

b) Education and skills: High quality skills and learning for all

Retrofit of existing homes requires a skilled workforce and is labour intensive by the nature of the work involved. People working in the construction industry are typically paid above the national average. Utilising central government grant funding to deliver works creates opportunities for work with the supply chain to create opportunities for further training and skills development locally.

c) Economy and good employment: A fair, thriving, green economy for all.

The projects will invest millions of pounds into the local green economy.

f) Sustainability: Cutting carbon, enhancing the environment for our future.

Carbon emissions from the residential sector accounts for a third of all carbon emissions in York. Retrofit improves the thermal performance of existing dwellings, reduces heating demand, transitions homes to low carbon solutions, and thus reduces reliance on fossil fuels.

Financial Strategy Implications

8. The value of the capital contract for HUG2 is £1,056k funded directly from the HUG2 Government Grant awarded by the Department of Energy Security and Net Zero.
9. In addition, City of York Council has been allocated funding of up to £186k to administer the scheme and support the employment of a 0.8 FTE project manager and 0.5 FTE Technical Support Officer for the duration of the project.
10. City of York Council is not required to make any contribution towards the scheme, so there no implications on the Council

budget. However, if the contract is not awarded and the scheme does not proceed then this would result in the loss of £1,242k in capital funding and the potential requirement to repay some or all the funding provided to date. To date, this amounts to a figure of £95k.

11. The value of the LEAD project is £500,000, funded directly from the LEAD Government Grant awarded by the Department of Energy Security and Net Zero, which is supporting the employment of 1.0 FTE project manager, 2.0 FTE Energy Efficiency and Retrofit Advisors, 0.5 FTE Technical Support Officer for the duration of the project.
12. City of York Council is not required to make any contribution towards the scheme, so there are no implications on the Council budget. Part of the project will require working and funding partners, such as the Joseph Rowntree Housing Foundation, to assist with the scheme, as well working with procured delivery partners. Any costs involved with such partnerships will be funded through the allocated LEAD grant awarded.
13. The proposed £1,895k Net Zero Fund grant funding to upgrade the heating systems at Alex Lyon House and Honeysuckle House will resource 100% of the project costs including the council's own project management costs. This represents a significant capital investment in our council house assets.

Recommendation and Reasons

14. Recommendations

Executive are asked to:

- a) Note the progress achieved so far in the completion of energy efficiency and retrofit projects under the following grant funded programmes, Home Upgrade Grant Phase 1 (HUG1), Local Authority Delivery Phase 3 (LAD3), and the Social Housing Decarbonisation Fund Wave 1 (SHDF1).
- b) Note the commencement of new energy efficiency and retrofit projects, including the Local Energy Advice Demonstrator (LEAD) project, Retrofit One Stop York (ROSSY) project, and the Social Housing Decarbonisation Fund Wave 2 (SHDF2).

HUG2

- c) Approve the Council entering into the Home Upgrade Grant Phase 2 delivery contract with Clear Climate, as the winning bidder of the recent procurement exercise.
- d) Delegate authority to the Director of Housing, Economy and Regeneration in consultation with the Head of Procurement and the Director of Governance (or their delegated officers), to conclude the terms of the HUG2 contract with Clear Climate.

LEAD

- e) Note the signing of a grant funding agreements, as part of the Local Energy Advice Demonstrator (LEAD), with Joseph Rowntree Housing Trust. Note the intention to enter further grant funding agreements with York Conservation Trust, York Travellers Trust, and Leeds Beckett University, to enable the delivery of high-quality retrofit surveys and advice which target properties which are 'hard to treat' and residents who are often missed or not engaged with. Such agreements, and the associated transfer of grant funds, will enable a significant number of retrofit surveys and thereby support effective planning for future retrofit delivery works.

Net Zero Fund

- e) Approve the Council entering into the Grant Funding Agreement with York and North Yorkshire Combined Authority for the Net Zero Fund allocation for Alex Lyon House and Honeysuckle House, totalling £1,895k and delegate to the Director of Housing, Economy and Regeneration, in consultation with the Head of Procurement and Director of Governance (or their delegated officers), authority to conclude terms of the grant funding agreement.
- f) Delegate authority to the Director of Housing, Economy and Regeneration, in consultation with the Head of Procurement and the Director of Governance (or their delegated officers), to carry out procurement processes in compliance with the Council's Contract Procedure Rules and the Public Contract Regulations 2015 to seek suppliers for the delivery of the Net Zero Fund projects at Alex Lyon House and Honeysuckle House, and to subsequently enter into contracts covering design, consultancy services and construction works.

Reason: To deliver the council's ambitions for minimising the energy bills of those residents facing financial challenges, supporting health and wellbeing, building the local green economy, and retrofit supply chains, and reducing carbon emissions in the city and to ensure the provisions of the Subsidy Control Act 2022 are complied with.

Background

15. Household energy bills have increased substantially since 2021, with a typical bill likely to have doubled over this period. This is taking into account the central government Energy Price Guarantee announcement, or the increases would have been greater still. These costs have significantly raised the number of households experiencing fuel poverty. Alongside the challenge for residents to keep their homes warm, the council has set an ambition for the city to be a net zero carbon city by 2030 to support the response to the climate emergency. These two challenges bring into sharp focus the need to undertake significant retrofit improvements to housing in the city.
16. A Retrofit Action Plan was approved by the Council's Executive in December 2022, setting out plans for decarbonising homes in York and tackling fuel poverty across all tenures. This Plan builds on the Climate Change Strategy, identifying clear actions required in the residential sector to meet these aspirations. Amongst the key priorities identified are to "Maximise delivery of future government programmes" in the private sector to tackle fuel poverty and accelerate the expansion of retrofit skills in the sector.
17. The Retrofit Action Plan identifies workforce skills and capacity as a key element of meeting the council's decarbonisation aims. Specific commitments include:
 - Ongoing skills programme for our in-house Building Services team to increase our own capacity to deliver works; and
 - Extending existing links with local colleges in addition to other training providers to develop a retrofit skills pathway
18. UK Shared Prosperity Funding is being utilised to help address the local retrofit skills shortage and support delivery of the Retrofit Action Plan. As agreed by Executive in February 2024, the council will develop and deliver a training programme for those involved with retrofitting social housing. The plan for this year is to establish

a cohort, led by the council's own Building Services teams, and other Registered Provider social landlords with homes in the city. Cohorts for priority courses and training have been identified covering the following areas: Retrofit awareness, PAS2035 roles, Heat Pump Systems, Domestic Ventilation, External Wall Insulation (EWI) and Floor Insulation.

19. The council has been highly successful in attracting grant funding in-order to accelerate retrofit works across private rented, homeowner and social housing tenures. This work has directly supported residents in fuel poverty by significantly improving the energy performance of their home.

Progress in delivering Retrofit works

20. Central government funded retrofit works are required to be undertaken utilising an exacting PAS2035 design and assurance standard. These works are delivered by a relatively immature retrofit market at a time of significant cost inflation. Alongside the supply chain skills shortage, the council has needed to develop expertise in this field to support the delivery of these works. This has created significant challenges in delivering retrofit works at scale within the very short timescales which are associated with these government grant funding programmes.
21. Despite these challenges the council has made significant progress in delivering retrofit works to date.

Completed Private Sector Property Retrofit Projects

22. In the private sector, retrofit works have been delivered utilising grant funding secured through Local Authority Delivery Phase 1B (LAD1B), Local Authority Delivery Phase 2 (LAD2), Local Authority Delivery Phase 3 (LAD3), and Home Upgrade Grant 1 (HUG1) schemes.

LAD1B

23. Under LAD1B a total of 122 homes have been improved, carrying out 139 different retrofit measures, with works being undertaken in properties in York, Selby, Craven and Harrogate. Of these works, 60 measures were installed in 52 private homes in York. This scheme finished in October 2022.

York Retrofit Measures	Number
Room in Roof Insulation	14
Cavity Wall Insulation	13
Loft insulation	33

LAD2

24. Under LAD2 a total of 29 private homes have been improved, carrying out 29 different retrofit measures, with works being undertaken in York and Selby. Of these works, 27 measures were installed in 27 private homes in York. Works were completed in October 2022.

York Retrofit Measures	Number
Room in Roof Insulation	1
Solar Photo Voltaic Panels	26

LAD3

25. For LAD3, a total of 208 energy measures were installed in 173 homes, with works being undertaken in properties in York, Selby, Craven and Harrogate. Of these works, 141 measures were installed in 120 homes in York, with works being completed in October 2023.

York Retrofit Measures	Number
External Wall Insulation	7
Underfloor Insulation	1
Cavity Wall Insulation	1
Loft Insulation	31
Hybrid Air Source Heat Pumps	10
Solar Photo Voltaic Panels	81
Smart Heating Controls	10

HUG1

26. For HUG1, a total of 29 energy measures were installed in 26 homes, with works being undertaken in properties in York, Selby, and Harrogate. Of these works, 13 measures were installed in 12 homes in York, with works being completed in October 2023.

York Retrofit Measures	Number
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Loft insulation	2
Air Source Heat Pumps	2
Solar Photo Voltaic Panels	9

27. As a result, we have, to date, undertaken around 405 improvement measures in 350 homes in the private sector, with 241 of these measures being installed in 211 York homes. All these works have been entirely funded utilising central government grant to qualifying low-income households.

Completed Council Property Retrofit Projects

28. In respect of works completed to council homes, the Council has delivered energy efficiency and retrofit measures through grant funding from the Local Authority Delivery Phase 2 scheme (LAD2) and the Social Housing Decarbonisation Fund Wave 1 (SHDF1) grant, with City of York Council contributing towards the costs of the schemes via money allocated from the Housing Revenue Account.

LAD2

29. Utilising LAD2 funding, 45 CYC council homes, 6 Joseph Rowntree Housing Trust homes, and 8 Yorkshire Housing homes have been improved, all resulting in an improved EPC rating for the property. With a total of 59 retrofit measures installed, delivery completed in October 2022.

Retrofit Measures	Number
Solar Photo Voltaic Panels	45

SHDF1

30. Under the SHDF1 scheme, a total of 28 council homes have been improved, carrying out 96 different retrofit measures, with this scheme finishing at the end of March 2024.

Retrofit Measures	Number
External Wall Insulation	1
Cavity Wall Insulation	17
Loft insulation	2
Hybrid Air Source Heat Pumps	17
Solar Photo Voltaic Panels	26

Windows	10
Flat Roof Insulation	4
Doors	10
Smart Heating Controls	9

31. Under the above scheme 73 council properties have been upgraded, with an associated improved EPC rating, helping to reduce residents' fuel bills, improve the thermal performance of their homes, and reduce carbon emissions.

Current Private Sector Property Retrofit Projects

Local Energy Advice Demonstrator (LEAD) Project

32. Following a successful application to the Northeast and Yorkshire Net Zero Hub in April 2023, a Grant Agreement of £500k was signed in November 2023.
33. The LEAD Home Energy Advice Scheme subsequently commenced delivery in November 2023, with the aim of providing home energy-efficiency and carbon literacy advice to 475 residents in York, before the end of March 2025. The advice provided will help residents to understand the requirements of their properties and empower them to approach installers. The funding was awarded on the basis of looking to support retrofit advice to residents who are often missed or not or whose homes/buildings are 'hard to treat'.
34. The City of York Council is the lead partner in a collaboration, this includes the following organisations:
- Joseph Rowntree Housing Trust – to be provided with £34.7k of grant to undertake 40 retrofit assessments on their stock and provide their residents with the results of these to support future retrofit works.
 - York Conservation Trust – to be provided with £10k of grant to undertake between 10-20 retrofit assessments and heritage statements on their properties within conservation areas.
 - York Travellers Trust – to be provided with £11.5k of grant to undertake home energy retrofit and safe space training, host three family fun dates at the three travellers' sites to encourage engagement in energy retrofit, and to undertake a

workshop at providing energy retrofit advice to the housed traveller community. Note that this is in addition to the council led stock condition survey to be carried out at council traveller sites.

- Leeds Beckett University – to be provided with £20k of grant to undertake four customer engagement workshops to inform a home energy retrofit toolkit and to provide quality assurance on advice packs.

35. The LEAD project scheme is specifically focussed on providing advice to owners, landlords and tenants of EPC D-G rated properties. These properties must be within a conservation area, be Grade 2 listed or above, or house members of the Gypsy and Traveller community.

Retrofit One Stop Shop York (ROSSY)

36. The Retrofit One Stop Shop (ROSSY) project application was submitted to, and approved, by Innovate UK at the end of 2023. Since then, mobilisation has commenced, and grant agreements are currently being drawn-up.
37. ROSSY is a combined project with 7 other partners, these are: BrightSparks Agency, University of York, York Community Energy, Energy Systems Catapult, Wrapt Homes, York and North Yorkshire Combined Authority, Abundance Finance.
38. The partnership has been created with the aim of resourcing and creating an end-to-end, home energy-efficiency retrofit, online platform that will take York residents through the entire retrofit journey, ultimately providing them with retrofit installs to meet their priorities and budgets.
39. The partnership will work together to ensure maximum resident engagement, thorough monitoring and evaluation and the use of innovative technologies to record the benefits of retrofit. The scheme also seeks to create Community Champions, provide thorough training to installers, create a robust and accredited supplier marketplace and create new finance opportunities, external to those via central government funding.
40. In addition to the platform, two CYC properties will be upgraded through a deep retrofit as 'Demonstrator Homes' for potential customers to visit or view before being re-used as council homes

with significantly reduced fuel bills and a warmer home for future residents. This work is grant funded.

Home Upgrade Grant 2 (HUG2)

41. Following the successful HUG2 application in early 2023, a Memorandum of Understanding was signed by City of York Council to secure £1,242k of grant funding, which included capital funding to deliver the works and revenue funding to provide staffing resource to enable the project delivery.
42. The funding obtained allows City of York Council to target energy efficiency and retrofit measures to a mix of properties and include:
 - Fabric measures and heating upgrades to off-gas rural properties;
 - Heating upgrades to apartments in blocks with all electric heating, these are likely to be predominantly in the city centre; and
 - Fabric measures and heating upgrades to properties with old non-gas heating (e.g. storage heaters) these could be distributed throughout the city.
43. HUG2 is aimed at off gas properties with an energy performance certificate (EPC) rating of D, E, F or G, and where the household income is £36,000 a year or less.
44. Since the successful grant application, a report was taken to the Decision Session of the Executive Member for Housing and Safety Neighbourhood on 16 March 2023, where it was resolved:

(iii) That prior to the signing of a delivery contract following a procurement exercise, a report will be provided to Executive seeking approval to sign the delivery contract and commence works.
45. Since then, the Healthy and Sustainable Homes team, in conjunction with procurement and legal services, have procured a delivery partner, Clear Climate, to deliver the HUG2 project works. This will enable up to 60 off-gas properties in York to receive retrofit works.

Current Council Property Retrofit Projects

Social Housing Decarbonisation Fund Wave 2 (SHDF2)

46. This project follows the successful bidding of grant funding for £1,033k from BEIS, with some matched funding from the HRA of £1,104k to deliver measures to 113 Council properties, including the installation of 40 'pods' at Bell Farm with house retrofit works, and works to 95 solid wall ginnel properties to improve insulation.
47. The installation of solid wall ginnel insulation works is progressing well and the first 45 will be completed in the coming weeks, with a further 50 next year. A construction contract will be signed in the coming weeks to deliver the renovation works at Bell Farm.

Net Zero Fund grant for Alex Lyon House and Honeysuckle House renewable heating upgrades

48. As part of the HRA Asset Management Plan and the Retrofit Action Plan, it is identified that electric storage heaters and immersion hot water tanks result in high costs for residents and it is an aim to phase these out through component upgrades over time.
49. Replacement of these systems is a complex, particularly when carried out at larger apartment schemes such as Alex Lyon House and Honeysuckle House. Due to the need for a whole-building system, and a lack of individual apartment-based solutions, a whole system design will be procured. The 62 flats plus communal areas constitute a significant proportion of the total storage heater systems currently installed across the council's flats.
50. The proposed grant funding of £1,895k is constituted of £1,051k for Alex Lyon House and £844 for Honeysuckle House. These are expected to provide for 100% of project costs including council project management, design and consultancy services, project evaluation with a specialist partner, and the construction works.
51. The costs have been assessed by a Quantity Surveyor and include an appropriate contingency element.
52. Funded works include Solar Photovoltaic panels as part of the renewable heat pump based heating system with an associated energy storage element. This comprehensive energy upgrade is planned to bring significant cost reductions for residents, predicted at 50% alongside achieving a high level of thermal comfort

throughout the winter.

53. The communal heat pump based system is an approach that has been successfully taken across the social housing sector for apartment blocks of this scale and larger, including in other Yorkshire Local Authorities.
54. If sized appropriately, the communal heat-pump system could be expanded to surrounding buildings, forming a district heat network. This could provide some future proofing of the installation and enable surrounding community based buildings to benefit. This will be investigated in more detail once a design team have been procured for this work.
55. The Net Zero Fund represents a significant opportunity to improve the council's homes for residents who face financial challenges and to increase investment in the city and council housing stock.

Consultation Analysis

56. Consultation has been undertaken with external stakeholders, Council Members and officers at various stages of each project and on key priorities identified within the draft Retrofit Action Plan. It is considered that the recommendations of this report are well aligned with the approved Retrofit Action Plan.
57. Consultation with residents has been carried out at Alex Lyon House. Briefings have been held with Ward Councillors for both schemes, and internally with Housing Management teams to identify tenant needs through the projects. Further consultation is planned with tenants and partners as design work is carried out. A city-wide consultation was undertaken when creating the Retrofit Action Plan which sets the priority actions which form the basis of the recommendations within this report.

Options Analysis and Evidential Basis

58. The four options the Executive could consider in respect of this report are below:

- a) **Option 1** – agree to the signing of a contract with Climate Clear to commence delivery of the HUG2 energy efficiency and retrofit scheme and to the Net Zero Fund Grant Funding Agreements.
- b) **Option 2** – not to agree to the signing of a contract with Climate Clear to commence delivery of the HUG2 energy efficiency and retrofit scheme or to the Net Zero Fund Grant Funding Agreements.
- c) **Option 3** – agree to the signing of a contract with Climate Clear to commence delivery of the HUG2 energy efficiency and retrofit scheme but not to the Net Zero Fund Grant Funding Agreements.
- d) **Option 4** – not agree to the signing of a contract with Climate Clear to commence delivery of the HUG2 energy efficiency and retrofit scheme but agree to the Net Zero Fund Grant Funding Agreements.

Analysis

- 59. It is recommended that the Executive approves Option 1 and the recommendations outlined in paragraph 14. This provides the most comprehensive response to the ambitions of improving the energy efficiency of homes in the city, which will maximise the reduction in carbon emissions and maximise the benefits for residents through warmer homes which are more energy efficient and more affordable to heat.
- 60. Option 2, if taken, would result in a significant reduction in grant funded retrofit activity and would fail to meet outlined ambitions around reducing both fuel poverty and the city's contribution to climate change.
- 61. Options 3 and 4, if taken, would result in a reduced opportunity to deliver retrofit works and the handing back of grant funding.

Organisational Impact and Implications

62. *Financial*

The HUG2 grant is for properties in the private sector, 30% of funds would be awarded as an upfront payment, split between a

20% mobilisation payment and a 10% deposit payment at the start of each financial year and the remainder of the grant awarded as part of a batch application process.

Administration and ancillary costs can be claimed by CYC and the contractor up to a maximum combined value of £186K. CYC internal resources costs are to be contained within this value.

The proposed £1,895k Net Zero Fund grant funding to upgrade is intended to resource 100% of the project costs including the council's own project management costs. This would represent a capital investment in Housing Revenue Account (HRA) assets and would reduce expected future costs of delivering the Housing Asset Management Plan and the HRA Business Plan.

LEAD project is 100% externally funded from Dept of Energy Security and Net Zero, of which £96k has been ringfenced for internal resources to carry out the scheme. Internal resources costs are to be contained within the funding amount and the project is to be monitored on a periodic basis to ensure that the internal costs do not exceed these amounts unless it can be funded from other areas of the grant awarded allowed within the grant conditions.

The Retro Fit One Stop York Project (ROSSY) has been awarded £147k to administer the scheme with an additional £188k to complete retrofit works. The scheme will need to be monitored to ensure that the costs incurred by the council do not exceed the grant awarded. It is also noted that the grant income will be paid on a monthly basis rather than in a lump sum, this will also need to be monitored to ensure that the grant is received.

SHDF2 partly funded via The Dept for Business, Energy and Industrial Strategy (BEIS) and HRA to a total of £2,137k. The aim of this scheme is to improve the energy performance of the councils housing stock. This will contribute to the Council's commitment to become a net zero council and contribute to the reduction of future social housing costs to the Council and its residents. The scheme will need to be monitored to ensure that expenditure including internal staffing resource does not exceed the total budget for this scheme.

63. ***Human Resources (HR)***

The additional resource noted in paragraph 12 required to administer the HUG2 scheme will be administered using existing resources. There are no other HR implications contained in the attached report.”

64. **Legal**

HUG2 – A review of the proposed grant funding arrangements in respect of the Subsidy Control Act 2022 (previously State aid) was carried out to confirm whether any mitigating actions need to be taken prior to entering into those arrangements. In summary, whilst part of the funding could amount to a subsidy to private landlords, the Minimum Financial Assistance (MFA) exemption should apply to such awards. MFA is capped at a threshold of £315k meaning that no individual recipient can receive more than this amount over the applicable period (3 financial years under s36 of the Act). It will therefore be necessary, and is also a requirement of BEIS, to obtain declarations from such landlords that they have not received subsidy over the MFA threshold across three financial years from all public sources. In addition, where the grant funding is to be awarded to a third party to carry out the HUG2 works, any such transactions should be evidenced as being on market terms, most clearly through the use of competitive processes compliant with the Public Contracts Regulations 2015, to ensure compliance with the Subsidy Control Act.

The HUG2 tender process was conducted in accordance with the requirements of the Council’s Contract Procedure Rules and Public Contracts Regulations 2015. As noted at paragraph 3, the Executive Member decision of 16.03.2023 requires Executive approval to enter into the HUG2 contract. As required, this report seeks that approval to enter into a contract with the successful provider, Clear Climate. If approved, legal services shall coordinate sealing and signing accordingly.

NET ZERO Grant Funding Agreements for Alex Lyon House and Honeysuckle House

A review of the proposed grant funding arrangements in respect of the Subsidy Control Act 2022 (previously State aid) has been carried out to confirm whether any mitigating actions need to be taken prior to entering into the arrangements. Legal advice has been obtained which has confirmed that where there is a risk that

part of the funding could be a subsidy it could be allowable as either:

- a) a subsidy in accordance with services of public economic interest principles; or
- b) a subsidy which in any event complies with the subsidy control regime as it complies with the relevant principles under the Act.

In the case of the Council's engagement of external contractors, consultants or other experts, the recommendation is that all transactions should be evidenced as being on market terms – most clearly through the use of competitive processes compliant with the Public Contracts Regulations 2015.

Legal Services have reviewed and provided advice to officers on the proposed Grant Funding Agreements.

65. ***Procurement***

The proposed works and services for the HUG2 project have been commissioned via a compliant procurement process under the Public Contract Regulations 2015 and the council's Contract Procedure Rules. The Commercial Procurement team have been consulted alongside Legal Services throughout the process to ensure the council is achieving value for money whilst delivering the contract.

The Commercial Procurement team are also supporting the Net Zero Fund projects alongside Legal Services to ensure the council is achieving value for money alongside compliance with all necessary procurement requirement whilst delivering the required works.

66. ***Health and Wellbeing***

Climate change is one of the biggest public health issues of our time. NICE estimate that older adults living in 'hard to heat' homes contribute to 28,000 additional deaths each year and is a major contributor to avoidable hospital admissions. This project seeks to put in more affordable and lower carbon heating solutions to housing that is designed for older adults. As well as contributing to achieving the cities 'net zero' pledge, a project like this supports the delivery of the health and wellbeing strategy ambition to be an

'age friendly city'.

67. *Environment and Climate action*

The proposed approach for HUG2 and the Net Zero Fund projects aligns with the ambitions of the Climate Change Strategy.

Supporting off-gas-grid properties with fabric and heating improvements is a cost-effective approach to decarbonising homes and reducing energy costs.

The Net Zero Funding will enable the decarbonisation of housing blocks and reduced energy costs for tenants. Best practice guidance should be used to assist the design, build and operation of the communal heating system.

The communal heat-pump could provide a future expansion opportunity into a district heating system, connecting other nearby buildings.

The communal heating systems would be required to comply with the Heat Network Regulations.

68. *Affordability*

In addition to providing warmer homes with reduced costs for those residents on low incomes this work will provide skilled employment opportunities in the city.

69. *Equalities and Human Rights*

The Council recognises, and needs to take into account its Public Sector Equality Duty under Section 149 of the Equality Act 2010 (to have due regard to the need to eliminate discrimination, harassment, victimisation and any other prohibited conduct; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it in the exercise of a public authority's functions).

This report highlights the positive impact that such schemes will have on older residents, disabled residents and those facing

financial difficulties, both in terms of health and wellbeing and affordability.

70. ***Data Protection and Privacy***

As there is no personal data, special categories of personal data or criminal offence data being processed for the purposes of this report, there is no requirement to complete a DPIA. This is evidenced by completion of DPIA screening questions AD-04377.

In addition to this, all of the relevant data protection requirements have been carried out for this project previously and they are regularly reviewed.

71. ***Communications***

Communications implications will involve announcing the various planned projects and communicating with households which will benefit from having these energy efficiency measures installed in their homes. This includes the ongoing campaign to promote the LEAD projects and will include a new phase of campaigning to take up HUG2 home improvements.

72. ***Economy***

The work covered by this report aligns well with the Economic Strategy and Skills Plan and demonstrates the benefits of aligning UKSPF skills funding on supporting retrofit training as outlined above. There are significant potential economic benefits for York in accelerating our work on retrofit and preparing our workforce through skills development.

Risks and Mitigations

73. Retrofit works are complex. They require careful design and implementation in order to ensure home improvements in the long term. Detailed engagement took place at all stages of the development of the Retrofit Action Plan which informs these programmes alongside consideration of emerging good practice and the experience of other authorities.

74. All risks are monitored through project risk registers for each

programme of works with governance in place to ensure these risks are continually reviewed and appropriate decisions are made in response.

75. Executive need to be aware that should the council under deliver on the works described in the funding agreements, the council may be asked to return any unspent funds. This would mean both a reduced delivery of retrofit works and it could place some pressures on revenue budgets for staffing costs which would have been expended but could not be covered by the grant funding.

Wards Impacted

76. All

Contact details

For further information please contact the authors of this Decision Report.

Author

Name:	Michael Jones
Job Title:	Head of Housing Delivery and Asset Management
Service Area:	Housing
Telephone:	01904 552598
Report approved:	Yes/No
Date:	12/03/2024

Co-author

Name:	Anthony Dean
Job Title:	Healthy and Sustainable Homes Manager
Service Area:	Housing
Telephone:	01904 551588
Report approved:	Yes
Date:	12/03/2024

Background papers

- Decision Session of the Executive Member for Housing and Safety Neighbourhood on 16 March 2023.

<https://democracy.york.gov.uk/documents/g13544/Decisions%20Thursday%2016-Mar-2023%2010.00%20Decision%20Session%20-%20Executive%20Member%20for%20Housing%20and%20Safer%20Ne.pdf?T=2>

Annexes

None