

**Decision Session - Executive Member for  
Housing and Safer Neighbourhoods**

Report of the Director of Economy, Regeneration and Housing

**Update on the Housing Energy Efficiency Programme and grant  
application for the Sustainable Warmth Competition**

**Summary**

1. This report provides an update on progress of the Housing Energy Efficiency Programme, following on from the Executive Member Decision Session of March 2021.
2. In summary, the progress during this period consists of:
  - a) Implementation and delivery of grant funding from the Department of Business, Energy and Industrial Strategy (BEIS) through the Local Authority Delivery Programme round 1B (LAD1B) to be delivered by the end of September 2021.
  - b) Securing a second round of BEIS grant funding via the Tees Valley Combined Authority (TVCA), the regional Energy Hub. To be delivered by the end of December 2021.
  - c) Development of an application for further funding from BEIS under the Sustainable Warmth Competition (to be submitted by the 4 August). This includes a further round of LAD funding and a newer programme called the Home Upgrade Grant (HUG) aimed at off-gas properties.
  - d) The continuation of work to develop a Housing Retrofit Strategy to provide a roadmap for the council to meet the significant challenges for landlords, homeowners and tenants to decarbonise their homes.

**Recommendations**

3. The Executive Member is asked to approve the following recommendations:
  - i) Note the implementation and delivery of the LAD1B funding and the successful application for LAD2 funding from TVCA including the tight timescales for delivery;

- ii) Note the opportunity to reset the retrofit programme for Council-owned homes following the withdrawal from the WYCA Energy Accelerator project and to receive a further paper following officers consideration of the Social Housing Decarbonisation competitive funding round due to open in late Summer;
- iii) Support the submission of a grant application of approximately £4.6m for the Sustainable Warmth competition as detailed in this paper; and
- iv) Subject to receiving grant funding following the Sustainable Warmth Fund application, to bring a report to Executive or Executive Member Decision Session to agree acceptance of funding and the procurement approach and contract award of a partner to deliver the programme.

Reason: To tackle fuel poverty and to meet the ambition of York being carbon neutral by 2030, to reduce energy demand as well as switching to greener forms of energy across all tenures.

## **Background**

4. On the 18 March 2021, the Executive Member received an update report outlining progress since an Executive report in December 2020 launched the councils work on domestic retrofit and energy efficiency works. In support of this programme of works, the government announced a £500 million funding pot to be awarded under the Local Authority Delivery (LAD) scheme, to improve the energy efficiency of homes (covering home owners, privately rented and social housing). This funding is to support low-income households to improve the energy efficiency of their homes, tackling fuel poverty, whilst supporting the phasing out of high carbon fossil fuel heating. This is part of the UK's commitment to net zero by 2050. The council has been successful in securing two sets of government funding in 2021 since the launch of the energy efficiency programme, LAD1B and LAD2.

### **LAD1B Project**

5. In December 2020, the council submitted a consortia bid for the LAD1B competition to deliver energy efficiency measures to households in York, Harrogate, Selby and Craven.
6. A grant of £535,640 was awarded to the consortia. The criteria for the use of the grant funding is:

- The grant can support energy improvements to homes in the private rented and homeowner sectors;
  - Eligible households must have an EPC rating of D to G and an annual household income of less than £30,000. Not more than 50% of households can have a D rated EPC rating across the project;
  - The funding should be spent on insulation measures and heat pumps; and
  - The project delivery deadline is the end of September 2021.
7. The above criteria, combined with the short timescales to both promote the project and for households to be in a position to sign-up creates significant challenges. Focus has been on those wards with higher levels of fuel poverty and with housing types which are likely to have lower EPC ratings. Under the terms of LAD1b funding, homeowners can receive fully funded works up to a total of £10,000 with landlords of private rented sector houses expected to contribute a third of the total retrofit costs with an average subsidy on these houses to not exceed £5000.
8. The project aims:
- To improve up to 37 homes in York with poorly insulated rooms in roof spaces. The grant will pay for the full cost of works for homeowners and up to 66% of works for private landlords.
  - To improve up to 40 homes that have inadequate/no loft insulation and 20 homes without cavity wall insulation. This second part of the offer is open to all fuel poor householders across the four local authority areas.
9. Key milestones to date are:
- The marketing and communication plans have been developed. This includes the retrofit installer visiting potentially eligible householders in identified wards with higher rates of fuel poverty and homes which are likely to have a low EPC rating. To date 920 householders have been visited in the wards which meet the criteria of high levels of fuel poverty and homes with lower EPC ratings. Therefore the wards targeted so far are Clifton, Micklegate and Fishergate. It is the intention to focus on the Guildhall Ward during early August. From these visits, 19 householders are making active applications with the contractors.
  - We have received more than 50 referrals for the cavity and loft insulation scheme which are being actively pursued by the supply chain to ensure that successful applications are made and installations are completed before the deadline of the end of September.

10. Whilst progress compares well with other councils who have received LAD 1B funding through this programme, it should be noted that the timetable for delivery is very tight. The project team continues to work closely with the contractor and have fed back timescale challenges to BEIS.

#### LAD2 Project

11. LAD2 is the second phase of Government funding for this area of work. Unlike LAD1 schemes, BEIS allocated £51.95million to the North East Yorkshire & Humber Energy Hub (Energy Hub). The council led another consortia bid and secured £2,124,089 with an allocation for York of £1,082,802.

<b>Council</b>	<b>Grant Allocations</b>
York	£1,082,802
Harrogate	£475,730,
Craven	£198,813
Selby	£366,743
Total for the consortia	£2,1240,89

12. The LAD2 project aims to build on the work from round 1B for work in the homeowner and private rented sector. However, LAD2 also introduced opportunities to utilise the funding within the social housing sector. The extension of LAD1B Schemes which are being funded through LAD2 are:
- To insulate a further 81 homes with poorly insulated “rooms in roof” in York, Harrogate and Selby;
  - To provide loft insulation and draught proofing to 100 homes across all four local authority areas; and
  - To provide cavity wall insulation to 60 homes across all four local authority areas.
13. Where possible we are exploring opportunities to offer cavity wall insulation, loft insulation and draught proofing to the same homes in order to maximise the improvement to the dwellings EPC rating and have a greater impact in reducing fuel poverty.
14. As referenced above, LAD2 funding can also be used to support social housing energy efficiency improvements. As such, the grant was proposed to support:

- The planned retrofit works to council homes approved by Executive in December 2020, this investment will reduce the level of investment required by the council; and
  - The installation of solar PV panels on up to 50 council owned homes in York with an EPC rating of D or less. Measures such as loft and /or cavity wall insulation will be carried out at the same time if possible. The council's contribution of a third of this total cost would come from the first £1m of the £2m approved investment in improving the energy efficiency of council homes in the city.
15. All of the above work is due to be carried out by our procured Better Homes Yorkshire contractor, Engie.
16. In addition to the works to private and council homes, two Registered Providers (RP) have approached the consortia to seek LAD2 grant support to carry out two discreet schemes supported by funding which meet the scheme criteria. These works will be carried out by the RP's utilising their own contractors. These works consist of:
- An external wall insulation (EWI) scheme to improve 10 homes owned by Yorkshire Housing which have an EPC E rating; and.
  - An air source heat pumps (ASHPs) scheme to improve 6 homes occupied by fuel poor households identified by Joseph Rowntree Housing Trust (JRHT).
17. Both RP's will be contributing a third of the total cost as per the LAD2 funding terms, with the remaining two thirds funded by the grant itself.
18. In addition to the grant funding to undertake physical works, the funding provides revenue funding to support staffing costs to deliver these projects. In addition, each council has been allocated £32,258 to commission a housing stock energy efficiency model in order to provide property level data to a statistical level of confidence. This model will be used to create a high level 10-year roadmap, and will be an important evidence base for developing our Retrofit Strategy which will inform future investment decisions supporting the city in its target to become carbon neutral by 2030.
19. The key progress to date on the LAD2 project are:
- The completion of all the necessary paperwork with the TVCA to enable the council to draw down on funding through the delivery period. This includes the development of an agreed risk sharing agreement with the other councils in the consortia;

- Agreement with our procured supplier that they are able to undertake LAD2 works which are an extension of LAD1B project; and
- Progressed discussions regarding new contract opportunities with alternative supply chain partners for new LAD 2 funded schemes.

20. There are risks around the delivery of all works given the tight timescales associated with the funding, but particular risks in regards to the retrofit of 60 council homes within the deadlines. This is because previously secured support to be provided through the Energy Accelerator Programme hasn't delivered as originally intended. Issues between the West Yorkshire Combined Authority and their contractors has created delays in the programme. These issues have removed the benefits of utilising the support and therefore it has been decided to not enter into a contract around the Energy Accelerator Programme. There are no cost impacts for the Council, however this has created delays in undertaking surveys and design work. Through this process the Council have however gained support, guidance, and vastly increased knowledge of planning and designing housing retrofit programmes from the Accelerator team which stands us in a better position to plan future works.
21. The implications of the delays with survey and design work combined with shortages in the supply chain means that achieving the retrofit of 60 council homes utilising LAD2 funding (deadline end of December 2021) is increasingly unlikely. It is therefore planned that there will be a reduced number of council homes which are improved utilising LAD2 grant contributions. However, the government have announced that the Social Housing Decarbonisation Fund (SHDF) is likely to open for applications at the end of the summer. The SHDF is targeted at landlords of social housing and will provide additional grant funding to support retrofit works. The funding will support works for a longer time period, supporting works from January 2022 to March 2023, allowing for the efficient planning of resources. The energy efficiency team are reviewing what opportunities this grant funding will bring in order to deliver significant additional retrofit energy efficiency improvement works to council homes over the next 2 years. It is proposed that once the terms of the SHDF are known, that a revised business case is brought before Executive or the Executive Member in respect of energy efficiency works to council homes. All grant funding opportunities are likely to require cross subsidy from the council, it is therefore vital that council resources are utilised effectively in order to deliver the maximum benefits to the greatest number of council homes.

## Sustainable Warmth Competition

22. The Sustainable Warmth Competition opened for applications on the 16 June giving councils the opportunity to bid for funding by the 4 August 2021. The competition combines two existing schemes:
  - Local Authority Delivery Phase 3 (LAD3): a third phase of the Local Authority Delivery scheme with an additional £200 million available. LAD3 has a refined scope to support low-income households heated by mains gas, the focus is on homes in the private sector; and
  - Home Upgrade Grant Phase 1 (HUG1): £150 million for low-income households which are 'off-gas'.
23. The focus continues to be on upgrading the worst insulated owner occupier and private rented homes with energy efficiency installations and low carbon heating. Projects that upgrade homes with an Energy Performance Certificate (EPC) rating of E, F or G will be prioritised. Upgrades to properties with an EPC rating of D will be allowed but will be limited. Under the HUG programme, higher levels of funding is available to reflect the increased amount of work in upgrading these homes.
24. It is recommended that a further consortia bid led by York, and including Harrogate, Craven and Selby, be submitted to support the retrofitting of private homes to continue. LAD3 funding supports works from January 2022 to March 2023. The LAD3 project is a competitive bidding process.
25. Any bids are required to identify a delivery partner who is capable of undertaking the work. Our Better Homes Yorkshire contracted partner has confirmed that they are unable to resource the work set out in our application. Therefore, the council as lead authority has undertaken a soft market exercise to identify a new potential supply chain partner to support our bid. Should we be successful with our application, we will be required to vary our existing Better Homes Yorkshire contract and procure a new partner prior to delivery. Advice received from Legal and Procurement support this approach which would require a separate Executive or Executive Member decision depending on the level of grant funding received.
26. The proposed application, in line with the government criteria, will be seeking to build on previous applications by continuing to have a no regrets, fabric first approach and installation of technologies which support householders to use no or low level fossil fuels (only available to on-gas homes to support the transition from gas).

27. The application seeks to deliver a consortia bid of approximately £4.6m to fund both measures (LAD and HUG) and cover the cost of administering the scheme. This consists of:

- LAD 3 funding of around £2.3m, predominately for use in York. Using modelling data we are proposing to support approximately 200 fuel poor householders to have access to funding for measures which are already available under LAD 1B and LAD 2 such as loft insulation but also for the first time under this funding external wall insulation, underfloor insulation and also solar panels and hybrid air source heat pumps;
- HUG funding of around £2.3m, predominately for use within the three other consortia authorities. Using modelling data we are proposing to support approximately 180 fuel poor householders using similar measures to those stated above;
- Run an Energy Company Obligation (ECO) funded campaign to ensure that householders who are eligible for this funding can install measures to satisfy the fabric first approach requested by BEIS. Utilising the ECO funding route as additional value, rather than drawing down on the Sustainable Warmth funding.

### **Retrofit Strategy progress**

28. Delivering retrofit works at scale within social housing is challenging. Selecting an appropriate funding strategy which maximises value for every pound invested by the council is crucial given the scale of the challenge. But we also have a significant role to play in enabling and supporting those who can afford to pay to upgrade their own homes. The success of this city wide programme requires consideration of supply chain capacity, upskilling the workforce, and collaborative working both within and outside the city. To support this work we are developing a long term strategic framework. The primary aims of the strategy are to:

- Guide investment
- Support the supply chain
- Support investment in upskilling and training
- Take a city wide approach – considering our role in improving the energy performance of homes in the private sector as well as council homes
- Provide a strong footing for grant funding opportunities

29. The retrofit strategy will link up with other strategies in the council around skills, climate change and economic growth. The strategy will be able to draw on work included in the Minimum Energy Efficiency Standards project as well as the consultation on additional licensing for Houses in



Multiple Occupation. The Housing Strategy and Performance team are leading on the development of this strategy with a strong focus to date on developing a strong evidence base and collaborating with interested parties to create a suite of options. The refining of ideas, drafting of the strategy, and feeding in lessons learnt from early phase delivery will allow for Executive consideration of the strategy by the end of the year. This will support further proposals being brought forward as existing capital retrofit projects come to an end.

### **Resources**

30. A £2m capital budget has been allocated to the Housing Energy Retrofit Programme of which £1m has been approved for use within Phase 1 works.
31. A post to lead the programme has now been created to provide expertise and project management for two years to support teams across housing services. In addition the LAD 1B and 2 funding streams included an allowance to increase staffing capacity, short term posts have been created to support the delivery of these projects. These posts will sit within the Housing Standards and Adaptations team.

### **Consultation**

32. In the production of this report further consultation has been undertaken with our consortia partners, our procured Better Homes Yorkshire contractor and other potential delivery partners.

### **Council Plan**

33. Undertaking energy efficiency retrofit projects aligns with a number of the key objectives within The Council Plan:
  - **Well-paid jobs and an inclusive economy** – retrofit of existing homes requires a skilled workforce and is labour intensive by the nature of the work involved. Construction trades people are typically paid higher than the average salary for the city. Using this funding, we will be kick starting investment in significant retrofit works in York. We are engaging our supply chain in discussion about skills, training and building retrofit capacity.
  - **A greener and cleaner city** – the city's housing stock is a major source of carbon emissions. Retrofit improves the thermal performance of existing dwellings, reduces heating demand and thus reduces the amount of gas/electricity required to heat a dwelling, thereby directly reducing carbon emissions.

- **Good health and wellbeing** – Exposure of residents to excess cold exacerbates a range of health conditions and contributes to increased hospital admissions during the winter months. The elderly are particularly at risk from excess cold. Retrofit projects will make tangible improvements to the energy performance of dwellings thereby reducing incidents of excess cold and associated ill health.

## **Implications**

34. **Finance** - LAD1B funding of £535k has been approved and includes administration and resources costs of £60k to fund two posts, a Technical Officer and a Project Officer. The additional budget will be incorporated into the capital programme as part of regular capital monitoring reports to Executive.
35. The capital lead project management post can be funded from our own capital resources within the HRA retrofit programme.
36. The funding of the LAD2 grant of £2,124,089 is on a monthly claim basis and therefore CYC will be required to pay for works for the four regions prior to income from the grant being received. CYC will be the largest claimant of this grant.
37. The administration costs of up to 11% of the LAD2 grant will be retained by CYC, additional staffing costs will be flexed according to the grant value claimed. A risk sharing agreement across the consortia has been drawn up to reflect the fact that staff need to be appointed at the beginning of the project when the level of grant claims is an unknown factor. The maximum risk is £61k across the 4 LA's with CYC being liable for £20k of these costs, which will be apportioned based on the claim application levels. Such cost can be managed within the Housing Energy Efficiency resources.
38. The LAD3 grant is for properties in the private sector and will be awarded upfront rather than on a claim basis. Administration and ancillary costs can be claimed by CYC and the contractor up to a maximum combined value of 15% of the grant. CYC internal resources costs are to be contained within this value.
39. The Memorandum of Understanding outlines the risks between the Council and TVCA which are minimal. Any monetary risks will be apportioned across the consortia as per the risk sharing agreement. Governance is in place to monitor LAD1b and LAD 2 progress. This

arrangement will be extended should we be successful with a Sustainable Warmth competition bid.

40. Expenditure relating to social rented properties for the Social Housing Decarbonisation Fund, will be contained within the £2m HRA Energy Efficiency capital programme budget.
41. **Human Resources (HR)** – A newly created Home Energy Efficiency Programme Manager is now leading on the cross-tenure retrofit programme. The two LAD investment programmes have enabled the recruitment of additional staff on short fixed term contracts. Should we be successful with a further submission these contracts will be extended to ensure delivery of the programme and to ensure that BEIS detailed reporting requirements are met.
42. **Equalities** - There is no adverse impact expected in terms of equalities.
43. **Legal** - The council can comply with new subsidy control rules (which replace the EU state aid rules) by using compliantly procured contractors, a non-selective application process of end users and a system of checks of the ultimate recipients of the grant funding (owners /landlords) to make sure no individuals or organisations are being helped more than others and above permitted thresholds. A new procurement process will be necessary for the LAD 3/HUG scheme. This is likely to be through an existing framework to be able to save time but still ensuring transparency and value.
44. **Crime and Disorder** - None.
45. **Information Technology (IT)** - Civica APP database (FLARE) and MS SharePoint will be utilised in order to manage project information and data.
46. **Property** - None
47. **Risk Management**  
Project delivery will be overseen by the Housing Energy Efficiency Board. A working group of officers from the consortia of councils are already managing risks within the LAD 1B and LAD2 programmes. A risk sharing agreement has been signed by the councils. Staffing resources will be flexed to reflect the demand of the delivery of projects.

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### Report

Approved  Date: 21 July 2021

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**Wards Affected:** All

## Abbreviations

BEIS	Department of Business, Energy and Industrial Strategy
EPC	Energy Performance Certificate
LAD	Local Authority Delivery
PRS	Private Rental Sector
HUG	Home Upgrade Grant
WYCA	West Yorkshire Combined Authority