



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Environment Overview and Scrutiny Committee

Tuesday, 19 March 2024

Report of Councillors Patsy Ellis and
Rhys Baker Cabinet Members for
Environment and Waste

Update on Home Energy Upgrade Scheme

Report Author

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Purpose of Report

This report provides an update on the main outcomes of the Home Energy Upgrade Scheme project to upgrade eligible private properties in the district with energy efficiency measures.

Recommendations

That the Committee:

1. Notes the updates regarding the Home Energy Upgrade Scheme project

Decision Information	
Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Sustainable South Kesteven Housing
Which wards are impacted?	All wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 The Sustainable Warmth Scheme was fully funded by the Home Upgrade Grant and Local Authority Delivery Phase 3 Grant allocations awarded to the Council. The scheme was monitored as part of the General Fund Capital Programme and complied with the terms and conditions of the funding, which included balancing cost caps and identifying property types with low EPC ratings. All unspent funding has been returned to Midlands Net Zero Hub on behalf of the Department for Energy Security and Net Zero.

Completed by: Alison Hall-Wright, Deputy Director (Finance & ICT) and Deputy S151 Officer

Legal and Governance

- 1.2 Local authorities do not have a statutory duty to deliver proactive energy efficiency upgrades to private properties. However, by making use of funding opportunities available, local authorities can help to deliver valuable reductions in carbon emissions and contribute to local and national net-zero carbon targets, as well as addressing issues of fuel poverty and helping to reduce resident's energy bills.
- 1.3 The Council worked as part of a consortium of other local authorities within Lincolnshire to procure and manage the scheme compliantly.

Completed by: Graham Watts, Assistant Director (Governance and Public Protection) and Monitoring Officer

Climate Change

- 1.4 The core aims of the Sustainable Warmth Competition funding were to save households money, reduce fuel poverty, and cut carbon emissions. Installing energy efficiency and low-carbon heating measures will benefit residents as well as contributing to local and national net-zero carbon emissions.

Completed by: Serena Brown, Sustainability and Climate Change Officer

2. Background to the Report

- 2.1 The UK has a significant challenge to improve the energy efficiency and decarbonise the building stock of the country. Britain has the oldest housing stock in Europe, with 20% of properties constructed before 1919. This presents a serious challenge to make buildings more efficient, reduce heat loss and make them safe and suitable for inhabitants.
- 2.2 Fuel poverty relates to households that cannot meet their energy needs at a reasonable cost. It also has an impact on health, with cold homes presenting health risks, particularly to the most vulnerable in society. In 2023, there were an estimated 13% of households in fuel poverty in England, including an estimated 9.9% of households in the East Midlands region.
- 2.3 In February 2021, the government published its latest fuel poverty strategy, [Sustainable warmth: protecting vulnerable households in England](#). This strategy discussed the link between addressing fuel poverty and meeting national net zero carbon targets.
- 2.4 The Sustainable Warmth Competition for local authorities was later launched in 2021, bringing together two distinct fuel poverty funding schemes: Local Authority Delivery Phase 3 (LAD3) and Home Upgrade Grant Phase 1 (HUG1). The aims of the funding were to save households money, reduce fuel poverty, cut carbon and support the aims of the government 10 point plan for a Green Industrial Revolution. Both schemes aim to support low-income households in England, living in energy inefficient homes by installing energy efficiency and low carbon heating upgrades.
- 2.5 Nationally, these funding allocations were comprised of:
 - Local Authority Delivery Phase 3 (LAD3): a third phase of LAD with £200m available. LAD3 has a refined scope to support low-income households heated by mains gas.
 - Home Upgrade Grant Phase 1 (HUG1): £150m for low-income households with homes off the gas grid

2.6 The Midlands Net Zero Hub co-ordinated a consortium bid on behalf of local authorities in the Midlands area. As part of this, South Kesteven District Council were offered the following allocation for both schemes:

	Capital	Administrative allocation
Home Upgrade Grant Phase 1 (HUG1)	£800,000	£80,000
Local Authority Delivery Phase 3 (LAD3)	£445,000	£44,500
TOTAL	£1,245,000	£124,500

2.7 Household eligibility was set out for both schemes by the Department for Energy Security and Net Zero. Key eligibility for the scheme included:

- Private households (homeowners / private renters) in England with an annual household income of £30,000 for LAD3 and £31,000 for HUG1
- Properties with poor energy efficiency and an Energy Performance certificate of D, E, F, or G (Band D properties are capped at 30%*)
- The maximum grant for LAD3 is set at £10,000 per home for owner occupiers with no match funding required (additional funding available via HUG1)
- Landlords must contribute at least a third of the cost and their grant cap is up to £5,000 (additional available for HUG1)
- The maximum grant for HUG1 is set at £25,000 per home for owner occupiers with no match funding required
- All measures that improve energy performance funded, except fossil fuel heating

* Subsequently increased to a cap of 75% EPC D properties for LAD only

2.8 The delivery window for both schemes was initially set as April 2022 to end of March 2023, but was later extended to end of May 2023 for HUG1 and end of September 2023 for LAD3.

2.9 As part of delivery plan preparation for the scheme, neighbouring authorities were approached regarding their plans and the opportunity emerged to work in a partnership to maximise delivery and jointly procure a delivery partner. South Kesteven District Council worked with North Kesteven, West Lindsey and City of Lincoln councils to deliver the project as the Central and South Lincolnshire consortium. City of Lincoln Council was the consortium lead, with all partners working closely to oversee the project.

2.10 Following a review of delivery models and providers, YES Energy Solutions were appointed as a principal contractor for the project on behalf of the central and south Lincolnshire consortium via the Fusion 21 Decarbonisation framework.

2.11 In order to simplify the support available through the scheme, it was agreed to market the scheme under the banner of the **Home Energy Upgrade Scheme**. A

webpage was published on the council's website at: [Home Energy Upgrade Scheme | South Kesteven District Council](#)

2.12 Upon contract commencement, several methods were employed to target potentially eligible households for the scheme across the county. The main method of communication was targeted letter drops. YES Energy Solutions used the national EPC database to ascertain EPC information for all properties in the four districts where a certificate had been issued. This was used to target properties with an EPC of E, F, or G, where households received a letter letting them know they may be eligible for the scheme and how to express their interest. In total, across the 4 council areas, 36,257 households were contacted via a letter drop.

2.13 The letter drops were supported by adverts in Lincoln bus station, information on social media, radio adverts, updates on council webpages and press releases to local media outlets. Some residents also contacted council representatives asking for information regarding the scheme, who were assured of the legitimacy of the offer and, if eligible, to contact YES as soon as possible to take part.

2.14 Typical energy efficiency measures a property might receive include:

- Insulation: loft, cavity wall or external wall insulation/internal wall insulation, or room in roof insulation given the wall type of the property
- Low-carbon heat (principally HUG1): including air source heat pumps and electric storage heaters
- Low-carbon energy generation: including solar PV panels
- Ventilation: improved bathroom and kitchen mechanical ventilation, improved air movement throughout the property including window trickle vents and internal door undercuts

2.15 Throughout the delivery window residents came forward for the scheme. A typical process for a property would include:

- Customer contacts YES Energy Solutions to express interest
- Eligibility information is taken from the customer to on-board them to the scheme
- If no valid EPC is available for the property, a new one is issued and funding stream (either LAD3 or HUG1) is determined
- A retrofit assessment is arranged for the property, where energy efficiency measures are recommended for the property
- The retrofit assessment is reviewed and a costed proposal is sent to the Council for approval
- Once approved, installation works are scheduled in with the customer
- Once all measures are completed, a post works EPC is issued to measure any change to the property

2.16 Customer satisfaction was measured throughout the scheme to understand any potential issues. A customer satisfaction report is attached at Appendix A, detailing that 66% of residents were satisfied or very satisfied with the quality of installers who attended the property, and 63% of residents were satisfied or very satisfied with YES Energy solutions and the work completed in their property.

2.17 At the close of the scheme in late 2023, the following main outputs for the scheme *within South Kesteven* are as follows. Within the district, a total of 29 properties were upgraded with 106 separate energy efficiency measures. The total spend for the whole project for South Kesteven was £631,032.

	Number of homes surveyed	Number of homes completed	Number of measures installed	Capital spend	% of initial capital allocation	Admin spend	% of initial admin allocation
HUG1	30	22	58	£263,828	32.98%	£32,320	40.40%
LAD3	53	27	48	£290,091	65.19%	£44,793	100.66%
Total	83	49	106	£553,919	-	£77,113	-

2.18 Across the council consortium of City of Lincoln Council and West Lindsey, North Kesteven and South Kesteven District Councils, 81 properties were updated using HUG1 funding, and 81 properties were also updated using LAD3 funding. City of Lincoln Council also upgraded further properties using a separate allocation of LAD3 funding administered directly by the Department for Energy Security and Net Zero.

2.19 Following the closure of both schemes, the Council returned £583,852 of HUG1 funding and £154,616 of LAD3 funding. Some of the main issues hampering delivery for the schemes included:

- Difficulty finding households that meet the low-income eligibility criteria
- Difficulty finding properties that meet the EPC criteria
- Properties identified required further upgrades that were limited by the cost caps for the scheme
- Property not technically suitable for specified upgrades
- Customer unable to commit to upgrades to their property at the time

2.20 In response to some of these challenges, the central and south Lincolnshire consortium identified the opportunity to provide some more specific and tailored support to Lincolnshire residents around home energy efficiency. A successful bid to the Local Energy Advice Demonstrator, administered by Midlands Net Zero Hub

on behalf of the Department for Energy Security and Net Zero, was submitted in 2023. From early 2024, a team leader and two advisors are now in place to attend events and provide detailed advice on domestic energy to residents, directing them to support schemes where possible.

- 2.21 The Council were also successful in securing further funding via the next round of the Home Upgrade Grant scheme: HUG2. This is again provided for low-income households off the gas grid. The delivery window for this project is for the financial years 2022/23 and 2023/34, which is being delivered in the same successful consortium basis. West Lindsey District Council is the lead authority for this round of funding, and a dedicated post was established to manage the scheme on behalf of all authorities.
- 2.22 Support for eligible households is also available via the Energy Company Opportunity (ECO4) scheme. Local authorities do not handle funding directly for this scheme, which functions as an obligation put on energy companies to deliver energy efficiency measures to domestic properties. ECO is not a grant scheme – it is in the remit of the energy companies to determine which retrofit projects they choose to fund and the level of funding they provide. Residents that wish to express interest in the scheme are encouraged to contact YES Energy Solutions as the dedicated delivery partner for the scheme.

3. Key Considerations

- 3.1 The report is provided for information rather than decision. Members are encouraged to take note of the progress of the scheme and main outputs.

4. Other Options Considered

- 4.1 No further options are set out within this report which is provided as an update to the Home Energy Upgrade Scheme.

5. Reasons for the Recommendations

- 5.1 The report is provided as an update to the Home Energy Upgrade Scheme.

6. Appendices

- 6.1 Appendix A: Lincolnshire Home Energy Upgrade Scheme Customer Satisfaction Report