

Written evidence submitted by UK100 (HEA0132)

UK100 is a network of local leaders who have pledged to lead a rapid transition to Net Zero with Clean Air in their communities ahead of the government's legal target.

This submission is informed by UK100's research, including our 'Powers in Place' and 'End the Wait. Insulate.' reports, the latter of which called for an urgent shift to a targeted, non-competitive, locally-administered Social Housing Decarbonisation Fund to upgrade almost five million social homes to net zero standards, slash energy bills, create jobs, and kickstart an energy efficiency market. It is further informed by UK100's insights and advocacy work with and on behalf of our 109 members

1. What policy changes are needed to deliver energy efficient homes across the UK?

The energy performance of existing buildings is one of the most difficult carbon challenges we face. Current policies limit local authorities' ability to make any significant contribution to reducing emissions. Meanwhile, new buildings continue to be built that do not meet Net Zero standards and will require expensive retrofit in the near future. Local authorities have a critical role in determining the energy performance of new buildings through the planning system, and can have an important role in coordinating retrofit programmes that meet local needs and buildings, and engaging building owners and the construction industry in successful implementation.

In the last 12 months, UK100 has published two reports that recommend key policy changes to deliver energy efficient homes across the UK.

The most recent report, 'Powers in Place', was published in April 2023. The report analysed the existing policy tools available to local authorities to tackle emissions and found that improving energy performance and reducing carbon emissions within existing buildings is the most important infrastructure challenge for the UK in reaching Net Zero¹. Furthermore, UK100's 'End the Wait. Insulate' report, published in November 2022, recommended several changes to the Social Housing Decarbonisation Fund which would deliver energy efficiency to more homes sooner at the same cost².

Local authorities currently have the power to directly intervene to reduce the carbon emissions of, at most, 10% of existing homes. Increasing the rate of local authority building and raising the energy performance standard for rented properties could increase this to around 20% of homes and over 50% of non-domestic buildings.³

Approximately 5% of privately-rented and less than 1% of socially-rented homes in England have an EPC of F or G, which equates to around 239,000 homes. Just under 2.7 million privately-rented homes (55%) have an EPC of D or below (a reduction of over 300,000 homes on the 2018/19 figures)⁴.

¹ <https://www.uk100.org/publications/powers-place-handbook-local-authority-net-zero-powers>

² <https://www.uk100.org/publications/end-wait-insulate-social-housing-energy-efficiency-and-energy-crisis>

³ https://www.uk100.org/sites/default/files/publications/UK100_Powers%20in%20Place_FINAL%202.1%20web-compressed.pdf p103

⁴ <https://www.gov.uk/government/statistics/english-housing-survey-2021-to-2022-headline-report/english-housing-survey-2021-to-2022-headline-report>

Additionally, an estimated 10% of non-domestic buildings are rated F or G and 85% are expected to be rated C or below. Rented non-domestic buildings make up 61% of the stock.⁵

UK100 would recommend five policy changes to deliver energy efficient homes across the UK::

- a) Resource local authorities to enforce MEES (Minimum Energy Efficiency Standards) more robustly.

There are several barriers to local authorities enforcing energy efficiency standards. The lack of a central database to register properties and their EPC rating results in local authorities spending a disproportionate amount of time gathering data to understand which properties are non-compliant. The current data sources are not sufficiently accurate and not cross-referenced. The proposed online compliance and exemptions database and requirement to submit post-improvement EPCs will help this work and the ability to monitor impact. However, it will not address properties where landlords do not engage with the system, which typically include many of the worst performing buildings.

There is a lack of internal systems and national guidance. The mechanisms to monitor and enforce compliance are not defined and, while there is guidance on compliance for landlords, there is no equivalent national guidance for local authorities. National guidance on how to monitor and comply would assist local authorities meeting MEES standards by outsourcing a proportion of the policy work to the better resourced department. The lack of guidance has a multiplier effect on the costs of enforcement, because local authorities have to spend money to train officers and set up systems. Providing guidance and developing training resources would help local authorities with enforcement of MEES.

- b) Switching to a non-competitive, place-based model for allocating energy efficiency funding, rather than competitive bidding.

Whilst a competitive individual approach to allocating public funds may appear an efficient use of public funds, it is not the most effective strategy for tackling nation-wide issues such as retrofitting existing housing stock. A place-based approach that empowers local authorities with targeted, non-competitive funding allocated based on need would deliver energy efficiency where it is needed most, could potentially deliver retrofits faster and would maximise public benefit. This alternative framework recognises that a nationwide crisis requires coordinated action attuned to local needs and opportunities, rather than relying wholly on market competition between individual projects.

Additionally, previous nation-wide schemes like the Green Homes Grant, which took a 'one-to-many' centralised approach, offering individual vouchers for households, designed as direct mechanisms to reach householders without local intermediaries, were unsuccessful. The scheme only delivered 6% of its budget before being closed. Rather than targeting individual homes, local authorities have had more success using mass retrofit programmes, which use a street by street⁶ or neighbourhood by neighbourhood approach. UK100's 'End the Wait. Insulate' report found that a place-based approach would improve supply chains and skills and create a more precise process for affecting those in need.

⁵https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/970192/non-domestic-prs-mees-epc-b-future-trajectory-implementation.pdf

⁶<https://www.thedeveloperlive.co.uk/opinion/opinion/community-led-retrofit-can-deliver-more-than-energy-efficiency>

UK100 member, the London Borough of Hackney, is developing a retrofit pilot which has identified a social housing block of similar typology to 200 blocks in the local authority area. Using this model, will enable the council to identify the technical issues and strategies that engender community buy-in and roll out a comprehensive programme across the borough in a more efficient manner.

A strong example of a place -based, mass scale retrofit is the Greater Manchester Combined Authority's retrofitGM programme which plans to retrofit:

- 700 local authority controlled schools
- 887,000 homes (138,000 are in the socially rented sector)
- 2,700 public sector buildings
- Every commercially let property which has an EPC of less than B by 2030

This programme is expected to reduce costs through economies of scale and establish community buy-in. However, the GMCA's funding path is convoluted. In terms of public funds, GMCA's plan will use a mixture of the Public Sector Decarbonisation Scheme, Green Homes Grant, the Social Housing Decarbonisation Fund, and potentially use adult education funding to deliver the skills needed for delivery.. All these grants have different requirements and timelines, whilst all requiring significant resources to apply.

c) Providing funding for longer time frames to allow for strategic planning.

The stop-start approach to allocating funding pots with short delivery timeframes forces councils to hastily scramble applications together. Though competitive tenders help provide oversight, they discourage long-term strategic planning. Without certainty about if or when support might materialise, councils struggle to attract private capital for efficiency projects, as investors desire stability. While a 'first come, first served' approach may appear equitable, it results in a short term and unpredictable approach to funding. A system based on long-term, reliable and place-based allocation by need could better catalyse public-private partnerships to tackle the complex challenges of housing stock decarbonisation.

d) Expanding the Social Housing Decarbonisation Fund to include zero carbon heating installation.

As recommended in UK100's 'End the Wait. Insulate.' report, expanding the scope of the Social Housing Decarbonisation Fund (SHDF) to include installation of zero-carbon heating systems would be beneficial. The report shows that an additional £16 billion public investment by 2050 will be required to upgrade the energy efficiency of all social homes to Net Zero standards. A crucial component is supporting the rollout of zero-carbon heating solutions like heat pumps in social housing.

The current SHDF focuses only on improving insulation and energy efficiency measures to EPC band C. But the transition to low-carbon heat supply is equally vital for meeting our Net Zero targets. The next phase of SHDF funding from 2026-2028 should broaden its criteria to incorporate grants or loans for zero-carbon heating systems in social housing. Installing heat pumps at scale in the social housing sector can drive down costs and help develop capacity in renewable heating markets and supply chains.

UK100's analysis shows social housing can act as a catalyst in the transition across the wider housing stock to Net Zero standards. Furthermore, expanding the SHDF to include low-carbon heat would maintain momentum and use investment in social housing to kickstart change in heat supply.

e) Develop a comprehensive skills strategy to build workforce capacity

There is a significant skills gap in every green sector, which requires immediate focus and investment. UK100 polled its members in 2022 and found that 97% believed local skills development is required to meet Net Zero⁷. A comprehensive skills strategy to build workforce capacity should encompass two key elements:

- Developing a Skills for Net Zero Framework for delivery, incorporating local and national action; and
- Embedding a long-term funding for Skills for Net Zero into local authority funding settlements

f) Entrench net zero requirements in planning

The planning inspectorate and other planning decision makers must prioritise climate change mitigation and adaptation in their planning decision. There is currently an amendment to the Levelling-Up Bill in the House of Lords that would ensure this, but its passage is not certain⁸.

Embed a requirement for local planning authorities to prioritise The Climate Change Act in Planning Policy over developer viability and remove competition between climate mitigation and adaptation criteria and other “planning contributions.”

2. What are the key factors contributing to the under-delivery of the UK's government-backed retrofit schemes?

Whilst a competitive individual approach to allocating public funds may appear efficient use of public funds, it is not the most effective strategy for tackling nation wide issues such as retrofitting the housing stock. The current model does not address place-based need or provide economies of scale, and favours larger and better resourced councils. It also wastes public money - local authorities have [spent £130 million since 2019](#) on applying for competitive funding which they may not receive. One UK100 member estimated spending six weeks of full time working applying for DESNZ grants, without any certainty that their application would be successful.

Instead, a place-based approach that empowers local authorities with targeted, non-competitive funding allocated based on need would deliver energy efficiency where it is needed most, could potentially deliver retrofits faster and would maximise public benefit. This alternative framework recognises that a nationwide crisis requires coordinated action attuned to local needs and opportunities, rather than relying wholly on market competition between individual projects.

⁷<https://www.uk100.org/sites/default/files/2022-11/PRESS%20RELEASE%20%20Green%20Careers%20Week%20Local%20leaders%20see%20j obs%20and%20skills%20as%20a%20priority%20for%20Net%20Zero%20but%20need%20more%20 Government%20support%20%E2%80%94%20UK100%20poll%20and%20briefing.pdf>

⁸ <https://bills.parliament.uk/bills/3155/stages/17727/amendments/10008291>

3. Which standards and assessment frameworks are needed to deliver a reliable, skilled workforce capable of transitioning UK homes to modern heating solutions?

N/A.

4. How might the Government support innovation in delivering local solutions?

The short-term, wide ranging release of funding pots, with limited delivery timeframes often forces councils to hastily scramble applications together. Though competitive tenders may appear to ensure diligent oversight, they discourage long-term strategic planning at the local authority level.

A system based on long-term, reliable and place-based allocation by need could better catalyse public-private partnerships to tackle the complex challenges of housing stock decarbonisation.

Future retrofit schemes should be long-term in duration to provide certainty for the public and suppliers, be accompanied by a programme to build a skilled workforce to deliver retrofit, and be delivered by local authorities.

5. What role should customer choice play in the future planning of energy networks for home heating?

N/A.

6. Does the current state of consumer protections for low-carbon home technologies represent a barrier to uptake of these products?

N/A.

7. How will the public be able to afford the switch to decarbonised heating?

N/A.

8. How will decarbonisation plans be drawn up in each area?

N/A.

9. Do the current EPC frameworks help consumers make informed decisions on transition?

N/A.

10. Do standards need to differ for different types of housing?

N/A.

11. What is the role of different levels of government in developing, funding and implementing schemes?

The process of securing government funding is often an impediment to local delivery of energy efficiency. Addressing this requires an end to ring-fenced funding and implementation of a place based approach that can be delivered by local authorities.

The extensive range of disparate funding pots with different bidding requirements forces local authorities to react rather than plan long-term which reduces their ability to lead on energy efficiency. Local plans with long-term aims are dependent on grant approval and this uncertainty impacts local authorities ability to attract private finance.

Rather than developing schemes and forcing local authorities to frame their plans to meet the grant requirements, the government should allow local authorities to develop their own schemes and provide a base level of funding from one source. This would reduce resources spent on applying for multiple grants, and provide certainty to the community and private sector as to when they can expect a retrofit programme.

UK100 member [Haringey Council](#) has developed a housing energy plan to warm their social housing stock but they require access to capital funding to finance the project. The project used private partner Parity Projects to map the EPC rating of every home in their area and then develop bespoke retrofit plans. This is an example of an innovative solution to decarbonising housing stock that could be supported with the necessary funding.

Local authorities are best placed as the delivery partner for energy efficiency schemes because they know their communities, and already have relationships with the community and local businesses. Rather than developing a one size fits all approach, local actions can be better tailored to suit the area than national actions and can secure social and economic benefits. With the correct support, local authorities could create a delivery framework and provide base capital funding, and develop and implement their own schemes.

Unlocking public funds through base capital funding would act as seed funding for private capital. UK100's 'End the Wait. Insulate.' report estimates that the UK will need £57 billion of public and private finance to upgrade the social housing stock to meet net zero by 2050.⁹ Currently, public funds do not work in partnership with private capital, because the public funds are delivered on one or two year time frames. If the funding allocation was spread out over three year terms, local authorities would have long term certainty which would be able to attract private investors.

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⁹https://www.uk100.org/sites/default/files/publications/UK100_End%20the%20wait.%20Insulate_v4.pdf p23