

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

16 March 2023

Report of the Director of Housing, Economy and Regeneration

**Update on retrofit programme including Home Upgrade Grant Phase 2
(HUG2) bid**

Summary

1. Since Executive approval in December 2020, which established a Home Energy Efficiency Programme, the council has delivered retrofit projects on a significant scale across all tenures. Through existing projects, the programme expects to deliver over 500 improvement measures to around 250 homes across all tenures. The majority of these works are wholly or partially funded through central government funding which was successfully secured in 2021/22. These retrofit works are delivered to a high standard under the exacting PAS2035 quality framework, adding complexity and robustness to the improvement works.
2. The domestic energy efficiency challenge is significant and there is a need to continue to accelerate retrofit works into next year. To support this ambition a further grant application for retrofit works has been submitted, this time under the government's HUG2 programme.
3. If successful, the scheme would provide 100% funding including the council's project delivery resource. The programme requirements are for all properties to be heated by non-gas means with an Energy Performance Certificate (EPC) Band D or below. In addition, there is a 'low income' criteria for either the household or, for this programme, eligible low-income neighbourhood areas. The programme is expected to run for two-years.
4. This would contribute to the priorities of the Retrofit Action Plan adopted by the Council's Executive in December 2022, by delivering domestic decarbonisation and energy bill reduction measures to households at high risk of fuel poverty. Other work underway following the Retrofit Action Plan includes the establishment of the York Energy Advice

service for all households using the UK Shared Prosperity Fund, support for the Energy Company Obligation 4 (ECO4) programme to achieve maximum delivery in the City, and the council housing retrofit programme for 2023-24 and beyond.

5. The formal outcome of the grant application is expected imminently. However, to allow activity to continue, this report seeks to provide clarity on the next steps to enable projects to be delivered in York within the timescale of the programme.

Recommendations

6. The Executive Member is asked to:
 - (i) Note the progress to date on delivering retrofit works following the success of attracting grant funding to support cross tenure improvement works.
 - (ii) Note that upon successful notification of the grant, that the Memorandum of Understanding will be signed to enable the commencement of procurement activity and more specific site analysis works.
 - (iii) Note that prior to the signing of a delivery contract following a procurement exercise, that a report will be provided to Executive seeking approval to sign the delivery contract and commence works.

Reason: To deliver the council's ambitions for minimising vulnerable residents' energy bills, supporting health and wellbeing, building the local green economy and retrofit supply chains, and reducing carbon emissions in the city.

Background

7. 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 still¹. 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 carbon neutral by 2030 to

¹ <https://www.gov.uk/government/news/government-announces-energy-price-guarantee-for-families-and-businesses-while-urgently-taking-action-to-reform-broken-energy-market>

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.

8. 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.
9. 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

10. 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.
11. Despite these challenges the council has made significant progress in delivering retrofit works to date. In respect of works to council homes, Local Authority Delivery 2 (LAD2) and Social Housing Decarbonisation Fund Wave 1 (SHDF W1) grant funding has been secured. Utilising LAD2 funding, 45 council homes have been improved through the installation of solar PV. Top up loft insulation to 300mm was also provided for all properties where needed. These works have reduced residents' fuel bills, improved the thermal performance of the homes, and reduced carbon emissions, taking these 45 homes from an Energy Performance Certificate (EPC) D rating, to a C rating or higher.
12. In the private sector, retrofit works are being delivered utilising grant funding secured through LAD1B, LAD2, LAD3, and Home Upgrade Grant 1 (HUG1). To date, over 200 improvement measures have been

installed for homes in the private sector. Measures include room in roof insulation, cavity wall insulation, and Solar PV and Air Source Heat Pump installation. All of these works have been entirely funded utilising central government grant to qualifying low-income households.

13. Once complete, this will bring the number of retrofit works delivered to 590. However, as noted above these programmes also include challenges which have resulted in delivery delays across the country and York is no exception in this regard. Accordingly, the Department for Energy Security and Net Zero (DESNZ) has initiated a 'Managed Closure' process, and as part of this the council is in dialogue around a planned extension to ensure maximum benefit from these grant programmes.

HUG2 bid

14. The council has submitted a grant application for this new programme, which provides funding for works which is expected to operate until March 2025.
15. The funding announcement is expected imminently and it is hoped that a verbal update can be provided at the meeting in this regard. Should the council be successful with its grant application a Memorandum of Understanding would be signed. This would secure the grant funding, which includes capital funding to deliver the works and revenue funding to provide staffing resource to enable the project delivery.
16. Should the application be successful the mix of properties which would be targeted for works 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.

Consultation

17. Consultation has been undertaken with external stakeholders, Council Members and officers at various stages during 2021-22 on key priorities

identified within the draft Retrofit Action Plan, which informs the recommendations of this report.

Council Plan

18. 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 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.

19. **Implications** – Responses from colleagues for relevant aspects are included below.

- **Procurement** – Any proposed works and services will need to be commissioned via a compliant procurement process under the Public Contract Regulations 2015 and the council's Contract Procedure Rules. The Commercial Procurement team will need to be consulted alongside Legal Services, and the Insurance team so appropriate documents, contracts and processes can be completed. A procurement strategy will be completed to determine the best route to market and to ensure the council is achieving value for money whilst delivering the contract.
- **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 £190K. CYC internal resources costs are to be contained within this value.

- **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 arrangements 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 arrangements. 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

20. Retrofit works are complex. They require careful design and implementation in order to ensure home improvements in the long term. Detailed engagement is taking 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. 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.

21. Legal advice will be taken before entering into any Memorandum of Understanding. This programme of works would be delivered entirely using central government grant, both revenue and capital costs would be covered by the grant. However, failure to deliver the works could result in the repayment of any grant received.

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Background Papers:

- Council Housing Energy Retrofit Programme – December 2020 – Executive

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&MId=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?CId=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&MIId=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&MIId=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&MIId=12750&Ver=4>
- Update on the Housing Energy Retrofit Programme – July 2022 – Decision Session: Executive Member for Housing and Safer Neighbourhoods
<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=932&MIId=13536&Ver=4>

Annexes – None

Abbreviations:

HUG1: Home Upgrade Grant Phase 1

HUG2: Home Upgrade Grant Phase 2

LAD: Local Authority Delivery

SHDF: Social Housing Decarbonisation Fund