



Report to:	Climate, Energy and Environment Committee
Date:	24 October 2023
Subject:	Better Homes Hub
Director:	Liz Hunter, Director Policing, Environment and Place
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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this Report

- 1.1. To provide the Committee with an update on the Better Homes Hub programme and seek input on the area-based schemes and low-interest retrofit loan.

2. Information

- 2.1. Housing is responsible for 3.4 million tonnes (around 30%) of carbon dioxide each year in West Yorkshire, the majority of which come from using fossil fuels to heat homes¹.
- 2.2. To achieve our net zero targets, we need to retrofit 680,000 homes to a good level of thermal efficiency². If we start now, this would be over 45,000 retrofits a year. As well as improving the thermal efficiency of buildings, installing low carbon heating and solar PV will be critical.
- 2.3. The Better Homes Hub (BHH) programme is directly drawn from one of the actions within the [Climate and Environment Plan](#).

¹ UK local authority and regional greenhouse gas emissions national statistics, 2005 to 2021 - Department for Energy Security and Net Zero

² [West Yorkshire Carbon Emission Reduction Pathways report](#)



- 2.4. The BHH is the Combined Authority's regional programme to scale-up domestic retrofit.
- 2.5. It is a complex long-term programme that encompasses all the Combined Authority's activity on domestic retrofit, with a vision that 'Everyone in West Yorkshire can live in a warm, comfortable and low carbon home'.
- 2.6. The BHH has three overarching objectives which are to:
 - Objective 1: Build consensus within West Yorkshire on priorities for retrofit and energy efficiency of homes.
 - Objective 2: Deliver retrofit projects in West Yorkshire that build momentum, strengthen the supply chains, and create new delivery models.
 - Objective 3: Establish the BHH as a trusted entity for all residents to access advice and information on retrofit and energy efficiency of homes in West Yorkshire.
- 2.7. An evaluation framework will be developed for Domestic Net Zero, which includes all of the BHH projects as well as the domestic solar projects. The evaluation framework will be created in partnership with the evaluation team and the Energy Saving Trust, as client-side support consultant to the BHH.

Objectives 1 & 3

- 2.8. As a result of a lack of consistent long-term national policy on retrofit and insufficient, short-term, competitive funding for delivery, there is limited demand for retrofit. In a Net Zero speech on 20 September 2023, Government announced major policy changes on key policies including delaying the phase out of gas boilers to 2035 and removing the EPC C minimum standards for private rental properties.
- 2.9. This announcement could undermine demand from residents for retrofit measures. The Combined Authority will continue to work with the M10 group of metro mayors to challenge policy that does not support the regional target for net zero, and through this group are liaising closely with Greater Manchester and West Midlands Combined Authorities on their trailblazer deals.

Client-side Support

- 2.10. A consortium led by Energy Saving Trust has been appointed as client-side support for the BHH programme. They will provide expert advice and a robust evidence-base to drive our decision making for the programme, having had experience managing energy saving retrofit schemes on behalf of the Scottish Government through [Home Energy Scotland](#).
- 2.11. One of the key projects for the client-side support consultant is to produce a delivery plan to inform the long-term strategic approach to development and delivery of services to support the implementation of retrofit and renewables across West Yorkshire's domestic sector. Learnings from all of the past and planned pilots will inform the delivery plan.

Local Energy Advice Demonstrators

- 2.12. The BHH team were successful in securing a total of £836,833 in funding from the Local Energy Advice Demonstrators (LEAD) competition from the Department for Energy Security and Net Zero. The committee previously approved that we would accept an award up to £1.6m from LEAD. The Department for Energy Security and Net Zero requested that larger proposals were reduced in value by 50% to enable the funding of more pilots at a lower value.
- 2.13. A supplier will be commissioned to test approaches to delivering in-person retrofit advice to hard-to-reach, seldom-heard and digitally excluded communities.

Low-interest retrofit loan

- 2.14. According to the [NatWest Greener Homes Attitude Tracker](#) from July 2023, 74% of homeowners stated that the cost of having work done was the biggest barrier to sustainable home improvements.
- 2.15. To address this financial barrier, a business case is being developed, for submission to the Combined Authority in December 2023, to establish a low interest loan that helps owner-occupiers and private landlords to fund the retrofit of their home.
- 2.16. If the business case receives internal approval, it is anticipated that the loan will go live in March 2024, with the Combined Authority procuring a delivery partner to oversee the delivery of the loan.
- 2.17. The objectives of the project are:
- Launch a low-interest loan by March 2024 which addresses the financial barriers preventing owner-occupiers and private landlords from making energy efficiency improvements to their homes.
 - Test viability and interest from owner-occupiers and private landlords to take out a loan to fund retrofit projects and capture these learnings to feed into the wider BHH programme design including the one stop shop.
 - Deliver 220 loans at an average loan value of £16,000 by March 2036.
 - Increase the energy efficiency of owner-occupied and private rented homes by facilitating retrofitting projects that lead to reduced energy consumption and lower carbon emissions.
 - Demonstrate leadership in response to the climate emergency and delivery of net zero ambitions, specifically in relation to retrofit.
- 2.18. The total cost of the project is £2,769,099, which includes the loan pot for residents and the fees to procure an FCA regulated lending partner to administer the loan on the Combined Authority's behalf. It also includes staff costs required to deliver workstreams under objectives 1 and 3 of the Better Homes Hub.

- 2.19. The private rented and owner-occupied tenures are the target market for this project. Combined, these tenures represent 82.3% of the housing stock in West Yorkshire, and typically are the least energy efficient properties.
- 2.20. Given the cost-of-living crisis and people's differing attitudes to borrowing money, there is an appreciation that a low-interest loan will not be attractive or financially viable for everyone. The ambition is that the low-interest loan will be part of a menu of finance options hosted and signposted by the one stop shop once operational.
- 2.21. The project will deliver an estimated 220 retrofits (based on an average loan of £16,000) and will test the viability, accessibility and interest of residents to take out a loan to fund the retrofit of their home. It will also test the risks and costs to the Combined Authority, providing evidence of loan defaults. If it is successful and proves the concept, a larger loan pot could be established in the future.
- 2.22. The lending partner will be required to provide monthly reporting updates to the Combined Authority. Levels of uptake of the loan will be continually monitored. If uptake is low, barriers will be explored and fed back in to the development of alternative products and incentives as part of the BHH programme. Should the project be oversubscribed, additional funding will be sought.
- 2.23. The current bank of England base rate is 5.25%³. Utilising Combined Authority funding to establish the loan allows us to keep the interest rate below this base rate as we are not looking to make a profit, the interest rate has been modelled to just cover lending partner fees over the length of the project.
- 2.24. Three interest rate options have been considered as part of the economic case – 0%, 3.26% (modelled to cover the lending partner fees) and 4%. The 3.26% interest rate has been selected as the preferred option. The interest rate is still significantly below high street loan rates which range from 5.6% – 12.3% depending on the value of the loan⁴.
- 2.25. Key to the success of the low interest loan will be in ensuring the quality of install for the measures funded via the loan. There are currently several ways in which quality can be assured (TrustMark; MCS accreditation; Trusted Supplier list), however a key concern is to not overly burden residents with the requirements to ensure quality.
- 2.26. As such, the Committee are asked to provide their views on the most suitable method of achieving quality of install without placing a significant burden on residents, which could impact on the uptake of the loan.

Objective 2

³ [Bank of England base rate](#) (accurate on 29 Sept 2023)

⁴ Interest rate figures sourced from [Money Saving Expert](#) (accessed on 18 September 2023)

Area-based schemes

- 2.27. The Better Homes Hub team is proceeding with a business case to seek full approval for over £2 million to deliver an area-based scheme in Calderdale as part of Phase 1 of the area-based schemes programme. The business case will be presented to the Combined Authority in December 2023.
- 2.28. Significant engagement activity has been undertaken with Local Authority partners to discuss and develop an area-based scheme proposal in each district. A phased approach to the delivery of the area-based schemes has been agreed with partners, with the first area-based scheme in Calderdale forecasted to commence delivery from March 2024.
- 2.29. The area-based schemes will pilot a range of retrofit measures across an area / street to test the level of interventions that can be made to properties, understand the impact these measures will have on residents' living conditions and their energy / fuel bills, in addition to how to achieve efficiencies in delivery.
- 2.30. This approach recognises that there is no single 'one size fits all' model for scaling up retrofit as different tenures and subgroups within each tenure require a range of support and finance offers.
- 2.31. Adopting an area-based approach will aggregate demand for works as well as providing a cost-effective means of installing measures to a particular street.
- 2.32. Creating a demand for retrofit that will result in investments from the able-to-pay market and Private Rented Sector (PRS), will help facilitate maximum uptake in the private sector, which is essential if the region is to scale up.
- 2.33. Calderdale's scheme will focus on fabric-first measures through the installation of a hybrid wall insulation (HWI) to 'hard to treat' pre-1919 stone built properties that are prevalent in the district. Full retrofit measures will be included, such as underfloor heating and draught proofing.
- 2.34. This hybrid approach combines the advantages of external wall insulation (EWI) and internal wall insulation (IWI) to create a tailored approach to insulating a building whilst balancing the needs of planning constraints. This scheme will also provide financial offers to private homeowners and residents as an incentive to sign up to the scheme, and test uptake from private sector landlords.
- 2.35. If feasible, the low-interest loan offer that is currently being developed, and which is subject to separate approval, will be synchronised to allow residents, and landlords, to access the financial offer that will be proposed. Learnings from resident and landlord take

up will be recorded and used to help inform the financial offer of the BHH one stop shop, as well as inform future retrofit programmes.

- 2.36. A further business case relating to the Bradford area-based scheme is currently in development. It will bring together a range of insulation and heating control measures into one integrated package of cost-effective systems to improve the thermal efficiencies of stone terraced buildings. The Combined Authority will consider the business case in March 2024, with a paper being presented to the February 2024 meeting of this Committee.
- 2.37. The remaining schemes (Kirklees, Leeds and Wakefield) will be developed as part of Phase 2 which is expected to be launched in 2025.
- 2.38. Work is underway in gathering case studies from residents who have had works completed on their properties as part of the Social Housing Decarbonisation Fund (SHDF) Wave 1 programme, and SHDF Booster. The case studies will be used to communicate the positive impact both programmes have had in alleviating fuel poverty in social housing properties. Works on the Wave 1 programme have completed, and Booster forecasted to complete by March 2024. The programme team are working closely with Comms in exploring how this information can be shared widely.

3. Tackling the Climate Emergency Implications

- 3.1 The programmes and projects within the Better Homes Hub respond to the ambition for West Yorkshire to be net zero carbon by 2038 and the Mayoral pledge to tackle the climate emergency.
- 3.2 The projects outlined in this report contribute to progressing towards our goal of 680,000 homes to be retrofitted in the region, through direct delivery of area-based schemes, the direct financial support of the low-interest loan, as well as the progression of a robust knowledge base, and the priming of a market that is capable of providing for the extensive retrofit that is required.

4. Inclusive Growth Implications

- 4.1 The Combined Authority's definition of inclusive growth is enabling more people and places to contribute to and benefit from economic success.
- 4.2 Through the low-interest loan, retrofit will be made as affordable and accessible as possible to all residents of West Yorkshire.
- 4.3 Retrofitted homes typically result in reduced energy bills; the average band D home could save £680 per year compared to a band C home. This saving goes up to £1,249 for band

E and a staggering £1,765 for band F homes, giving considerable economic gain to those in fuel poverty.

- 4.4 Inclusive growth will be supported through improvements to wellbeing whereby the comfort, health and affordability of household budgets improve following uptake of energy efficiency retrofit.

5. Equality and Diversity Implications

- 5.1. The Local Energy Advice Demonstrator project will enable the testing of approaches to deliver in-person advice on domestic energy efficiency retrofit for hard-to-reach and digitally excluded groups. The learning from this project will then be used to inform the development of the West Yorkshire one stop shop and ensure that all West Yorkshire residents can access and benefit from the available information and advice.

6. Financial Implications

- 6.1. £200k is secured for delivery of the initial outputs for the client-side support from Energy Saving Trust.
- 6.2. The BHH team were successful in securing a total of £836,833 in funding from the Local Energy Advice Demonstrators (LEAD) competition.
- 6.3. £2 million to deliver an area-based scheme in Calderdale as part of Phase 1 of the Area Based Schemes
- 6.4. £2,769,099 million to establish a low-interest loan to help owner-occupiers and private landlords to retrofit their home.

7. Legal Implications

- 7.1. In establishing the low interest loan there will be a need to establish legal agreements between the delivery organisation and Combined Authority. This has been built into the business case.
- 7.2. Grant funding agreements will be put in place between the Combined Authority and Calderdale Council for the area-based scheme.

8. Staffing Implications

- 8.1. To ensure the delivery of both business cases additional staffing resources will be required. These requirements have been integrated into the business cases of both schemes going forward for approval from the Combined Authority in December 2023.

9. External Consultees



- 9.1. Input into the low interest loan has been sought from a range of stakeholders including Local Authority officers and potential delivery organisations. The feedback from these discussions has informed the final business case.
- 9.2. Local Authority partners have been engaged since February 2023, to discuss and develop an area-based scheme in each district. In agreement with Partners, a phased approach in the delivery of the area-based schemes has been agreed, with the first area-based scheme in Calderdale forecasted to commence delivery from March 2024.

10. Recommendations

- 10.1. That the Committee notes the contents of the report.
- 10.2. That the Committee provide feedback on the most suitable method for ensuring quality of install through the low interest loan while not placing a significant burden on residents.
- 10.3. That the Committee provide feedback on the mechanisms that could be implemented to ensure a seamless offer between the area-based schemes and the low interest loan.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

No appendices are included with this report.