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

20 October 2022

Report of the Director of Housing, Economy and Regeneration

Retrofit programme – Housing Revenue Account (HRA) strategy update

1. Since Executive approval in December 2020 to establish a Home Energy Efficiency Programme, the council has delivered retrofit programmes on a significant scale across all tenures. This financial year we expect to deliver over 500 improvement measures to around 250 homes across all tenures. The majority of these works are wholly or predominantly funded utilising government funding which we 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 retrofit challenge is significant and we need to continue to accelerate retrofit works into next year. To support this a grant application of over £1m is being prepared under the Social Housing Decarbonisation Fund Wave 2 programme. This grant would be match funded by the Housing Revenue Account (HRA), therefore delivering over £2m of retrofit work to council houses over a two-year period. This investment would significantly improve the energy performance of 113 council homes to at least an EPC C standard.
3. The match funding proposal would fully commit the £2m HRA Retrofit Fund and details of all spend items are set out in this paper. Should the bid be successful, around 190 council homes would have been improved to at least an EPC C standard utilising this existing budget. The drafted Retrofit Action Plan is currently out to formal public consultation and sets out the need and range of tools available to both deliver and facilitate further retrofit works over the coming years. The Retrofit Action Plan aims to reduce emissions and energy bills across all tenures and will be considered by Executive later this year.
4. To date, HRA capital funding has been utilised alongside grant funding to deliver significant retrofit works on ‘difficult to treat’ properties. This will

bring long term benefits to residents and improves the quality of our housing stock for future generations. In the last year, the country has experienced a significant cost of living challenge, this will be felt most acutely by low-income households in the city. The recent significant rise in fuel costs will make it more difficult for residents to keep their homes warm this winter. As a direct response to this, it is proposed that the council undertake a series of 'quick win' interventions over the coming six months to help residents stay warm. As such it is proposed that £60k is allocated to allow measures such as draught proofing and simple insulation measures be carried out to the homes of around 250 of our most vulnerable council tenants.

Recommendations

5. The Executive Member is asked to:

- i) Note the progress on delivering retrofit works following the success of attracting grant funding to support cross tenure improvement works.
- ii) Approve the allocation of £1.015m from the existing HRA retrofit budget to match fund government grant under the Social Housing Decarbonisation Wave 2 Fund. Note the proposed details of the submission of a grant bid of around £1m, therefore enabling a £2m retrofit project.
- iii) Note the full expenditure allocation for the £2m HRA Retrofit Fund approved by Executive in 2019/20, and the associated improvement of 190 low performing council homes to at least EPC C standard once this funding programme is complete.
- iv) Approve the allocation of £60k from the existing retrofit budget to deliver around 250 'quick win' retrofit works this winter to support some of our most vulnerable residents this winter.

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

Background

6. Household energy bills have increased substantially in the last year, with a typical bill likely to have doubled from 2021 to October 2022. This is taking into account the central government Energy Price Guarantee

announcement, or the increases would have been greater still¹. These costs will significantly raise 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 support the response to the climate emergency. These two challenges bring into sharp focus the need to undertake significant retrofit improvements to the council's housing stock.

7. A Retrofit Action Plan is currently undergoing public consultation, setting out plans for decarbonising homes in York and tackling fuel poverty across all tenures. This Retrofit Action Plan will be considered by Executive later this year and will build on the Climate Change Strategy, identifying clear actions required in the residential sector to meet these aspirations.
8. 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

9. Retrofit grant funding requires works to be undertaken utilising an exacting PAS2035 design and assurance standard. These works are delivered by a relatively immature retrofit supply chain at a time of significant cost inflation. Alongside the supply chain skills shortage, the council has needed to develop expertise in this field in order 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.
10. 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.

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>

11. SHDF W1 has been secured to deliver fabric improvements to 28 council homes at Danebury Court and Harington Avenue, with further opportunities identified for an additional 4 properties to be brought into the programme through HRA funding. A contractor has 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 to at least a C.
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, 183 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. The table below summarises works completed to date:

Measure	Number of measures
Private Homes	
Cavity Wall Insulation	39
Loft insulation	80
Room in Roof insulation	23
Solar PV Installation	26
Air Source Heat Pump Installation	1
Council Homes and other social housing	
Solar PV and loft insulation (council homes)	45
Air Source Heat Pumps (JRHT)	6
Social PV (Yorkshire Housing)	8
Total retrofit measures installed	228

14. Works under the LAD1 and 2 programmes were required to be completed by September this year, and therefore no further works can be undertaken under these funding programmes.

15. A further 362 retrofit works are planned utilising grant funding secured under LAD3, HUG1 and SHDF W1. These works are summarised below:

Measures	LAD3	HUG1	SHDF
External Wall Insulation	25	0	28
Underfloor Insulation	22	0	28
Loft (top-up) Insulation	125	6	0
Solar PV	80	20	0
Hybrid Air Source Heat Pump	15	0	0
Full System Air Source Heat Pump	0	13	0

16. Once complete, this will bring the number of retrofit works delivered to 590.

Social Housing Decarbonisation Fund Wave 2 bid proposal

17. A new bid round of the SHDF (Wave 2: SHDF W2) has been announced by the Business, Energy and Industrial Strategy Department (BEIS) on 29 September 2022, open to submissions until 18 November 2022². This presents the opportunity to accelerate our ambitions to deliver significant retrofit works to our own council housing stock.
18. The delivery window is longer than previous funding rounds, allowing delivery over two years, from April 2023 to March 2025. Bids must include a minimum of 100 properties.
19. Properties will be expected to be at EPC D or below, with potentially only 10% infill at EPC C eligible for inclusion, and a continued focus on “fabric first” improvements with PAS2035 standards built into the programme.
20. Successful providers will be required to fund a minimum of 50% of project costs. BEIS has set out 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 and £20,000 per property,

² <https://www.gov.uk/government/publications/social-housing-decarbonisation-fund-wave-2>

including the council's contribution. Properties with partial non-cavity walls are eligible as solid wall homes in recognition of the cost and complexity of insulation.

21. Using the recently received Parity Projects Portfolio software data alongside our EPC records, we now have a more comprehensive understanding of the types of measures needed to improve our stock. This has provided the basis for an SHDF Wave 2 bid.
22. We have created a draft bid proposal which balances local priorities, the complex SHDF Wave 2 eligibility and funding criteria and delivery risk mitigation where possible. £1.0075m grant funding is sought, with a similar amount to be allocated from the existing £2m HRA retrofit budget. The proposed measures are summarised in the table below:

Property type	Likely number	Likely Measures	SHDF W2 grant funding	HRA match funding
Bell Farm Pods	40	Uninsulated 'pod' replacement Mix of underfloor insulation, potentially some external wall insulation, potential hybrid heat pump and / or solar PV	£340,000	£340,000
Bungalows	48	Partial external wall insulation, fabric improvements, PV, + potentially battery / hybrid heat pump in a minority of properties to monitor / trial	£480,000	£480,000
Standing water solid wall ginnel properties	10	Likely external wall insulation to solid wall section, other fabric improvements, plus potential PV / battery / hybrid heat pump	£75,000	£75,000
Solid wall ginnel properties – other routes e.g. void	15	Likely external wall insulation to solid wall section, other fabric improvements, plus potential PV / battery / hybrid heat pump	£112,500	£112,500
Total	113		£1,007,500	£1,007,500

23. The key reasons why these properties have been selected are:

- Alignment with other HRA capital programmes - around 75 of the homes are due to receive significant works in the next two years (for example new kitchens and bathrooms), undertaking retrofit works at the same time will drive efficiencies and reduce tenant disruption
- Taking account of risks of delivery and costs by applying learnings from existing PAS2035 projects
- The projects can build relationships with high quality supply chain partners over the long-term

- Utilisation of a range of low carbon technologies that will provide significant learnings, supporting the efficient scaling up of the programme
- Opportunities for pre- and post-works monitoring and for data-led analysis
- Properties of an identified priority type for retrofit improvements and found in significant numbers across the HRA stock

24. There may be some further amendment to this proposal, as the bid process involves a 'co-production' mechanism whereby a consultancy acting on behalf of BEIS reviews plans and provides critical feedback, which is underway. Therefore the measures outlined should be treated as a guide until the formal bid is finalised. The number of properties due to receive works will not alter significantly.

Quick Wins Proposal

25. The retrofit measures outlined in this report are complex and resource intensive to deliver. Whilst we deliver these projects, finalise the Retrofit Action Plan, and work towards scaling up our delivery opportunities utilising further grant funding, it is proposed that we look to support some of our most vulnerable tenants in the short term through a series of quick win interventions. It is proposed that £60,000 be allocated from the existing HRA retrofit budget to deliver improvements to around 250 tenants this winter. These works will not require a high level of specialist knowledge and much of the work will be rolled out from a single visit by a handyman. High cost-effectiveness measures such as draught proofing, installation of efficient LED lightbulbs and external wall radiator insulation will be delivered to up to 250 tenants who are identified as vulnerable and/or living in Band D rated council homes.

Summary of Financial Investments

26. The table below sets out the full spend profile for the £2m Retrofit budget which was approved by Executive in December 2020. This assumes a successful grant application under SHDF W2. Should this application be unsuccessful, a further business case will be developed to support the allocation of these funds to retrofit works.

Costs to CYC Note: this is not full project cost, which includes grant funding	HRA Retrofit Fund Spend / Commitment	Homes improved to EPC C standard*
LAD2 Solar PV, loft insulation and roof works	£283,220	45
SHDF Wave 1 fabric improvements to priority homes	£350,178	32
CYC project delivery staffing resource over 2 years	£96,430	n/a
HRA “quick wins” rapid intervention improvements	£60,000	n/a
Property energy performance monitoring	£15,000	n/a
Housing stock energy modelling	£7,500	n/a
SHDF Wave 2 bid proposal – match funding plus £10k surveys	£1,017,500	113
SHDF Wave 2 bid proposal 5% contingency	£110,172	n/a
SHDF Wave 2 digitalisation	£20,000	n/a
HRA stock net zero pathway commissioned study	£15,000	n/a
Alex Lyon House low carbon heating feasibility	£25,000	n/a
Total	£2,000,000	190

Timetable for retrofit programmes discussed in this report

Date	Action	Notes / progress
30 September 2022	LAD1B and LAD2 programme delivery final date	Complete
October 2022	20 th October: EMDS paper	
October-January 2022	Procurement exercise to identify programme delivery partner	Underway

Date	Action	Notes / progress
November 18 th 2022	SHDF W2 bid window closes for bids	Confirmed
December 2022	Executive consideration of Retrofit Action Plan	Draft out for consultation
February 2023	Outcome of SHDF W2 bid announced	
March 2023	SHDF Wave 1 and LAD3 delivery completion, “quick wins” 2022/23 phase completion	
April 2023	SHDF Wave 2 delivery to commence if successful Revised HRA Retrofit Programme to commence if bid unsuccessful	
March 2025	SHDF Wave 2 delivery completion	

Consultation

27. 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

28. 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.

29. **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 £0.63m of CYC budget being committed for the LAD2 & SHDF Wave1 scheme, leaving £1.37m for the SHDF Wave 2 and the other initiatives outlined above.
- **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

30. 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. 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. 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?CId=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?CId=932&MIId=12599&Ver=4>

- Update on the Housing Energy Efficiency Programme and Grant Application for the Sustainable Warmth Competition – 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>

List of Abbreviations used in this report

HUG: Home Upgrade Grant

LAD[]: Local Authority Delivery Phase []

SHDF W1: Social Housing Decarbonisation Fund Wave 1

SHDF W2: Social Housing Decarbonisation Fund Wave 2