

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

14 July 2022

Report of the Director of Housing, Economy and Regeneration

Retrofit Programme – Housing Revenue Account (HRA) Strategy Update

Summary

1. A Retrofit Action Plan is currently in preparation, setting out plans for decarbonising homes in York and tackling fuel poverty across all tenures. This Retrofit Action Plan will be considered by Executive in the autumn and will build on the overarching approach set out in the Climate Change Strategy. An update is provided in this paper of progress on the Plan and associated workstreams.

Recommendations

2. The Executive Member is asked to:
 - i) Note the progress to date on delivering retrofit works within council homes alongside the development of further analysis and options to deliver further improvements this year and beyond.

Reason: To deliver the council's ambitions for minimising tenants' energy bills, building the local green economy and retrofit supply chains, and reducing carbon emissions in the City.

- ii) Note the ongoing preparation for a Social Housing Decarbonisation Wave 2 bid following the council's successful application for Wave 1 funding and that a business case for this investment will be brought forward later this year.

Reason: Grant funding of up to 50% of total costs can substantially increase the pace of retrofit improvements carried out in HRA stock.

- iii) Note the intention to submit a bid through the anticipated Social Housing Decarbonisation Fund "digitalisation" programme for building

performance monitoring and data analytics technology. This would need to be supported by HRA investment and a business case will be brought forward for approval prior to committing to this programme of works.

Reason: This technology can support better informed forecasting of residents' energy bill savings following retrofit works. This will enable leverage of financial opportunities and facilitate learning opportunities as well as supporting the most effective investment in improvement works.

- iv) Note the intention to continue work towards HRA stock decarbonisation within the Retrofit Action Plan including commissioning of an evidence base to support this.

Reason: To identify long-term investment priorities and build on the existing stock analysis, and to provide net zero pathway options.

Background

3. Household energy bills have increased substantially in the last year, with a typical bill likely to have increased by 75% or more. Further rises are expected when the Ofgem price cap is raised again in October 2022. This is likely to significantly increase the number of households experiencing fuel poverty. The council has an ambition for the city to be carbon neutral by 2030. These two challenges bring into sharp focus the need to undertake retrofit improvements to the council's housing stock.
4. A Retrofit Action Plan is currently in preparation, setting out plans for decarbonising homes in York and tackling fuel poverty across all tenures. This Retrofit Action Plan will be considered by Executive in the autumn and will build on the Climate Change Strategy.
5. An update on the Retrofit Action Plan was provided at the 17 March 2022 Executive Member Decision Session. This report focuses on council homes and outlines progress since the last update including a timetable for future work to deliver the Retrofit Action Plan.

Progress of delivering Retrofit works

6. The council has been highly successful in attracting £5.6m grant funding to help accelerate retrofit works across the city and in neighbouring Local Authorities. In respect of works to council homes, Social Housing

Decarbonisation Fund Wave 1 (SHDF W1) and Local Authority Delivery 2 (LAD2) has been secured. It is anticipated that by 12 July, 44 council homes will have been improved through the installation of solar PV panels utilising LAD2 funding. Top up loft insulation to 300mm was also provided for all properties where this was beneficial. These works will reduce residents fuel bills, improve the thermal performance of the home, and reduce carbon emissions. These works will take these homes from an Energy Performance Certificate (EPC) D rating, to a C rating or higher.

7. SHDF funding is proposed to be utilised to deliver fabric improvements to 28 council homes at Danebury Court and Harington Avenue. A contractor has now been procured to undertake these works which are due to take place this financial year. These works will comply with the high standards outlined in PAS2035 which requires detailed design work to ensure the measures are effective with consideration of the long term condition of the building fabric. These works will improve the thermal performance of the homes, reduce heating demand, save residents money on fuel costs and improve the comfort of the homes. Again these works will increase the EPC rating of all homes.

Additional Opportunities to address growing fuel poverty challenges

8. We have successfully recruited a summer intern to provide additional resource capacity to the team and to help us explore opportunities which exist for rolling out less invasive and less complex solutions which can be delivered in the short term, directly responding to the additional fuel cost rises anticipated this autumn. Stock modelling information, funded through LAD grant funding, has now been received and provides detailed analysis of our housing stock, including identifying opportunities for improvements. Utilising this information, we can more easily identify opportunities for carbon reduction and saving residents money on their energy bills. These measures could involve bespoke household energy use advice, rapid fabric upgrades such as draught proofing, or other items including energy efficient LED lightbulbs, or thermal curtains/carpet underlays. A business case for investment will be brought forward following this analysis and considering best practice from elsewhere. It is anticipated that funding for this work would be drawn down from the existing £2m council retrofit budget. There is further work to do in interrogating our data to build on the initial modelled analysis and further improve the understanding of our housing stock, particularly in respect of

more complex building types with a non-traditional construction impacting thermal performance.

Financial opportunities to support potential additional HRA investment:

9. The cost of retrofit works to deliver improvements across our council housing stock would be significant. At present it does not look like central government funding will be available to support the scale of the challenge, at the speed required, to meet our carbon neutral aspirations and to support our residents through the provision of warmer and more efficient homes. One opportunity which exists to support capital investment is the use of a “shared benefits charge” or service charge in future HRA retrofit investment programmes. This approach can pay back initial capital costs over time, opening up opportunities for a larger upfront additional investment. This is a new financial model which a number of local authorities are currently moving towards.
10. It is intended to work up a business case to underpin consideration of a charge of up to a fixed maximum proportion of the annual value of tenants’ energy bill savings, based on a lower estimate of those savings following retrofit measures. This could facilitate a significant scale up of HRA retrofit works, and support access to further financial options such as the UK Infrastructure Bank and institutional investment, in addition to offering potential for delivering improvements across other tenures. Without this kind of model the potential to scale up HRA investment is limited due to the lack of revenue generation to service interest on a loan.
11. It is essential that delivery of this approach maintains high levels of tenant satisfaction and comfort. Initially this can be facilitated by allowing a margin for impact estimation error and using a lower estimate of benefit. To improve accuracy and better target measures over time, it is also proposed to pilot new building performance monitoring and data analytics technology, discussed below.

Home building performance monitoring technology

12. Monitoring the performance of homes through technology can provide valuable input into understanding data around temperature, humidity and ventilation. This knowledge can help to identify both opportunities for more efficient user choices as well as fabric home improvement opportunities. This technology is becoming increasingly affordable and it

is anticipated that with an investment of £15,000, sensors could be installed in at least 30 homes to record time-series data. When combined with energy bill details this would give a high-quality evidence base for understanding the benefit of different improvement works options for prioritisation and financial optimisation.

13. This approach is embedded in the Welsh Government’s “Optimise Retrofit” programme¹, a potential good practice example. Wherever possible the sensors would be installed to monitor a suitable period pre and post-works, if it is not possible to monitor pre-works then comparator properties outside of the intervention programme will be selected instead. It is proposed to include a bid for this investment through the 2023-25 SHDF Wave 2 Digitisation stream.
14. These technologies could also play an important role in leveraging financial opportunities across all tenures, by better estimating the benefit of optimised retrofit measures to enable a return on investments. The investments could be made by the householder themselves, or through a third party delivering at scale.

Social Housing Decarbonisation Fund Wave 2 bid preparation

15. A new bid round of the SHDF (Wave 2: SHDF W2) is expected to be announced by the Business, Energy and Industrial Strategy Department (BEIS) late August 2022, open to submissions until October 2022.
16. BEIS have expressed the intent to increase the pace of decarbonisation in this sector and accordingly have given additional forward guidance on the likely details of SHDF W2, although this remains open to change until the prospectus is formally released.
17. The delivery window has been extended for 2 years, from April 2023 to March 2025. Bids must include a minimum of 100 properties, either from an individual provider or over a consortia bid. CYC is looking to support partners in the sector with a consortia arrangement, taking into account factors such as location of stock and planned works programmes.
18. Properties will be expected to be at EPC D or below, with potentially only 10% infill at EPC C eligible for inclusion. Alongside a continued focus on “fabric first” improvements, there is a welcome recognition of the need to

¹ <https://gov.wales/optimised-retrofit-programme>

upgrade non-gas heating systems which can be high cost, with separate funding available for this in addition to fabric measures.

19. Successful providers will be required to fund a minimum of 50% of project costs. BEIS has set out likely funding limits of £5,000 per cavity wall property and £10,000 per solid wall property, for EPC D homes. This gives a typical project cost of £10,000/£20,000 per property, including the council's contribution. Further guidance is anticipated on more complex non-traditional build types which do not fall solely in either category, which would include some likely CYC properties.
20. For low carbon heating upgrades in eligible non-gas heated properties, the funding cap is expected to be £6,500 per property, with the same requirement for providers funding at least 50% of the total costs of £13,000 per property.
21. Using the recently received Parity Projects Portfolio software alongside our EPC records puts us in a better position than previously to identify appropriate measures for inclusion in a bid. We have greater understanding of property types and areas with higher numbers of EPC D rated homes, which can provide the basis for an SHDF Wave 2 bid. A business case will be brought forward for the bid to an Executive Member Decision Session, including identification of neighbourhoods where these properties are located. The type breakdowns are summarised in the table below:

Typology	Estimated D and below	Further details
Bungalows	219 (47%)	Largely insulated cavity wall homes
System build	327 (74%)	Priority is Dennis Wild type (primarily around Tang Hall)
Solid wall houses	42 (44%)	Most are "Pepper potted" throughout a number of neighbourhoods
Storage heaters	90 (54%)	Eligible for additional heating upgrade funding stream
Total of identified priority intervention types	678	
All 7,424 properties in HRA stock	1,642 (22%)	Other priority types will be identified for future programmes

22. By improving EPC D rated properties, we can make a tangible impact on the thermal comfort of a home, fuel bills and carbon emissions. A formal bid options appraisal including financial implications will be set out for member decision later this summer. There remains capacity within the £2m HRA retrofit investment programme which could be utilised to match fund a grant application, with £0.57m of CYC budget being committed for the LAD2 & SHDF Wave 1 scheme, leaving £1.43m for the SHDF Wave 2 and future schemes.
23. The development of a Retrofit Action Plan across all tenures is complex and is taking place at a time of great change, in terms of funding opportunities, costs, and the availability of contractors with the right skills to undertake works. However, it is important that an action plan is considered by Executive to create a well-defined strategic approach to activities over the coming years. It is highly likely that the action plan will need to remain a live document, to respond to changes in technology, costs, and funding opportunities. The summary timetable below sets out activities taken place so far this year and forthcoming activity planning to deliver the retrofit action plan.

Time period	Action/notes
January-February 2022: complete	Stakeholder consultation carried on action plan direction The consultees were local community stakeholders and larger stock-holding Registered Providers
April 2022: complete	Parity Projects Portfolio commissioned and received
March-May 2022: complete	Action plan options reviewed incorporating consultation responses, energy bill increases and modelling results
June 2022	BRE modelling work for all tenures commenced
May-August 2022	SHDF W2 bid plans under preparation
July EMDS 2022	Update on HRA elements of retrofit action plan development
July-August 2022	Initial BRE datasets received
Summer 2022	Final consultation with stakeholders, tenants and residents and preparation of action plan
August-September 2022	Final BRE datasets received

Time period	Action/notes
Late August 2022	SHDF W2 bid round announcement expected
Summer 2022	CYC draft Strategy suite (including climate change) final documents in consultation
July or September 2022	Pre-decision Scrutiny of Retrofit Action Plan
October 2022	SHDF W2 submission deadline expected
Autumn 2022	Retrofit Action Plan taken forward for Executive approval – setting direction for coming years including financial implications of delivery options Delegated authority will also be sought for finance and procurement for the SHDF W2 programme if bid is successful.

Consultation

24. The York Building Retrofit Roundtable event of July 2021 held with local stakeholders provided a foundation for strategic retrofit planning in the City. A smaller group including community organisations followed for consultation on the direction of this work.
25. A draft of the Retrofit Action Plan (then the Housing Energy Efficiency Strategy) was presented to the Housing and Community Safety Policy and Scrutiny Committee in October 2021, with insights from that committee subsequently incorporated into the Plan.
26. An informal consultation was carried out via e-mail with local community stakeholders and Registered Providers with stock in York, during January-February 2022, which provided valuable direction for aspects of the Plan.
27. Further discussion took place in the April 2022 Registered Provider (RP) forum, with representation from holders of the overwhelming majority of RP stock within the City. In particular an overview of RP plans both short- and long-term was provided which informed the development of the Retrofit Action Plan.
28. In accordance with the timetable set out above, consultation will be carried out in the coming months on the latest version of the Retrofit Action Plan. This will incorporate engagement with council tenants and

residents of other tenures, and consultation with key community stakeholders and Registered Providers.

29. Over August-September it is intended to make the Retrofit Action Plan document available on the council's website for residents to review and provide feedback as part of the consultation process.

Council Plan

30. Retrofit delivery and an action plan aligns with a number of 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. People working in the construction industry are typically paid above the national average. Utilising central government grant funding alongside HRA capital to deliver works creates opportunities for work with the supply chain to create opportunities for further training and skills development locally.

A greener and cleaner city – our 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.

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. Retrofitting homes will make tangible improvements to the energy performance of dwellings thereby reducing incidents of excess cold and associated ill health.

31. **Implications** – Responses from colleagues for relevant aspects will be included below.
 - **Financial** – The HRA has an agreed budget of £2m for energy efficiency measures across the council dwelling stock. This funding is being maximised with match funding from several Government initiatives, with £0.57m of CYC budget being committed for the LAD2 & SHDF Wave 1 scheme, leaving £1.43m for the SHDF Wave 2 and future schemes.

- **Human Resources (HR)** – There are no HR implications to this report.
- **Equalities** – The Council is mindful of the 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). An equalities impact assessment was completed when this programme was launched and approved by Executive in December 2020. There is no adverse impact expected in terms of equalities.
- **Legal** – Legal Services will carry out a review of any proposed grant funding agreement and in respect of the UK Subsidy Control Rules (previously State aid) to confirm whether any mitigating actions need to be taken prior to entering into the funding agreement. Legal Services have provided advice to the Housing Energy Efficiency team throughout the project.
- **Crime and Disorder** – There are no Crime and Disorder implications.
- **Information Technology (IT)** – There are no IT implications.
- **Property** – There are no Property implications.

Risk Management

32. Retrofit works are complex. They require careful design and implementation in order to ensure improvements in the home in the long term. Detailed engagement is taking place at all stages of the development of the Retrofit Action Plan alongside consideration of emerging good practice and the experience of other authorities. We have procured and received further data analysis of our council homes to ensure we are able to make more informed decisions regarding suitable works and likely costs. The intended use of technology to monitor the performance of the home before and after works can help increase our knowledge, identify any issues early, and improve future investment decisions. 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.

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Background Papers:

- Council Housing Energy Retrofit Programme – December 2020 – Executive
<https://democracy.york.gov.uk/ieListDocuments.aspx?CIId=733&MIId=12428&Ver=4>
- Update on the Housing Energy Retrofit Programme – March 2021 – Decision Session: Executive Member for Housing and Safer Neighbourhoods
<https://democracy.york.gov.uk/ieListDocuments.aspx?CIId=932&MIId=12599&Ver=4>

- Update on the Housing Energy Efficiency Programme and Grant Application for the Sustainable Warmth Competition – August 2021 - Decision Session: Executive Member for Housing and Safer Neighbourhoods
<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=932&MId=13137&Ver=4>
- Housing Energy Efficiency Programme Update - Utilising Grant Funding to Deliver Additional Retrofit Works – December 2021 – Executive
<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&MId=12798&Ver=4>
- Update on the Housing Energy Retrofit Programme – March 2022 – Decision Session: Executive Member for Housing and Safer Neighbourhoods
<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=932&MId=12750&Ver=4>

Annexes:

Annex 1: Draft Retrofit Action Plan (HRA sections)

Annex 2: Housing Energy Efficiency Funding Sources

Abbreviations:

BEIS: Department for Business, Energy and Industrial Strategy

CYC: City of York Council

EPC: Energy Performance Certificate

HRA: Housing Revenue Account

LAD2: Local Authority Delivery Phase 2

RP: Registered Provider

SHDF W1: Social Housing Decarbonisation Fund Wave 1

SHDF W2: Social Housing Decarbonisation Fund Wave 2