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<b>REPORT TO:</b>	<b>HOUSING AND COMMUNITY SERVICES COMMITTEE</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>02 FEBRUARY 2023</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (SERVICE DELIVERY)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>MATT HOLFORD – HEAD OF ENVIRONMENTAL SERVICES</b>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>HOME UPGRADE GRANT PHASE 2</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: HCS02</b>

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## **1. Recommendations**

- 1.1 That the Committee approves the bid made to Midlands Net Zero Hub (MNZH) for £2,178,000 for Home Upgrades Grant Phase 2 funding to decarbonise and improve energy efficiency in off-gas private sector properties.

## **2. Purpose of Report**

- 2.1 To advise the Committee of the content of a bid made to MNZH to invest in the private sector housing stock in South Derbyshire under the Home Upgrades Grant and the proposed next steps.

## **3. Background**

- 3.1 The Council has previously submitted three rounds of successful bids to support the ambitions contained in the Climate and Environmental Action Plan to decarbonise the private sector housing stock in South Derbyshire and to reduce fuel poverty.

- 3.2 These bids consisted of Local Authority Delivery Phase 1b (LAD1b), Local Authority Delivery Phase 2 (LAD2), Local Authority Delivery Phase 3 (LAD3) and Home Upgrades Grant Phase 1 (HUG1).

- 3.3 Details of all of the bids are contained in the previous Committee Reports referred to in the References section at the end of this report and progress with the projects are referred to in the annual report from the Corporate Environmental Sustainability Group.

- 3.4 In September 2022, the government announced a new funding stream, Home Upgrades Grant Phase 2 (HUG2).

- 3.5 The aim of the funding is to provide energy efficiency upgrades and low carbon heating via local authority funding, to households in England that:

- are low income
- are off the gas grid
- have an Energy Performance Certificate (EPC) between D and G

3.6 Up to £700 million of funding is being made available to local authorities to help them deliver HUG 2 until March 2025. Funding will be released to successful local authorities in the financial years 2023 to 2024 and 2024 to 2025.

#### **4. HUG2 Details**

4.1 Eligible households for receipt of HUG2 must either:

- Have a combined gross annual household income of no more than £31,000 which must be capable of being verified by the local authority; or
- Be located in an eligible area. Households living in the most economically deprived neighbourhoods (income deciles 1- 3) will be automatically eligible for upgrades, provided they live in off-gas grid properties rated EPC band D or below. The government has published a list of eligible postcode areas.

4.2 HUG2 applies to off-gas grid domestic dwellings only (defined as being mainly heated by electricity, oil, coal, LPG, or solid fuels).

4.3 Social Housing is allowed to be included up to a maximum of 10% and only as part of area based retrofit of mixed tenure housing;

4.4 Park homes are also eligible but should make up less than 10% of the total homes treated per project;

4.5 Eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve the energy performance of homes. Fossil fuel based heating systems are ineligible (including hybrid heat pumps).

4.6 A fabric first approach of insulation and heat loss prevention measures is required, in line with the principles of PAS 2035.

4.7 Measures have been categorised as grade A, B, or C, according to various considerations, including strategic fit, value for money, and the size of the roll out expected under HUG 2.

4.8 Grade A measures, which includes insulation, draft proofing, heat pumps, central heating, heating controls and battery storage, must represent at least 60% of measures costs per LA project, whilst grade C measures cannot represent more than 10% of measures costs per LA project.

4.9 HUG 2 has introduced new distinct capital cost caps for energy efficiency and low carbon heat. Cost caps are based on property characteristics (archetype and wall type). The energy efficiency cost cap ranges from £3k-24k dependent on property archetype and characteristics. The clean heat cost cap ranges from £5k-14k based on property archetype. The total cost cap for a home will therefore range from £3-38k.

#### **5. Funding Sources**

5.1 The window for bid submissions for HUG2 to BEIS opened at the end of September 2022, with a bid submission date of 18 November 2022.

5.2 Shortly after the bid window opened, the Council was approached by Midlands Net Zero Hub informing us of their intention to submit a regional bid of up to £140m. MNZH invited the Council to be a partner in the Midlands regional bid and offered an indicative allocation of £1,111,000 for South Derbyshire if the regional bid was successful.

- 5.3 SDDC officers initially began developing an evidence base and project delivery plan to submit a direct bid to BEIS, which included bid development meetings with facilitators at Turner and Townsend.
- 5.4 As the practicalities of the delivery of the project became clearer, it was apparent that an independent bid from SDDC would score relatively poorly when compared against the scoring criteria published by BEIS.
- 5.5 At this point officers turned to the offer from MNZH and in response to the partnership offer, SDDC proposed what was considered to be an ambitious counter-proposal for a project requiring funding of £2,178,000.
- 5.6 MNZH accepted the proposal and included it within a Midlands regional bid to BEIS.
- 5.7 An announcement is expected in January 2023.

## **6. South Derbyshire HUG Phase 2 proposals**

- 6.1 South Derbyshire District Council completed a comprehensive, desktop housing stock condition survey in 2019 which obtained property level data of all 44,210 properties in the District.
- 6.2 This dataset identified that 23,723 properties in South Derbyshire (53.7%) have a current EPC rating. A total of 4,288 (18.1%) of current EPC ratings are in the range E to G of which 67.6% are owner occupied (2,900), 26.1% are rented (1,119), 6.3% are social housing (269).
- 6.3 The Council has identified 3,068 properties within South Derbyshire which are within an IMD decile postcode area rated 1 to 3 and have an EPC rating of D to G or no current EPC and which are in an off-gas postcode area.
- 6.4 In South Derbyshire there are 36 off-gas postcodes defined as IMD 1 to 3 which each contain 30 or more properties which have no EPC or are EPC D to G. These 36 postcode areas will be the target of marketing activity for HUG2.
- 6.5 Marketing and lead generation will be delivered through our appointed Customer Access Journey provider and will include Council branding and links to relevant Council webpages to provide assurance.
- 6.6 Lead generation will involve postal and face to face interaction with the occupiers of the specific targeted properties; community centred marketing in the target areas including the Fantastic Homes interactive van; promotion at high footfall local events including Liberation Day and Party in the Park; online marketing through SDDC website and SDDC facebook and twitter feeds.
- 6.7 10% of the HUG2 project will be targeted at park homes. We already have nine applications from park homes residents for green homes grants and which cannot be accommodated under the conditions of the existing grant funding for LAD3 or HUG1.
- 6.8 Lead generation will also be provided by direct referral via the Councils Private Sector Housing Team who on average provide direct support to 170 households per year and also act as a signposting services for key partners such social services, hospital discharge, CVS and GP Practice Care Co-ordinators.

- 6.9 The Customer Access Journey will provide enquiry support prior to the submission of client expressions of interest or HUG2 applications. This will be via a dedicated phone-line and on-line portal.
- 6.10 On receipt of expressions of interest the Customer Access Journey will provide advice including Pre-EPC phone support, home visits, bill and tariff advice and signposting to alternative sources of capital support (e.g. Eco4 flex). The LAD1b and LAD 2 bids have already targeted areas with the highest numbers of properties with an EPC rating of E to G and in deprivation decile 1 to 5.
- 6.11 The LAD2 bid aims to deliver improvements to 110 properties in South Derbyshire.

## **7. Financial Implications**

- 7.1 Major beneficial. The project will bring a further £2,178,000 of investment into South Derbyshire's private sector housing stock.
- 7.2 This will represent a medium-term investment in the local energy retrofit market, thus boosting the green economy. It will also deliver a long-term investment in the local housing stock with the associated financial and carbon savings described earlier in the report.

## **8. Corporate Implications**

- 8.1 **Employment.** A Low Carbon Homes team was created in 2022 in order to provide a specialist dedicated resource to support the delivery of low carbon improvements in the private sector and to combat fuel poverty.
- 8.2 The Low Carbon Homes team was created on the basis that it would be self-funding by way of successfully securing external funding. Acceptance of the bid will enable the Low Carbon Homes Team to continue for a further two years and in doing so will enable the two full time posts within the Team to continue.
- 8.3 **Legal.** The bid will be subject of a Memorandum of Understanding between MNZH and the Council. The MoU sets out a reporting framework which will need to be completed by the Low Carbon Homes Team in order to satisfy MNZH that the project aims are being met.
- 8.4 **Corporate Plan implications** – The proposals align with the key Corporate Plan theme of 'Our Environment' as well as the two key aims of "Strive to make South Derbyshire District Council carbon neutral by 2030" and "Work with residents, businesses and partners to reduce their carbon footprint".

- 8.5 **Risk impact** - None

## **9. Community Implications**

- 9.1 **Consultation.** The bid directly contributes to action DSP4 of the Councils Climate and Environment Action Plan. This Action Plan has already been the subject of consultation and approval.
- 9.2 **Equality and Diversity.** Positive.
- 9.3 **Social Value Impact.** Positive.
- 9.4 **Environmental Sustainability.** Positive

## **10. Conclusion**

10.1 The report seeks the Committee's endorsement of the HUG2 bid and acceptance of the funding offer from MNZH.

## **11. References**

[Housing and Community Services Committee, 28 January 2021](#)

[Housing and Community Services Committee, 3 June 2021](#)

[Housing and Community Services Committee, 30 September 2021](#)

[Housing and Community Services Committee, 19 April 2022](#)