



Government response to the Housing,  
Communities and Local Government  
Select Committee report on local government  
and the path to net zero





# Government response to the Housing, Communities and Local Government Select Committee report on local government and the path to net zero

Presented to Parliament  
by the Parliamentary Under-Secretary for  
Rough Sleeping and Housing  
by Command of Her Majesty

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# Introduction

The Government welcomes the Housing, Communities and Local Government Select Committee report that was published on 29 October 2021 following its inquiry into Local Government and the path to net zero. We are grateful to the Committee and all those that provided evidence to it. The Government recognises that local authorities play an essential role in driving local climate action. They have significant influence over the key sectors of energy, housing, and transport, reform of which will be essential to achieving net zero. We already work closely with local government and have supported them in this space. We recognise that Government must continue this support, and work ever closer with the local tier, to ensure that we are working together to deliver national net zero ambitions.

Since the Select Committee's inquiry took place, the Government published its Net Zero Strategy on 19 October 2021. The Net Zero Strategy sets out our ambition to reach net zero by 2050 and outlines the measures that will drive this, including our plans to help businesses and consumers move to clean power, to support hundreds of thousands of well-paid jobs and to leverage up to £90 billion of private investment by 2030.

In the Net Zero Strategy, we outlined our commitment to enable local areas to deliver net zero and set clearer expectations on how central and local government interact in its delivery. To do this, we will establish a Local Net Zero Forum, which will bring together senior officials from national and local government on a regular basis to discuss policy and delivery options.

In addition to the new initiatives announced as part of the Net Zero Strategy, we also committed to continuing the Local Net Zero Programme to support local authorities and communities across England in building capability and capacity to meet net zero. Almost £22 million has been invested in the programme to date, including funding for the creation and continuing support of five Local Net Zero Hubs. The Hubs promote best practice and support local authorities to develop net zero projects that can attract commercial investment.

We published our Heat and Buildings Strategy alongside the Net Zero Strategy. The Heat and Buildings Strategy recognises that virtually all heat in buildings will need to be decarbonised if we are to meet our net zero ambitions. Its policies, which will take effect as early as 2023, provide the long-term signals that consumers and businesses need, and will prepare the market for the upcoming regulations in this space.

Finally, we are considering how the planning system can further support our commitment to reaching net zero. As part of our programme of planning reform, we intend to review the National Planning Policy Framework to make sure it contributes to climate change mitigation and adaptation as fully as possible.

Taken together, our current plans deliver a comprehensive set of measures, which, delivered in collaboration with local government, will support and capitalise on the UK's transition to net zero by 2050.

# A net zero framework for local government

Throughout the UK, there are brilliant examples of local action, innovation, and excellence, all of which are helping to deliver our net zero ambitions. Government is committed to working ever more closely with local areas to ensure that we are harnessing the power of this local action to deliver our national ambitions.

*Recommendation 1: In line with the recommendation from the Climate Change Committee, and seemingly in line with its own commitment in the Net Zero Strategy, we urge the Government to immediately begin consulting local government on the contents of a draft net zero delivery framework setting out the relative roles and responsibilities of local and central government. The framework should also clarify the critical role local government must play in delivering a just transition that benefits all communities. The Government should also consult local government on what additional powers it might need to meet its climate targets.*

## Government response

The Local Climate Action Chapter of the Net Zero Strategy sets out our commitments to enable local areas to deliver net zero. This includes setting clearer expectations on how central and local government interact in the delivery of net zero.

We will do this by building on existing engagement with local actors to establish a Local Net Zero Forum. Chaired by the Department for Business, Energy & Industrial Strategy (BEIS), the Forum will be cross departmental and bring together senior officials from national and local government on a regular basis to discuss policy and delivery options on net zero. It will support the establishment of clearer delivery roles for local government and provide a single engagement route into HM Government in a coordinated and coherent way. We are currently engaging with stakeholders to scope out the best approach for the Forum.

The Government also understands the importance of ensuring that the transition to a green economy is inclusive, benefitting people across the UK, supporting workers as industries transform, ensuring costs as well as benefits are shared fairly, and protecting consumers, communities, workers, and businesses.

We expect local authorities to support these aims and the Net Zero Strategy recognises that join up between local bodies, employers and local communities will be key to ensuring an effective transition. The Local Net Zero Forum will provide the medium for establishing the role of local authorities in delivering a just transition.

In addition, the upcoming Levelling Up White Paper will build on the actions Government is already taking to both deliver net zero and to level up across the country. This will include those set out in the Net Zero Strategy and new interventions to improve livelihoods and drive economic growth in all parts of the UK.

On powers, local authorities already have a combination of powers across housing, planning and transport which gives them significant autonomy to take action on net zero. We will have discussions on any additional powers local authorities think they may need to play their part in meeting national net zero targets, and the evidence for this, as part of the Local Net Zero Forum.

*Recommendation 2: Either in that framework, or elsewhere, the Government should also clarify what role, if any, the Department for Levelling Up, Housing and Communities will play in supporting local authority climate action, given that the Department for Business, Energy and Industrial Strategy is now responsible for co-ordinating with local government in this area.*

## **Government response**

As outlined in the Net Zero Strategy, BEIS has overall responsibility for achieving net zero and for coordinating with local authorities and other local actors on designing effective policies, including the local delivery of net zero. The Department for Levelling Up, Housing and Communities (DLUHC) acts as a steward for the local government finance system and has overall responsibility for the planning system. It is also responsible for levelling up. These two agenda go hand in hand: delivering net zero will boost living standards by supporting jobs and attracting investment in the green industries of the future, which can be located in areas that need this the most.

BEIS and DLUHC work closely together. DLUHC assists by advising BEIS on effective forms of engagement with the local sector and by ensuring policy design has regard for the local government finance and accountability system. BEIS also works closely with other departments on local delivery of net zero, including the Department for Transport (DfT) and the Department for Environment, Food and Rural Affairs (DEFRA).

*Recommendation 3: We also recommend that the Government come up with a plan for funding local authority climate action in a way that gives councils the confidence and ability to plan for the long term, including by making good on its commitment in the Net Zero Strategy to simplify and consolidate the number of local net zero funding streams.*

## **Government response**

Local authorities already have significant spending power for net zero. The National Audit Office Report into Local Government and Net Zero identified £1.2 billion in specific grant funding available in 2020-2021 for local authorities to act on climate change, and notes this is a sixteen-fold increase on the previous year.

Overall, in 2021-2022, the Government increased the core spending power for English local authorities from £49 billion in 2020-2021 to up to £51.3 billion, a 4.6% increase.

However, the Government does recognise that longer-term and more co-ordinated funding streams can enhance innovation and investment, reduce bureaucracy, and encourage more efficient and integrated decision making.

The Net Zero Strategy outlined the Government's intention to explore how we could simplify and consolidate funds which target net zero initiatives at the local level. We have also committed to working across departments to explore how we can give sufficient certainty to boost investment in longer-term programmes supported by regeneration initiatives.

# New homes

The Government remains committed to meeting its target of net zero emissions by 2050 and recognises the important contribution that the energy efficiency of buildings makes in meeting it. By improving energy efficiency and moving to cleaner sources of heat, we can reduce carbon emissions and keep energy costs for consumers down now and in the future.

The government will continue to set minimum energy performance standards through the Building Regulations and will allow developers to continue pushing the boundaries of innovation thus setting greener industry standards. Some in the sector are already leading the way by building highly efficient, low-carbon buildings and investing in the skills and supply chains that are needed to bring about a net zero future.

Whilst building regulations set standards for the design and construction of buildings to ensure the safety and health for people in or about those buildings, planning seeks to guide the way our towns, cities and countryside develop through local plan-making and decisions. This includes the use of land and buildings, the appearance of buildings, landscaping considerations, highway access and the impact that the development will have on the general environment. We will make sure that the reformed planning system supports our efforts to combat climate change and help bring greenhouse gas emissions to net zero by 2050.

## The Future Homes Standard

*Recommendation 4: The technical consultation on the Future Homes Standard should take place in 2022 rather than 2023, thereby enabling the relevant legislation to be brought forward as soon as possible. The Government should consider setting a further target of moving to zero carbon homes by 2030.*

### Government response

From 2025, the Future Homes Standard will ensure that new homes produce at least 75% lower CO2 emissions compared to those built to current standards. This represents a considerable improvement in energy efficiency standards for new homes. Homes built under the Future Homes Standard will be 'zero carbon ready', which means that no further retrofit work for energy efficiency will be necessary to enable them to become zero-carbon homes as the electricity grid continues to decarbonise.

Our 2025 timeline for the Future Homes Standard delivers on our net zero commitments, while ensuring that new homes are delivered in sufficient numbers in the places that we need them. Our work on a full technical specification has already been accelerated in order to consult on this in 2023. We will then aim to introduce the necessary legislation in 2024, ahead of implementation in 2025.

However, we are not waiting until then to take action. On 15 December, we implemented an uplift for new homes. This is a key stepping-stone that will enable us to successfully implement the Future Homes Standard. Once the uplift comes into force, new homes will be expected to produce around 30% fewer CO2 emissions compared to current standards. This will deliver high-quality homes that are in line with our broader housing commitments and encourage homes that are future proofed for the longer term.

*Recommendation 5: As the Government's target is to build 300,000 homes a year by the mid-2020s, it should explain where the additional heat pumps and other low-carbon heating systems will come from to meet the demand of all 300,000 new homes.*

## **Government response**

The Government has undertaken extensive analysis of the supply chain to determine its readiness to scale up production to meet the expected demand for heat pumps. For example, in November 2020, we published the Heat Pump Manufacturing Supply Chain Research Project, which concluded that heat pump production could ramp up to meet demand with heat pump installations potentially reaching over 320,000 a year in 2025 and over a million in 2030. In addition, the research concluded there was a significant opportunity for domestic manufacturing of heat pumps, which could increase from 11,000 to 635,000 by 2030.

We want to ensure that UK businesses benefit from the growth in demand for heat pumps over the next decade. Consequently, the Government will support the development of a thriving UK heat pump supply chain. We are providing targeted funding for training and offering tax relief to companies investing in manufacturing through the Super Deduction Capital Allowance Scheme.

Our strategy is helping attract private sector investment and create jobs in the UK. For example, in June 2021, heating appliance manufacturer Vaillant announced plans to start manufacturing heat pumps in the UK at their factory in Belper, Derbyshire, from 2022. In September 2021, fellow heating appliance manufacturer Ideal Heating also announced plans to start manufacturing heat pumps in the UK at their Hull factory, as part of a £16 million investment. As the market develops, we expect other manufacturers to follow suit over the forthcoming years.

## **Measuring energy efficiency**

*Recommendation 6: The Government should review the metrics used to measure energy efficiency in homes. This should include considering how energy performance certificates are calculated, how embedded carbon could be better incorporated into the calculations of the carbon emissions of properties, and how the in-use performance of properties can be accurately measured. The Government should introduce measures to close the performance gap, including post-occupancy evaluations, which assess whether the actual energy output of new properties meet the standards promised by the developers once they are being lived in. This is particularly important as evidence indicates that new homes can lose 50% more heat than expected.*

## **Government response**

The Government recognises that the accuracy of Energy Performance Certificates (EPCs) must be improved and has published an Action Plan setting out a series of 35 actions to do this, following an earlier Call for Evidence on EPCs.

Since the publication of the EPC Action Plan, we have either met or exceeded the target commencement dates for all actions. Additionally, we have now completed 11 of the 35 actions and have made significant progress towards the completion of the remaining actions. Completed actions include consulting on options for the introduction of a new operational ratings scheme for non-domestic buildings.

The EPC Action Plan Progress Report outlines further work we are undertaking to continue to improve EPCs through our review of the Energy Performance of Buildings regulatory framework. It also sets out a commitment to review the methodology by which EPC ratings are created. An updated version, SAP 10.2, will be introduced shortly and the development of SAP 11 has begun. SAP 11 will consider how the methodology may be further evolved to increase accuracy, including by taking account of in-use energy consumption.

In addition to the Energy Efficiency Rating (EER), we will be reintroducing an Environmental Impact Rating (EIR) on the EPC to score the building based on its estimate CO<sub>2</sub> emissions. Recent consultations on policies that use EPCs (such as minimum energy efficiency standards in the private rented sector and requirements for lenders to improve the energy performance of homes they lend to) have sought views on alternative metric options, for example using both a cost-based and carbon-based metric, to encourage property owners to prioritise cost-effective measures. The Government responses to these consultations will be published in due course.

The Government's Net Zero Strategy also sets out our ambitions to help the construction sector improve its reporting on embodied carbon in buildings. We are exploring the potential of a maximum embodied carbon level for new buildings in the future while encouraging the sector to reuse materials and make full use of existing buildings. In championing low-carbon materials, increased energy efficiency and enhanced product design, we are supporting the sector to deliver the cleaner, greener buildings of tomorrow.

With regards to the performance gap, we have introduced a number of measures as part of the 2021 uplift to the Regulations to address the inconsistency between the modelled and actual performance of buildings. For new homes, the comprehensive package of measures is set out in more detail in the Government response to The Future Homes Standard consultation of 2019. The introduction of these measures will reduce the performance gap by improving the accuracy of as-built energy calculations and providing clearer information about the as-built specifications of new buildings to both Building Control Bodies and homeowners.

For new non-domestic buildings, the 2021 uplift measures include the development of the Simplified Building Energy Model (SBEM) and the national calculation methodology to incentivise appropriate design solutions; the introduction of more challenging energy efficiency standards and improved compliance; and supporting building owners to better understand how to use their building efficiently. These measures focus on ensuring that buildings are well-designed and well-commissioned and therefore capable, under standard operating conditions, of meeting the carbon targets set by the new standard.

Alongside our work on the Future Homes and Buildings Standards, DLUHC and BEIS are developing a Statement of Intent that will consider what more needs to be done by government and industry to deliver net zero buildings by 2050. As part of this Statement, we will consider the performance gap. We are engaging with industry to develop this Statement and hope to publish it shortly. It will be part of our considerations while developing the full technical consultations for both the Future Homes and Buildings Standards.

## The planning system

*Recommendation 7a: To support making new housing carbon neutral, net zero should be given a central role in the National Planning Policy Framework. This can and should be compatible with the Government's target to deliver 300,000 new homes a year by the mid-2020s. Net zero should also be embedded in the new national design code and local design codes. Furthermore, local authorities should be given the ability to include tougher standards in Local Plans as unconditional requirements for all developments. The proposal in the Planning White Paper for local authorities to have a statutory responsibility to produce a Local Plan should also include a requirement that the Local Plan specifically addresses the issue of carbon emissions and how the local authority will ensure developments in their area contribute towards achieving net zero. This will enable local authorities to take a strategic approach about how to foster developments that will help reduce carbon emissions.*

### **Government response**

The National Planning Policy Framework (NPPF) is clear that the planning system should support the transition to a low-carbon future in a changing climate, taking full account of flood risk and coastal change. It should help to shape places in ways that contribute to radical reductions in greenhouse gas emissions, minimise vulnerability and improve resilience; encourage the reuse of existing resources, including the conversion of existing buildings; and support renewable and low-carbon energy and associated infrastructure. The NPPF expects Local Plans to take account of climate change over the longer term; local authorities should adopt proactive strategies to reduce carbon emissions and recognise the objectives and provisions of the Climate Change Act 2008.

In July 2021 we updated the NPPF, placing a stronger emphasis on delivering sustainable development and a proactive approach to mitigating and adapting to climate change. Simultaneously, we also published the National Model Design Code which guides local authorities on measures they can include within their own design codes to create environmentally responsive and sustainable places. The National Model Design Code encourages the implementation of sustainable construction that focuses on reducing embodied energy, designing for disassembly and exploring the remodel and reuse of buildings where possible rather than rebuilding. The National Model Design Code also provides tools and guidance for local planning authorities to help ensure developments respond to the impacts of climate change, are energy efficient, embed circular economy principles and reduce carbon emissions.

Local authorities have the power to set local energy efficiency standards that go beyond the minimum standards set through the Building Regulations, through the Planning and Energy Act 2008. In January 2021, we clarified in the Future Homes Standard consultation response that in the immediate term we will not amend the Planning and Energy Act 2008, which means that local authorities still retain powers to set local energy efficiency standards that go beyond the minimum standards set through the Building Regulations. In addition, there are clear policies in the NPPF on climate change as set out above. The Framework does not set out an exhaustive list of the steps local authorities might take to meet the challenge of climate change and they can go beyond this.

We are considering the best way forward for the planning reforms, taking account of stakeholder feedback and responses to our White Paper. As part of our review of the NPPF, we will consider how planning policy can best support local authorities in efforts to deliver net zero.

*Recommendation 7b: To ensure that planning authorities have the necessary skills to devise and monitor effective decarbonisation policies we reiterate the recommendation from our recent planning report for £500 million to be invested over four years into funding the planning system.*

## **Government response**

In the last financial year, the Government has made significant funding available to local authorities for them to act on climate change. The National Audit Office Report into Local Government and Net Zero identified £1.2 billion in specific grant funding available in 2020-2021 for local authorities to act on climate change. This includes funding through the Public Sector Decarbonisation Scheme, the On-Street Residential Chargepoint Scheme and the Green Recovery Challenge Fund.

In addition, £4.8 billion have been made available through the Levelling Up Fund, in which projects should be aligned to and support Net Zero goals, for instance, by being based on low or zero carbon best practice, adopting and supporting innovative clean technologies, and/or supporting the growth of green skills and sustainable supply chains.

Overall, in 2021-2022, the Government increased the core spending power for English local authorities from £49 billion in 2020-2021 to up to £51.3 billion, a 4.6% increase in cash terms. Core Spending Power for local authorities is estimated to increase by an average of 3% in real terms each year. By 2024-2025, it is expected to rise to £58.9 billion. This follows year-on-year real terms increases for local government since Spending Review 2019.

The settlement announced following the Spending Review 2021 provides an additional £65 million investment to improve the planning regime through a new digital system which will ensure more certainty and better outcomes for the environment, growth and quality of design.

## **Retrofitting of existing homes**

Decarbonising the existing housing stock is vital to achieving net zero. Decarbonising all homes will involve switching to low-carbon heating as well as improving their energy efficiency. Through making homes more energy efficient, we will reduce the amount of energy we waste, lowering bills, and making our homes more comfortable and healthier to live in.

DLUHC works together with BEIS on its energy efficiency and clean heat programmes that involve local authorities as vital delivery partners. These include grant funding initiatives such as the Local Authority Delivery (LAD) and Social Housing Decarbonisation Fund (SHDF) schemes and the delivery of heat networks through the Heat Network Transformation Programme.

*Recommendation 8: The Government should set out its longer-term funding plans beyond 2025, and outline the share of funding for retrofitting it anticipates will come from private investment. The use of private sector financial instruments should be encouraged and incentivised by government.*

*This should include greater action by the UK Infrastructure Bank to support private financing of retrofitting, following the example of the German national infrastructure bank. We note the Government's proposal to encourage green mortgages, and this should be subject to extensive consultation to avoid unintended consequences. The Government should also consider offering tax incentives, which could include lower VAT, stamp duty and council tax, for energy efficient measures and homes.*

## **Government response**

As outlined in the Net Zero Strategy, Government committed to consult on phasing in higher minimum standards to ensure all homes meet EPC Band C by 2035, where practical, affordable, and cost effective. In order to meet these standards, we are providing targeted funding to households that need it most, in particular fuel poor and low-income households. We are also working to catalyse a competitive green finance market for other homeowners.

We are working with mortgage lenders to support homeowners to improve the energy performance of their properties and will publish in due course our response to the consultation on improving home energy performance through lenders. We have also recently announced a £10 million Green Home Finance Accelerator programme, focussed on supporting the development of innovative green finance products and services. This will enable homeowners to decarbonise their homes and improve thermal comfort.

Building on the outputs and learnings from the Green Home Finance Innovation Fund competition, BEIS has invited the UK Infrastructure Bank (UKIB) to help steer the design and delivery of a further green home finance programme. We will also work with UKIB to explore whether they can play a wider role in scaling-up green home finance.

Consumers already benefit from a number of VAT reliefs on construction. The Government currently maintains a zero rate of VAT on new-build residential or qualifying buildings to incentivise the construction of new homes. Additionally, a reduced rate of VAT at 5% is also maintained, subject to certain conditions, for residential renovations. This includes conversions of buildings from one residential use to another, conversions from commercial to residential use, and the renovation of properties that have been empty for two years or more. Going further would impose significant additional pressure on the public finances, to which VAT makes a significant contribution.

Stamp Duty Land Tax (SDLT) is currently a fair tax, where properties under £125,000 do not pay any SDLT and neither do first-time buyers buying a property under £300,000. This means that in 2019-2020, 34% of people buying a property did not pay SDLT at all. Using SDLT to incentivise home energy performance improvements would require a radical overhaul of this tax which could risk unintended impacts, for example on housing affordability and social mobility. SDLT continues to be an important source of government revenue, raising several billion pounds each year to help pay for the essential services the government provides. For these reasons, there are no plans to change the current VAT treatment of construction or to replace SDLT with a different form of tax.

Since any reductions in the council tax bill would result in reduced income for local authorities in delivering critical local services to their communities, the Government does not have any plans to provide energy efficiency incentives through the council tax system either. The Government, however, keeps all aspects of the tax system under review.

*Recommendation 9: Future retrofitting schemes will be needed to incentivise the public to switch to low-carbon heating. Such schemes should be put in place after a thorough consultation with stakeholders, including with the public. We believe the following five principles would provide a solid foundation for future schemes:*

- local authorities should have a major role;*
- the funding provided to local authorities should primarily be allocated without using competitive bidding;*
- schemes should be adapted to different types of housing and income groups;*
- schemes should be long-term in duration to provide certainty for the public and suppliers, and to ensure a skilled and qualified workforce is built up to safely install the necessary equipment; and*
- schemes should be clear and easily accessible.*

## **Government response**

The Government has allocated a total of £1.1 billion to the Home Upgrade Grant, with delivery taking place from early 2022 to March 2025. The Home Upgrade Grant will provide energy efficiency upgrades and low-carbon heating to low-income households living off the gas grid in England to tackle fuel poverty and meet net zero. Local authorities will play a key role in delivering this funding.

The Local Authority Delivery (LAD) Scheme will provide energy efficiency upgrades to low-income households via local authorities, using existing or newly procured services from certified installers. The scheme is prioritising homes with low EPC ratings of D, E, F and G. All procurement or contracts to supply services under the LAD scheme will be carried out at local authority level. Installers wishing to provide services under the LAD scheme should contact the relevant local authority.

The Social Housing Decarbonisation Fund (SHDF) will upgrade a significant amount of the social housing stock currently below EPC C up to that standard. It has already awarded £61 million to social landlords across England and Scotland through the SHDF Demonstrator project to test innovative approaches to retrofitting at scale. The Government launched Wave 1 of the SHDF in August 2021. It will provide up to £160 million funding in the financial year 2021-2022, delivering up to January 2023. The bidding window closed on 15 October and the outcomes of bids will be announced soon. Both the Heat and Buildings Strategy and Net Zero Strategy announced that £800 million has been committed for the SHDF as part of the 2021 Spending Review process. This brings the total committed funding for the SHDF and associated demonstrator to just over £1 billion.

Regarding funding for local authorities more generally, as outlined in response to recommendation 3, the Net Zero Strategy set out the Government's intention to explore how we could simplify and consolidate funds which target net zero initiatives at the local level through the Net Zero Forum. We have also committed to working across departments to explore how we can give certainty to investment in longer-term programmes supported by regeneration initiatives.

On competitive bidding, many schemes are designed with competitive bidding processes to ensure optimum value for money. We have provided capability and capacity support to local

authorities through the Local Net Zero programme as we know that some local authorities are better able than others to put proposals together. For example, local authorities receive ongoing capability and capacity support from the Local Net Zero Hubs (previously known as the Local Energy Hubs), the Technical Assistance Facility for the SHDF and the Public Sector Low Carbon Skills Fund to help them access the Public Sector Decarbonisation Scheme.

*Recommendation 10: The Government is proposing that certain properties with low EPC Bands and using electricity and LPG gas will need to choose a low-carbon heating system when replacing their existing one from 2026. This contrasts with the same requirement on replacing heating systems only applying to homes that are on the gas grid from 2035. The Government should explain the rationale for these different approaches. The lack of a requirement to replace a gas boiler that has ceased working with a low-carbon heating system until 2035 risks a large number of existing gas boilers simply being replaced with new gas boilers, especially given that there is a lack of incentives to do otherwise. Furthermore, the Government should set out its plans for properties that cannot be retrofitted.*

## **Government response**

The Government is consulting on new regulations to phase out the installation of heating systems using high-carbon fossil fuels in homes, businesses and public buildings in England off the gas grid during the 2020s. As outlined in our response to recommendation 9, we will provide financial support to off-grid low-income consumers through the Home Upgrade Grant in order to help them switch to a low-carbon heating system.

Around 1.1 million English homes off the gas grid burn some of the highest polluting fossil fuels to power their heating systems, which contribute to carbon emissions and air pollution. For homes off the gas grid, there is no future strategic hydrogen option, so it is low-regrets to take action in these properties now, where we have certainty about which technologies are available to decarbonise. Electrification of heat through the use of heat pumps is a proven pathway to net zero that can be deployed at scale across a broad spectrum of homes.

In 2018, BEIS ran an extensive programme of engagement to seek views on how industry, government and consumers could work together to phase out the installation of high-carbon fossil fuels from rural homes and businesses off the gas grid during the 2020s. Evidence suggests that heat pumps are a cost-effective way of decarbonising heat and can be widely used across most homes including those not connected to the gas grid.

The Government recognises that not all off-grid properties will be suitable for a heat pump, and that biofuels such as bioLPG and hydrotreated vegetable oil biodiesel may play a role in future off-gas-grid decarbonisation, particularly for properties that are not suitable for a heat pump.

Our large-scale hydrogen trials and broader research, development and testing projects along with our proposed consultation on the case for enabling or requiring hydrogen-ready boilers will help us determine how best to decarbonise buildings already connected to the gas grid and support strategic decisions on the role of hydrogen in decarbonising heating by 2026.

Our aim is to end the installation of new natural gas boilers by 2035 so that we remain on track to deliver net zero in 2050. This approach aligns with natural replacement cycles, as natural

gas boilers typically have a lifespan of about 15 years. In the interim, we will explore options to improve the efficiency of new and existing gas boilers. We will look to test proposals on future boiler and heating system efficiency through an upcoming consultation in 2022 which will also consider the case for enabling, or requiring, new gas boilers to be readily convertible to hydrogen ('hydrogen-ready') from 2026. We have also published a Policy Framework for energy-related products which includes illustrative proposals on how product standards could be used to drive further efficiency improvements in space heating systems and encourage the uptake of low-carbon technologies over the course of the 2020s.

Even from 2035, we are not asking consumers to replace fully functional boilers, instead we aim that when consumers plan to replace their heating source, they replace it with a low-carbon heat source. If hydrogen is to play a future role in decarbonising heat in areas of the UK, a low-carbon ready appliance such as a hydrogen-ready boiler could be installed with a view to switching from natural gas to low-carbon hydrogen in the future.

*Recommendation 11: The Government must ensure there is as much choice for the public in deciding how their homes are retrofitted as is technologically possible. There is therefore a need for progress on developing alternatives to heat pumps, including hydrogen heating. Local authorities should be given the necessary support and resources to fulfil their important role in retrofitting.*

## **Government response**

The government believes that access to accurate and up-to-date information tailored to occupants and owners is a key part of improving the energy performance of homes effectively.

Our Simple Energy Advice (SEA) service has already had over 1.5 million users, providing homeowners with personal, tailored advice for improving and decarbonising their homes and links to local, accredited, trusted installers. Homeowners can also find out about Government schemes they may be eligible for. We will enhance the digitally-led service and are considering options to support tailored retrofit advice in local areas. The aim is to create a government-led home energy advice journey, supported by tailored local advice. This includes moving our Simple Energy Advice service to GOV.UK, which will improve user experience, and supporting local advice provision.

The Government is also making improvements to Energy Labels, which will support consumers to choose more energy-efficient products. Finally, through the Home Upgrade Grant, individuals will work with a retrofit coordinator to find the right retrofit package for their home that achieves the scheme's key aims of tackling fuel poverty and reducing carbon emissions.

The Government is absolutely clear that net zero will require a range of technologies and solutions for buildings and that there is no single silver bullet. There are a number of options that will play an important role in decarbonising heat, including heat networks, heat pumps and, potentially, hydrogen and biogas. Given the diversity of heat demand, no one solution can provide the best option for everyone - a mix of technologies and customer options will need to be available to decarbonise heat at scale.

Heat pumps, highly efficient electric heating appliances, have a critical role to play in decarbonising how we heat our homes and businesses. Even in a scenario where much of our

heating in 2050 comes from hydrogen, a substantial proportion of homes can be expected to use heat pumps, and potentially many more in scenarios where hydrogen for heat plays a more limited role.

Low-carbon hydrogen could be a key option for decarbonising heat in buildings. However, unlike other technologies such as heat pumps and heat networks, 100% hydrogen for heating is not yet an established option. The Government is working with industry and regulators to deliver a range of research, development and testing projects, including pioneering community trials, to assess the feasibility, costs and benefits of using 100% hydrogen for heating. This knowledge and experience will enable Government to take strategic decisions in 2026 on hydrogen's role in heat decarbonisation, including whether to proceed with delivering a hydrogen-heated town before the end of the decade.

The Government recognises that biofuels such as bioLPG and hydrotreated vegetable oil biodiesel may also play a small role, particularly for some off gas grid properties. However, further evidence is needed to consider what role these biofuels could play. In gathering further evidence, we are giving consideration to the availability and sustainability of biofuel feedstocks, the total lifecycle emissions for different fuels, and the best uses of biofuels across the economy.

The Government published a Biomass Policy Statement on 4 November, which sets out strategic aims for sustainable biomass use ahead of the publication of a full Biomass Strategy in 2022. This strategy will review the amount of sustainable biomass available to the UK, including liquid biofuels, and how this could be best used across the economy to achieve our net zero target. It will also assess the UK's current biomass sustainability standards, which are some of the most stringent in the world, to see where and how we can improve them even further.

Regarding the support and resources needed for local authorities to fulfil their important role in retrofitting, please refer to our response to recommendation 9 for further information.

*Recommendation 12: We were told that local government needs additional resources to enforce minimum energy efficiency standards in the private rented sector. Resources should be made available for this purpose. Enforcement would also be aided by the introduction of a register of landlords, as already undertaken in certain local authorities, and we are pleased to hear the Government is considering this as an option. This register must be compulsory and local authorities must have enforcement powers to ensure registration.*

## **Government response**

To date, BEIS has made available a total amount of £6,442,728 for compliance and enforcement of the minimum energy efficiency standard (MEES) Regulations.

To support local authorities, we conducted a Private Rented Sector Enforcement Pilot Study over two years. 19 local authorities involved in the project were allocated over £2.1 million in funding. We are planning to share the study's findings with all local authorities in England and Wales in the form of an advisory best-practice toolkit on monitoring, compliance and enforcement of the minimum standard in 2022.

BEIS also recently launched an enforcement competition where local authorities were able to bid for up to £100,000 to support MEES compliance. 117 local authorities bid for money, of which 59 local authorities were successful and allocated a total of £4.3 million in government funding.

Finally, in the Net Zero Strategy and the Heat and Buildings Strategy, we committed to the introduction of a compliance and exemptions database to support local authority enforcement of these regulations.

## The wider role of local government

The diverse nature of local authorities' roles as place shapers, planners and trusted leaders means they have influence across a range of carbon emitting sectors, including transport. Local Government is responsible for planning, designing, delivering and maintaining transport infrastructure such as local roads, pavement, cycling lanes and bus prioritisation, infrastructure, and bridges. The administration and coordination of public transport at a local level has a key role to play in the net zero agenda, ranging from light rail, concessionary travel and funding socially necessary bus services.

### Transport

*Recommendation 13: In the short term, the Government should clarify the need for sustainable transport and placemaking to be embedded in all new development. In the longer term, and in line with our recommendation that net zero be given a central role in the NPPF, it should amend the NPPF to require all housing development to be properly serviced by public transport and active travel networks and be within walking distance of local shops and amenities. As far as possible, all employment areas should also be served by public transport. To facilitate this, the Government should reiterate to local councils the importance of having up-to-date Local Plans and, in line with our earlier recommendation, require councils to embed sustainability in those plans.*

#### **Government response**

The Government's ambition is to deliver high-quality sustainable transport, accessibility, and inclusiveness through the planning system so we can drive sustainable patterns of development and enable walking, cycling and public transport to be the first choice for journeys. This is crucial to decarbonise our transport network by 2050.

As we outline in our response to recommendation 7, the NPPF expects Local Plans to take account of climate change over the longer term. The National Planning Policy Framework (NPPF) makes clear that we already expect sustainable transport to be considered from the earliest stages of plan-making and development proposals, so that opportunities to promote cycling, walking and public transport are pursued.

In July 2021, the Government published its Transport Decarbonisation Plan, which recognised the important role of the planning system in encouraging development that promotes a shift towards sustainable transport networks and the achievement of net zero transport systems.

The planning reforms will provide an opportunity to consider how sustainable transport is planned for and, importantly, how it is delivered to support sustainable growth and drive more sustainable use of our existing built environment, e.g. planning for new development around existing transport hubs, for all developments to be easily and safely accessible and navigable by foot and cycle, and for existing cycling and walking provision to be improved. We made clear in the Planning White Paper our intention to amend the NPPF to ensure that the reformed planning system can most effectively play a role in mitigating and adapting to climate change.

The Government will also publish an updated version of Manual for Streets in 2022, which will demonstrate how the streets we rely on for travel can be better designed to prioritise walking, cycling and public transport as the first choice for journeys.

Alongside this, the Government has already published a number of strategies that outline the Government's ambitions to decarbonise our transport network and promote sustainable transport choices.

In March 2021, the Government launched 'Bus Back Better', which sets out how we will deliver better bus services across England to improve access to those regions that are currently underserved by public transport.

In 2021, the Government also launched 'Gear Change' - our vision to make England a great walking and cycling nation. The Government has committed £2 billion on quality walking and cycling infrastructure and is creating a new body, Active Travel England. One of Active Travel England's functions will be as a statutory consultee within the planning system to press for adequate cycling and walking provision in all developments of over a certain threshold and provide expert advice on ways in which such provision can be improved.

*Recommendation 14: We urge the Government to make good on the welcome promises set out in the national bus strategy, in particular to give local authorities more control over bus services, and to explain as soon as possible how it plans to make sure local authorities have the necessary funding to provide high-quality public transport services in rural areas. We also ask the Government to give greater consideration to the important role light rail can play in the public transport network.*

## **Government response**

Our National Bus Strategy sets out how we will deliver better bus services for passengers, through ambitious and far-reaching reform of how services are planned and delivered. We asked all English Local Transport Authorities outside London to publish Bus Service Improvement Plans (BSIPs) by 31 October, setting out local visions for the step-change in bus services that is needed, driven by what passengers and would-be passengers want. We want improvements to be delivered through either franchising arrangements or statutory Enhanced Partnerships between local authorities and bus operators, using the existing powers in the Bus Services Act 2017.

The Government recognises that the transport needs of communities in rural areas differ from those in urban environments for a variety of reasons including demographics, lower population density and travel distances. Local Transport Authorities covering predominantly rural areas, like all Local Transport Authorities, have had an opportunity to set out the needs and requirements of their areas in their BSIPs.

The Government takes account of the transport needs of all users in different environments but is also mindful of the differing impact funding policies may have on rural and urban areas. When reviewing funding sources and policies for transport, the impact of proposals on rural areas is a key consideration. Under the National Bus Strategy, the Government is consulting on reforms to the Bus Service Operators Grant, reviewing the English National Concessionary Travel Scheme, including the eligibility of disabled people for free bus travel to ensure that we are improving equality of opportunity and issuing socially necessary services guidance with the needs of rural areas in mind.

The Government wants to see long-term sustainable local transport provision in rural areas and is committed to finding solutions which ensure that local communities in these areas have viable and improved transport services.

Finally, the Government acknowledges the important role the light rail and tram sector plays in local public transport networks. Throughout the pandemic, the Government has been committed to supporting these systems maintain appropriate service levels, providing Local Transport Authorities with over £200 million in funding from March 2020 to July 2021, to ensure local people can access jobs, amenities, and education. As restrictions have been lifted, the Government has maintained its support in the form of recovery funding of up to £56 million from July 2021 to April 2022. These packages show our understanding of the positive externalities these systems deliver to the public, local economies and other sectors such as hospitality and retail.

The Government has also enabled further investment and expansion of Light Rail schemes through funding packages to cities in recent years, including the City Region Sustainable Transport Settlements (CRSTS), a £5.7 billion capital investment fund, which will deliver transformative economic, social, and environmental change in eight of the largest urban centres in England from 2022-2023 to 2026-2027. This is expected to provide funding for further Light Rail investments across city regions in England.

*Recommendation 15: We recommend that funding for active travel be put on a more consistent footing and that the Government work more closely with local authorities to support and monitor their activities.*

## **Government response**

In Summer 2020, the Prime Minister launched ambitious plans to boost walking and cycling in England, with a vision for half of all journeys in towns and cities to be cycled or walked by 2030. The commitment was backed with £2 billion of investment over five years. This was followed by the publication of 'Gear Change: One Year On', which increased funding to £338 million this financial year. £710 million of new dedicated funding for cycling and walking was announced by the Chancellor in his Budget statement over the Spending Review 2021 period, which, when taking other funding streams into account, delivers the £2 billion of funding for cycling and walking over this Parliament promised by the Government.

£239 million has been made available to local authorities for capital infrastructure schemes this financial year. This will enable local authorities to deliver safe and direct cycling and walking measures in their areas, such as protected space for cycling, widened pavements, and safer junctions.

The Government intends to publish the second 4-year statutory Cycling and Walking Investment Strategy (CWIS 2) in Spring 2022, which will outline future funding for walking and cycling beyond 2021 to 2022.

## Energy

*Recommendation 16: In line with its commitment in the Heat and Buildings Strategy, we urge the Government to immediately consult local authorities on how it can better support them to take advantage of the funding available for other types of low-carbon smart local energy systems.*

### **Government response**

We recognise that local authorities have a key role to play in delivering smart local energy systems by combining energy into their wider statutory work on housing, transport, waste and planning, making delivery more cost-effective and preparing for a net zero future.

The government committed over £100 million of funding through the Industrial Strategy Challenge Fund to drive the development of smart local energy systems through the Prospering from the Energy Revolution programme. The programme is demonstrating how a range of local actors including businesses, communities, local authorities and academics can accelerate decarbonisation through innovative business models that engage people and unlock system flexibility at the edges of the energy system.

Learnings and evidence from these real-world demonstrator projects will help to design policies and regulation that can unlock system flexibility and decarbonisation at pace and at scale. The government will work with industry to closely monitor learnings from the programme through to its end in March 2023 and work with key organisations to ease barriers to the delivery of smart, local energy solutions. As part of the programme, UK Research and Innovation is also funding the Energy Systems Catapult to develop tools to help provide local capability in delivering smart energy projects.

As outlined above, the government also provides funding to support local authorities with their capacity and capability to deliver programmes that support decarbonisation through the Local Net Zero Programme. This includes providing guidance and technical assistance to support local authorities to access funding opportunities.

## Local leadership and public engagement

*Recommendation 17: The government must also commit to properly funding local authority climate action and provide assurance that the UK Shared Prosperity Fund will be able to fund schemes of the kind currently funded through the European Regional Development Fund.*

### **Government response**

We have already outlined the funding available for local authority climate action in response to recommendation 3.

The Budget and Spending Review announced that the UK Shared Prosperity Fund (UKSPF), worth over £2.6 billion, will help people in disadvantaged groups across the UK and those living in places in need, such as ex-industrial areas, deprived towns and rural and coastal communities, access opportunity. Investment in places through the UKSPF should align with the government's net zero objectives.

The UKSPF will allocate funding to local areas to help people get better skills and get on in life, support the most vulnerable into work and create vibrant communities. The first priority for the UKSPF will be a locally delivered new adult numeracy programme, Multiply, which will help hundreds of thousands of adults improve their maths, as well as a wider range of local priority programmes. Further details on the UKSPF will be published in due course.

## Conclusion

The Government is grateful to the Housing, Communities and Local Government Committee for its report on Local Government and the path to net zero.

78% of local authorities in England have declared a climate emergency, and many local authorities have already made their own commitments on reaching net zero. Two thirds have committed to reduce their direct emissions (those from their fleets, estates and practices) to zero by 2030, and one third have set net zero goals for their areas as a whole. Government is committed to support local areas to deliver these.

Net zero also presents huge opportunities to level up across the UK. The policies set out in the Net Zero Strategy and Heat and Buildings Strategy will allow us to boost living standards, support jobs and attract investment into green industries that can be located in areas that can benefit most. We will work with local partners to understand how they can benefit from the economic growth opportunities generated by the transition to a low carbon economy and ensure that communities across the country can adapt to the impacts of climate change and build back greener with the skills needed for new green jobs.









