

Decision Session- Executive Member for Housing and Safer Neighbourhoods

Report of the Director of Place

Update on the Housing Energy Retrofit Programme

Summary

1. Heating, lighting and powering our homes generates around a third of the total carbon emissions in York. In order to tackle fuel poverty and to meet the ambition of York being carbon neutral by 2030, it is imperative that significant work is undertaken to both reduce energy demand as well as switching to greener forms of energy in our homes. As a council, we own around 7500 homes with a third of these achieving an EPC rating of D or below. In the city as a whole, over 60% of homes may be an EPC D rating or worse.
2. In December 2020, Executive supported the establishment of the Housing Energy Retrofit Programme to start to address this challenge. The report set out an approach to delivering improvements to around 60 energy inefficient council houses, utilising £1m of allocated budget from the Housing Revenue Account (HRA) to bring these homes up to an EPC C rating. This work is to be delivered through a fabric first approach with a roadmap to guide further improvement works in the future. As well as improving the performance of these homes, this work will provide valuable lessons to support future works, boost the local supply chain, upskill tradespeople and housing staff, and support the green economy of the city.
3. Alongside the delivery of retrofit works, the December report committed to the delivery of a new strategy. This strategy will develop a deeper understanding of the extent of the retrofit challenge in the city and bring forward proposed solutions, both for council housing and within the private sector.
4. This update report outlines the level of progress on the Housing Energy Retrofit Programme since the December Executive approval. In summary, this progress consists of: securing grant funding from the

Department of Business, Energy and Industrial Strategy (BEIS), completion of an application for a second round of BEIS grant funding, the advancement of plans to deliver the first phase of the council house retrofit works, and the development of a scope and timeline for the delivery of a retrofit strategy.

Recommendations

5. The Executive Member is asked to approve the following recommendations:
 - i) Note the successful application to BEIS for investment under their Local Authority Delivery 1B scheme and to support the grant allocation approach outlined in this report.
 - ii) Support the submission of a grant application under the Local Authority Delivery 2 scheme including the grant allocation and works delivery approach.
 - iii) Approve the scope of the retrofit strategy and note the timescales and resource implications for its completion

Reason: To improve the energy performance of some of our poorer performing homes to both reduce residents' energy bills and to support our ambition of York being carbon neutral by 2030.

Background

6. On the 15 December 2020, Executive received a paper outlining the issues and challenges for landlords, homeowners and tenants in decarbonising their homes. It set out the need for investment in energy efficiency works, skills and training, and supply chain development to deliver carbon neutrality. A series of decisions regarding both strategic development and investment opportunities were made.
7. The scale of challenge is significant. In 2050, around 80% of all homes lived in will have been built before 2021. At present, it is considered that around 60% of these homes have an EPC rating of D or below. These energy inefficient homes contribute significantly to the carbon emissions of the city.
8. A third of York's carbon emissions are created by our homes. As a city we need to take bold and positive steps forward, supporting the action on climate change. Regulation change is likely to require improvements

across the sector but it is important that we take positive action in advance of this if we are to achieve our 2030 carbon neutral city aspirations.

9. The fabric of our houses has to be improved. Reducing demand for energy then supports the efficient use of renewable energy. Switching to low carbon heating can add costs to residents' utility bills if the thermal performance of the house is not improved first.
10. Public Health England and the Institute of Health Equity outline the impact of cold homes on the health and wellbeing of residents. Cold homes are known to affect and exacerbate a range of health problems including respiratory problems, circulatory problems and increased risk of poor mental health. Nationally, estimates suggest that some 10% of excess winter deaths are directly attributable to fuel poverty and a fifth of excess winter deaths are attributable to the coldest quarter of homes. Cold homes can also affect wider determinants of health, such as educational performance among children and young people, as well as work absences. Tackling fuel poverty and cold home-related health problems is important for improving health outcomes and reducing inequalities in health in York. The Council commissioned its own Health Impact Assessment¹ in 2015 and found that the most significant category 1 hazard in the private sector was due to cold homes. A category 1 hazard is one which is a serious and immediate risk to a person's health and safety.

Progress since the establishment of the programme

Attracting grant funding

11. In July 2020, 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 (private, privately rented and council homes). This funding is to support low-income households, helping to reduce fuel poverty, whilst supporting the phasing out of high carbon fossil fuel heating, and delivering progress towards the UK's commitment to net zero by 2050. Since then BEIS have launched two streams of LAD funding which the council has or is in the process of applying for:
 - LAD1B
 - LAD2

¹ BRE 2015 – The health impacts and costs of poor housing in York: A quantitative Health Impact Assessment

LAD1B Project

12. In December 2020, the council submitted a consortium bid for the LAD1B competition to deliver energy efficiency measures to households in York, Harrogate, Selby and Craven. The grant application totalled £535,000 for which we were successful in receiving an offer for the full grant. 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 across the project;
 - The funding should be spent on insulation measures and heat pumps; and
 - We must deliver the full project by the end of September 2021.
13. Our grant application was supported by evidence from our Building Research Establishment report commissioned in 2015 to help identify fuel poor areas in the city, considering income and the performance of homes.
14. We also consulted with the supply chain. Whilst the sector is growing, it is struggling to keep up with the acceleration of investment in the industry. We have the benefit of a procured Better Homes contract partner², Engie, to undertake works on our behalf. Engie have confirmed that they have the capacity to deliver the projects identified within the grant application.
15. Combining our knowledge of supply chain capacity, energy performance information, and fuel poverty data our grant application committed to delivering the following work in York by the end of September:
 - a) To improve 40 homes with poorly insulated rooms in roof spaces. The Clifton area was identified as the target for these works due to high levels of fuel poverty and large numbers of rooms in roof spaces which are poorly insulated. The grant will pay for the full cost of works for homeowners and up to 66% of works for private landlords.
 - b) An offer to all fuel poor householders across the four local authority areas who have inadequate/no loft insulation an opportunity to receive free loft insulation and draught proofing.

² [Decision - Implementation of the Better Homes Contract - York](#)

16. The proposed works will be undertaken with a ‘no regrets’ approach. This approach means that the works will provide tangible benefits of improved thermal comfort, lower heating bills and carbon savings, whilst allowing future retrofit measures to be undertaken at a later date (such as solid wall insulation or replacement of windows/doors) without requiring any rework.
17. The benefits of the LAD1B project are:
- a) Improving the energy efficiency of some of the worst performing properties, helping them achieve or move closer to an EPC C rating and reducing carbon emissions;
 - b) Helping to reduce heating costs for residents living in fuel poverty whilst increasing thermal comfort;
 - c) Providing the opportunity to demonstrate the benefits of room in roof insulation, to share knowledge and encourage others to invest. These works will improve customer confidence and installer capacity for the LAD2 programme of works; and
 - d) Demonstrate our ability to deliver a capital works project through grant funding, positioning us well to receive further grant funding opportunities.
18. We have signed the funding agreement with BEIS and are currently at the mobilisation stage with our Better Homes partner. A communications and engagement plan has been developed. Grants will be allocated on a first come first served basis, once we have determined that a household and property meets the grant qualifying criteria.

LAD2 Project

19. LAD2, is the second phase of Government funding for this area of work. Unlike LAD1 schemes, BEIS has allocated £51.95million to the North East Yorkshire & Humber Energy Hub (Energy Hub). Councils are invited to make applications to the Energy Hub for funding. Guidance for the scheme including notional allocations was issued on 17th February 2021.

Council	Notional Allocations
York	£1,139,780
Harrogate	£897,300
Craven	£420,494
Selby	£462,497
Total for the consortia	£2,920,071

20. The Energy Hub is asking Councils to put forward realistic proposals which are deliverable within the time period up to the total indicative allocation amount. The funding is reimbursed through a monthly claim for costs incurred in arrears.
21. The deadline for the submission of a proposal is 26 March with a decision expected the week commencing 19 April. As with LAD1B, there are clear criteria for the funding:
 - It can be used to fund improvement works to both council homes and those in the private rented and homeowner sectors;
 - The improvement works must be delivered by 31 December 2021;
 - It must fund insulation measures, heat pumps and Solar Photovoltaic Panels; and
 - Eligible households are those with 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 across the project.
22. As with our LAD 1B application, our proposals are guided by our evidence base, supply chain capacity, and targeting fuel poor households.
23. It is proposed that a submission is made for the full £1,139,780 which is the maximum grant available to York. We will also lead the consortium bid on behalf of the other three local authorities.
24. The first opportunity for utilisation of this grant is to expand our capacity to deliver room in the roof insulation works alongside those proposed as part of LAD1B. There is supply chain capacity, an efficiency of project delivery for the council, and a significant number of householders who meet the grant criteria and would benefit from these works. This will expand on the works in Clifton being undertaken as part of the LAD 1B project but may extend into other fuel poor wards subject to supply chain capacity and demand.
25. The second identified opportunity is to provide financial support to the Council House Retrofit Phase 1 Project. The LAD2 guidance dictates that £5000 is the maximum funding which can be drawn down on each social or private rented property. This would therefore allow a potential contribution of £300k into the 60 homes to be improved through the Council House Retrofit Phase 1 project. This will reduce the level of HRA investment, leaving more capital funding available for future projects.

26. As well as the two opportunities for fabric improvement works identified above, we are exploring the possibility of funding a number of Solar PV installations to some private homes, council homes and homes owned by a local Registered Provider. There will be a need to have some flexibility on the use of this grant to meet demand and capacity within the supply chain.
27. The benefits of submitting a LAD2 application are clear, this is a significant grant opportunity which can lead to improvements to a number of energy inefficient homes across York, both reducing carbon emissions and fuel costs for residents. As the consortium lead, the total grant available under LAD2 could deliver energy efficiency improvements to approximately 500 homes across the 4 Local Authorities.
28. The grant includes funding which can be utilised for staffing costs, allowing us to increase resource capacity within the team for the duration of the project.
29. Despite the work undertaken to date and the opportunity to increase team capacity through the grants, delivering all of these works within the timescales is challenging. The primary risk is an under delivery against our grant application which could have both reputational impacts as well as resulting in the paying back of grant. The two biggest challenges are existing supply chain capacity, both materials and labour, and enough households coming forward to undertake the works.

Progress on the Council House Retrofit Phase 1 project

30. In December, Executive allocated a £1m budget to Phase 1 delivery of energy retrofit works to council homes. This work is targeted at some of our poorer performing and harder to treat housing to bring around 60 homes up to an EPC C rating. This work is being delivered with technical support provided in-kind through the Energy Accelerator project operated by West Yorkshire Combined Authority (WYCA). The improvement works will be delivered through a fabric first approach. A 'roadmap' towards zero carbon will be developed alongside these works to enable further improvements when budgets allow.
31. Good progress has been made with WYCA and their consultants in agreeing to the terms of the contract. This has allowed an activity schedule to be agreed which is summarised below:

Month	Activity
April	Property surveys undertaken on hard to treat archetypes (void properties to be utilised)
April/May	Design and delivery strategy work undertaken
May	Public engagement and addresses identified for improvement works
June	Energy retrofit works commence

32. Following the survey works, one or two housing archetypes will be selected for design work. This will be based on deliverability of improvement works and value for money. This selection process will allow us to create a long list of potential homes where improvement works could be undertaken. Following the communication of this opportunity, there will then be an opportunity for residents to express an interest in having the improvement works undertaken at their home. Alongside this process the design work will be finalised allowing us to provide a greater level of detail to interested residents. This information will include timescales, providing details on what the work involves, as well as projections around potential reduction in fuel bills and increases in thermal comfort. It is hoped that there will an opportunity for some benchmarking of the current performance of the house to be compared against the performance post completion of the works. Once residents have confirmed their support for the works, this will be scheduled with our contractors with the aim of works starting on the first home in June. The criteria for selecting the homes to receive works will be based on archetype and resident interest, not geographical location within York.
33. As outlined above, there are opportunities to utilise LAD2 funding to reduce the HRA capital spend on these Phase 1 works. Thereby retaining a greater potential for additional investment works as part of Phase 2 of the programme once the retrofit strategy has been approved.

Retrofit Strategy progress

34. To reflect the urgency of the retrofit challenge Executive approved a proposal to invest the first £1m into energy performance works for around 60 council houses. However, the complexity and the scale of the challenge requires the development of a planned long term approach to improving housing energy performance across the city.
35. Therefore, as well as allocating a budget to development works, a commitment was made to create a retrofit strategy. 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

36. There are considered to be 4 main stages in the development of the strategy: 1) define the scope; 2) develop an evidence base and undertake research; 3) develop plans, proposals and undertake engagement with stakeholders; 4) write the strategy for approval by Executive. A proposed scope for the strategy has been developed and is presented below:

Develop understanding and an evidence base

- Gather and present data on the existing situation – covering energy performance, carbon emissions, fuel poverty, and health indices of housing in the city
- Work alongside organisations such as York Community Energy and the York Climate Commission to develop a greater understanding of opportunities and challenges
- Develop a deeper understanding of current and likely future policy direction

Set deliverables – what are we aiming to achieve?

- Set measurable targets between now and 2030

How are we going to achieve them?

- Opportunities for non-capital carbon reduction measures – such as energy switching
- Explore the most cost effective use of capital investment
- Consider alternative funding models – including grant and cost recovery funding opportunities
- Review HRA investment opportunities
- Review our asset management approach such that energy performance is a key consideration when planning all major works undertaken on council housing
- Review of major works contracts to ensure we have a strong supply chain for a range of future works

- Identify internal training requirements and opportunities
- Identify an approach to learning lessons such that we become more efficient and effective as we work through a programme of works and investment
- Develop a plan to empower landlords and homeowners to invest in their own homes – this could include regulatory, partnerships, advice service, communications, loans, and lifecycle analysis
- Link into other Strategies within the council – for example the Skills, Economic and Climate Change Strategies
- Consider any opportunities for improving energy performance through the Planning system
- Develop opportunities for community energy provision and group buying of green energy

37. Subject to approval of the scope identified above, it is considered that it will take until the end of the summer to develop a strong evidence base and to collaborate 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 start to come to an end.

Resources

38. 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. This work is being supported by in-kind expertise provided by WYCA.
39. The LAD 1B and 2 funding streams include an allowance to increase staffing capacity. It is proposed that short term posts will be created to support the delivery of these projects. These posts will sit within the Housing Standards and Adaptations team.
40. There is a need for a longer term post to lead the programme. Providing expertise and project management support across Housing Standards and Adaptations, Building Services, Housing Delivery, and the Strategy and Policy team. This post will be funded from capital programmes.

Consultation

41. Significant consultation was undertaken for the Executive report in December, including from scrutiny. In the production of this report further consultation has been undertaken with our consortia partners, procured Better Homes contractor and WYCA and their consultant partners.

Options

42. There are two options to consider:

Option 1: Support the contents of the report including the timetable and details of LAD1B works, the development of a retrofit strategy and for the submission of a LAD2 grant application

Option 2: Do not submit a LAD2 application and reconsider the proposals for the development of the retrofit strategy

Analysis

Option 1

43. Both LAD 1B and the proposed LAD 2 applications seek to tackle both fuel poverty across a range of tenures and to reduce carbon emissions. If successful, these funding streams will allow the council to support the investment of an additional £3.5m in housing energy improvement works across four local authority areas during 2021. This will reduce carbon emissions for over 500 homes, including 300 in York. LAD 2 funding will allow us to reduce HRA investment in the Council House Retrofit Phase 1 works, thereby providing greater investment capacity as part of subsequent works. The development of a retrofit strategy will give us a strong basis to undertake further improvement works effectively and efficiently to help the city achieve carbon neutral status by 2030.

Option 2

44. Success in receiving LAD 1B grant funding and approval of the Council House Retrofit Phase 1 project will deliver significant improvements to a number of council and private homes in the city. It will provide knowledge and learning to apply to future projects. Not applying for LAD 2 funding would allow a narrower focus on these two projects and reduces the risk of 'under delivery' given supply chain issues in the sector. However, this option would reduce spend in the supply chain in the region, slowing down the growth of the sector as well as reducing the number of homes which would receive energy improvement works. For this reason, Option 1 is recommended.

Council Plan

45. 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 average. Using this funding will be a starting point to invest and engage our supply chain in discussion about skills, training and building retrofit capacity.
 - **A greener and cleaner city** – our housing stock is a major source of carbon dioxide 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 dioxide 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

46. **Financial** - 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.

The capital lead project management post can be funded from our own capital resources within the HRA retrofit programme.

The funding of the LAD2 grant is on a claim basis and therefore CYC will be required to pay for works for the four regions prior to income from the grant being received although CYC will be the largest claimant of this grant.

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.

47. **Human Resources (HR)** – The Home Energy Project Manager will be managing day to day delivery of the LAD projects. The LAD 1B investment has enabled the recruitment of additional staff on short fixed term contracts. We will be seeking to employ further staff on the same basis to support the delivery of LAD 2. The recruitment of a retrofit project manager is vital if we are to develop the internal capacity to manage the range of projects within this programme of works.
48. **Equalities** - There is no adverse impact expected in terms of equalities.
49. **Legal** - The CYC legal team has been involved in the discussions regarding the two bid opportunities. It has advised on the new subsidy control rules (which replace the EU state aid rules) and has advised that the council can comply with these using regionally procured contractors, a non -selective application process and a system of checks of the ultimate recipients of the grant funding (owners /landlords).
50. **Crime and Disorder** - None.
51. **Information Technology (IT)** - Civica APP database (FLARE) and MS SharePoint will be utilised in order to manage project information and data.
52. **Property** - None

Risk Management

53. 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 project. A risk sharing agreement will be 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:** 9.03.21

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Ward Affected: All

Abbreviations

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