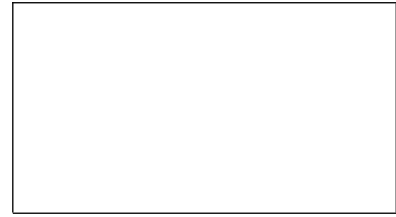


Calderdale MBC

Wards Affected All

Cabinet 12 June 2023



Home Upgrade Grant Phase 2 (HUG2) energy efficiency scheme

Report of the Director for Regeneration & Strategy

1. Purpose of the report

- 1.1 Cabinet approval is sought to approve the approach to the use of the £4.14m HUG2 funding to make the homes of low-income households off the gas network, or using other fuel for their main space heating, more energy efficient.
- 1.2 This scheme will make a significant contribution towards several of the Council's key priorities and objectives including tackling the climate emergency, reducing inequalities and place making.
- 1.3 Approval from Cabinet is also sought for delegated authority to oversee administration of the funding already approved by government. It is requested that this authority is delegated to the Director of Regeneration and Strategy, in consultation with the Cabinet Member with responsibility for Climate Action, Active Travel and Housing, and the Head of Finance.

2 Need for a decision

- 2.1 The Council is required to formally approve the acceptance of £4.14m Home Upgrade Grant Phase 2 (HUG2) from the government's department for Energy Security and Net Zero (previously Business, Energy, and Industrial Strategy, BEIS).
- 2.2 Annual allocations of the funding will be provided for the two-year programme which will improve up to two hundred homes by the end of March 2025.

3 Recommendation

- 3.1 That Cabinet agrees to utilise £4.14m HUG2 funding to deliver up to two-hundred low-income private tenure households by March 2025 and incorporate £3.6m of the £4.14m into the Council's Capital Programme to deliver the capital cost of the scheme detailed in paragraph 6.3 of the report. The remaining £0.54m is available for 'administration and ancillary' costs and will be allocated into the service revenue budget.
- 3.2 That Cabinet authorises the delegated management of the delivery and oversight of the HUG2 grant award to the Director of Regeneration and Strategy, in consultation with the Cabinet Member with responsibility for Climate Action, Active Travel and Housing and the Head of Finance.
- 3.3 Regular reports on progress will be incorporated into future Capital Monitors reported to Cabinet.

4 Background / Details

- 4.1 Delivery of this project will make a significant contribution towards several of the Council's priorities and key objectives including tackling the climate emergency, reducing inequalities and place making.
- 4.2 The works will make residents' homes more energy efficient, improving affordable warmth, reducing carbon emissions, helping to tackle the climate emergency, lowering energy bills, and supporting households to become more resilient against future energy price rises.
- 4.3 Residents' homes will be made warmer and healthier through the project. Better ventilation will also be provided, reducing the risk of condensation, damp, and mould growth, which is known to cause severe respiratory illness, especially in the more vulnerable groups of babies, young children, and older people. All residents will also be better protected against other health conditions which can be made worse by living in a cold home.
- 4.4 Taking a 'whole of house' approach to energy efficiency retrofit, the project will start to deliver against priorities set out in the Emissions Reduction Pathway report and emerging Local Area Energy Plan to provide warmer and more resilient buildings.
- 4.5 Retrofitting our housing stock is an ongoing programme of work. The Emissions Reduction Pathway report set out a target of improving 69,000 homes to energy performance rating C as part of the borough's ambition to become 'net zero' by 2038.
- 4.6 Much of the easy and lower cost standard loft and cavity wall insulation work has been completed in suitable homes over the last twenty years. Our next challenge is to tackle the more expensive, older stone-built housing with insulation and ventilation improvements to improve thermal comfort, reduce heat loss and lower the risk of condensation, and install renewable clean heating technology.
- 4.7 Since 2019, almost £9m has been secured through the government's Green Homes Grant Local Authority Delivery Programme. This is on track to improve over nine-hundred homes with different types of insulation by September 2023. The vast majority have benefited from 'room in the roof' insulation, with other properties also receiving either loft, cavity wall or underfloor insulation.
- 4.8 Most recently, the successful application of the Home Upgrade Grant Phase 2 (HUG2) is providing £4.14m of funding to deliver insulation and clean heating technology to low-income households off the gas network or using another fuel type for their main space heating systems.
- 4.9 The grant includes £3.6m for capital works, plus £0.54m 'administration and ancillary' budget for revenue related activity including staff resources, marketing and promotion, surveys, and compliance related activity.
- 4.10 A 'fabric first' approach must be taken so that recipients' homes are insulated and ventilated before any clean heat technology is installed.
- 4.11 Qualifying households must have a total gross annual income of less than £31,000, including any means tested financial benefits or tax credits, must own, or privately rent their own home, and not own any other assets including property, savings, or investments worth over £16,000.
- 4.12 The average grant per property must be a maximum of £18,000 at the end of the scheme.

- 4.13 Social housing infill of 10% of properties is allowed to maximise take up if a targeted area or street-based approach is taken.
- 4.14 Qualifying private landlords must have a portfolio of up to four properties and pay a contribution of at least a third of the cost of the total works. Social landlords must pay half of the cost.
- 4.15 A list of pre-qualifying post code areas has been provided by government based on deprivation data. Other households outside of these areas can also apply for the grant which is subject to a verification of the value of any assets they own.
- 4.16 The HUG2 money can be blended with other funding streams to offer whole of house energy efficiency retrofit to properties in a target area or street, but it can only be used to fund specific items of work. For example, funding streams cannot be blended or mixed to fund the same type of insulation or clean heating work (ie heat pump) in the same home.
- 4.17 Procurement of a new 'Energy efficiency and carbon reduction framework' (EECRF) is underway with WYCA. Once the framework is established, a further mini-competition will be held to identify and select the preferred scheme manager for the HUG2 project.
- 4.18 HUG2 contract mobilisation is scheduled for autumn with the first installs due to be carried out during November and December 2023.
- 4.19 It is intended that HUG2 funding will be blended with funding from WYCA's West Yorkshire Better Homes Hub programme to deliver a whole of house energy efficiency retrofit demonstrator offering insulation, ventilation and renewable clean heating technologies to an area or street of properties. The additional funding is still subject to WYCA's assessment and assurance framework. Work is currently underway to develop the full business case for the retrofit demonstrator proposal.
- 4.20 The retrofit demonstrator will test the uptake of the proposed energy efficiency works needed for our older cold stone terraced homes and financial products that will help the 'able and willing to pay' market and private landlords carry out the work at no upfront cost and repay it over an affordable period.
- 4.21 A future Key Decision paper will be provided to Cabinet for the retrofit demonstrator programme when more detailed delivery plans are in place.
- 4.22 Both the HUG2 and the retrofit demonstrator schemes must be completed by March 2025.

5 Options considered

- 5.1 Return the unused HUG2 grant and decline to participate in the scheme.
- 5.2 Accept receipt of the HUG2 grant and endorse future delivery of the HUG2 scheme.
- 5.3 The approach set out in 5.2 above is recommended. This will help to start to scale up to the level of 4,600 homes to be retrofitted per year to deliver the 69,000 homes to energy performance certificate rating of C or above by 2038 as part of the borough's ambition for net zero carbon emissions.

6 Financial implications

- 6.1 As set out above, the £4.14m grant includes £3.6m for capital works, and £0.54m 'administration and ancillary' (A&A) grant for revenue related activity.
- 6.2 The grant allocation is split over two separate financial years. Any underspend in year one cannot currently be carried forward and must be returned to the government department for Energy Security and Net Zero.
- 6.3 The funding is profiled as follows

	2023/24 (£m)	2024/25 (£m)	Total (£m)
Capital	1.152	2.448	3.6
A&A revenue	0.1728	0.3672	0.54
Total	1.3248	2.8152	4.14

- 6.4 A 20% upfront mobilisation payment has been provided including 15% A&A funding, and 5% for capital related works.

7 Legal implications

- 7.1 A non-binding memorandum of understanding has been signed by Legal Services and returned to the government department of Energy Security and Net Zero in line with its short timescales.
- 7.2 The delegated authority proposed in the recommendations section of this report (paragraph 3.2) is capable of being given by Cabinet to oversee administration of the approved funding.

8 Human Resources and Organisation Development implications

- 8.1 The mobilisation payment made will be used to recruit additional staff resources that will be required to oversee delivery of the project and carry out reporting.
- 8.2 Two new posts are envisaged, a Housing Project Manager (Climate Emergency) and a Customer Service and Reporting Officer. There will be no adverse impact on existing staff. A vacancy request form will be completed for consideration by the Regeneration and Strategy Directorate Management Team in due course.

9 Consultation and engagement

- 9.1 The Anti-poverty Project Board, Climate Emergency Officers and Climate and Environment Team have all been advised of the successful funding bid and will continue to be engaged as appropriate during the project development and delivery phases.

10 Environment, health and economic implications

- 10.1 The HUG2 project will provide warmer, healthier and cheaper heating costs for up to two hundred lower income households. Whilst the work could be fully funded for qualifying owner occupiers,

private landlords will have to pay up to a third of the cost of the work. Uptake from previous schemes has shown that this is often a barrier for landlords with small portfolios with low rental yields and or the cashflow to be able to service a loan payment to help spread the cost of the work.

- 10.2 Legislation is in place around energy efficiency in the private rented sector. Absence of a valid Energy Performance Certificate (EPCs) should be enforced by Trading Standards with a £200 penalty notice. The local authority is responsible for enforcement of the Minimum Energy Efficiency Standards which prevents the letting of F and G rated homes, unless the landlord has successfully secured an exemption.
- 10.3 Affordable finance solutions will be required to help private landlords access energy efficiency work like this, otherwise vulnerable tenants in the private rented sector will continue to be put at risk by the disproportionately higher levels of excess cold in private rented homes.
- 10.4 HUG2 is one of several projects currently in development that will start to scale up delivery to the level of energy retrofit required to improve the 69,000 homes to energy rating C by 2038 as part of the borough's net zero carbon target. At a current average of 4,600 homes per year, this work will need significant public and private investment as well as staff resources to deliver the 2038 target. Further detailed plans for retrofit delivery are being considered and developed through the Local Area Energy Plan, as part of the Climate Action Plan.
- 10.5 Affordable finance products for all private homeowners will help them to spread the cost of the work after any available subsidy or grant like HUG2 funding. This will then give businesses in the green economy the confidence they need to make longer term investments in the training, skills and capacity building needed throughout the insulation and renewable heating supply chains to meet future demand.

11 Equality and Diversity

- 11.1 The HUG2 project will target low-income households in the borough's most deprived ward areas, and those 'hidden' in the more affluent wards. The delivery programme will be designed and monitored for the impact they make on people with different protected characteristics, including age, ethnicity, and disabilities.
- 11.2 An equality impact assessment (EIA) will be completed to fully understand any potential barriers to take up and delivery of the HUG2 grant and ensure that all reasonable and practicable steps are taken to support households with protected characteristics to apply for the scheme.

12 Summary and recommendations

- 12.1 The HUG2 funding presents a significant opportunity to deliver the Council's three corporate objectives and support Vision 2024. It will have a positive impact across the more deprived ward areas, and low-income households throughout the rest of the borough.
- 12.2 It is recommended that Cabinet accepts and supports the successful HUG2 grant application.
- 12.3 It is recommended that Cabinet authorises the delegated administration and oversight of the HUG2 grant to the Director of Regeneration and Strategy, in consultation with the Cabinet Member with

responsibility for Cabinet Member for Climate Action, Active Travel and Housing, and the Head of Finance.

<i>For further information on this report, contact:</i>	
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