
LGA Housing Finance Advisers Network

16 February 2021

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Decarbonising the Nation's Housing Stock: The Challenge

We need to reduce emissions to close to zero by 2050. A step change in the rate of energy performance improvements to existing homes is required over the 2020s to meet the carbon budgets, keep energy bills low, and support the transition to low carbon heat.



Homes account for 15% of UK greenhouse gas emissions (or 21% if electricity use is included).



In 2020, there were ~13m homes below EPC Band C in England. Of these, 1.4m are social homes with 54% of these in fuel poverty.



Average energy costs for **EPC A-C** homes

Average energy costs for **EPC F & G** homes



Decarbonising the Nation's Housing Stock: The Challenge



By 2050, our buildings will need to be **more energy efficient, smarter** and more **flexible**, and use **low carbon heat**.



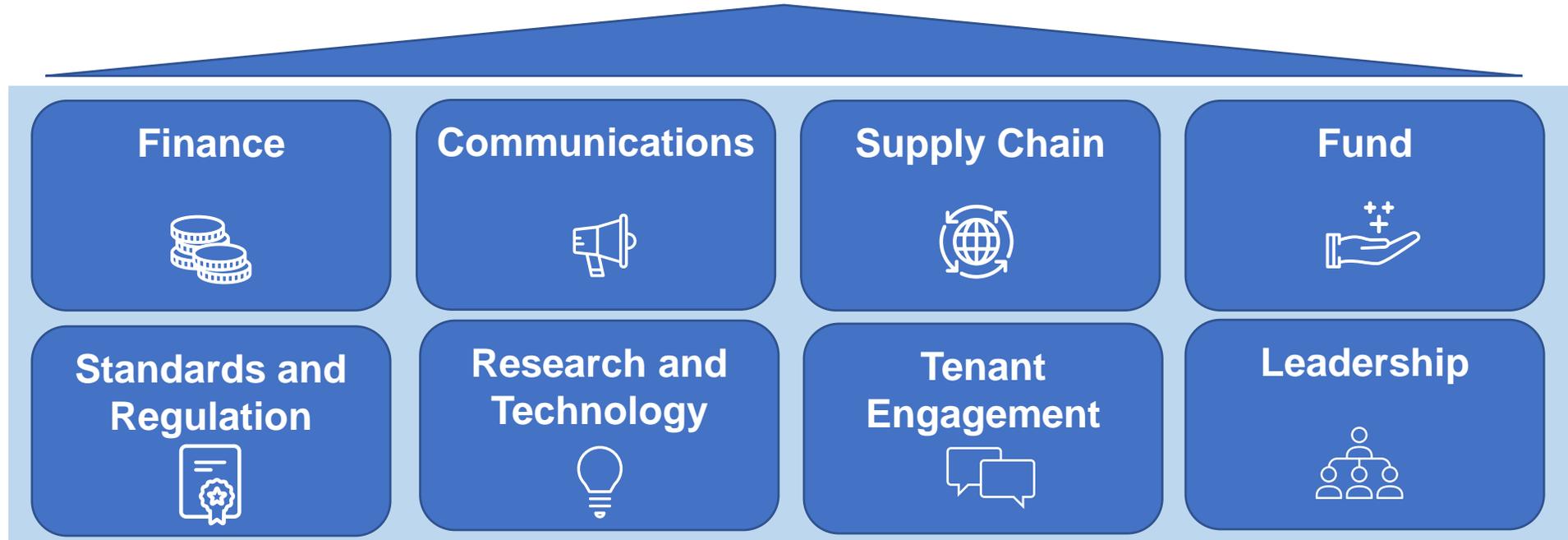
Energy performance improvements will need to take account of the **differences in buildings, geographies**, and the **needs of owners / occupants**.



Some properties may not be able to reach zero emissions practically, cost effectively or affordably, and therefore **appropriate safeguards and exemptions** may be required.

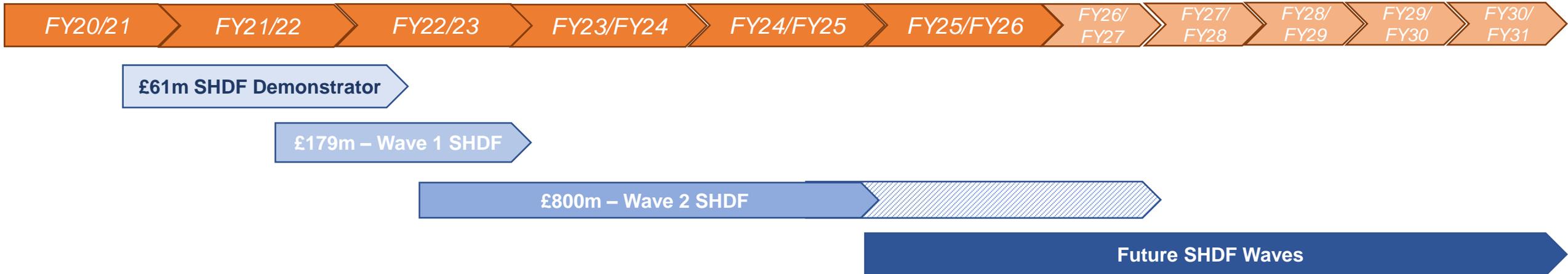


Social Housing Decarbonisation Capability



The Social Housing Decarbonisation Fund

- The 2019 Conservative Manifesto includes a proposal for a **£3.8bn Social Housing Decarbonisation Fund** over a 10-year period, to improve the energy performance of social rented homes (subject to future spending reviews).
- The 2020 Summer Economic Update announced the £50m Demonstrator (*increased to £61m*) fund to deliver innovative retrofit projects for social housing, demonstrating a targeted performance level and cost reduction.
- The Government has announced up to £160m (*increased to £179m*) for the first wave of the SHDF in financial year 2021/22, delivering to March 2023.
- The 2021 Spending Review has committed a further £800 million to the SHDF for the three-year period.

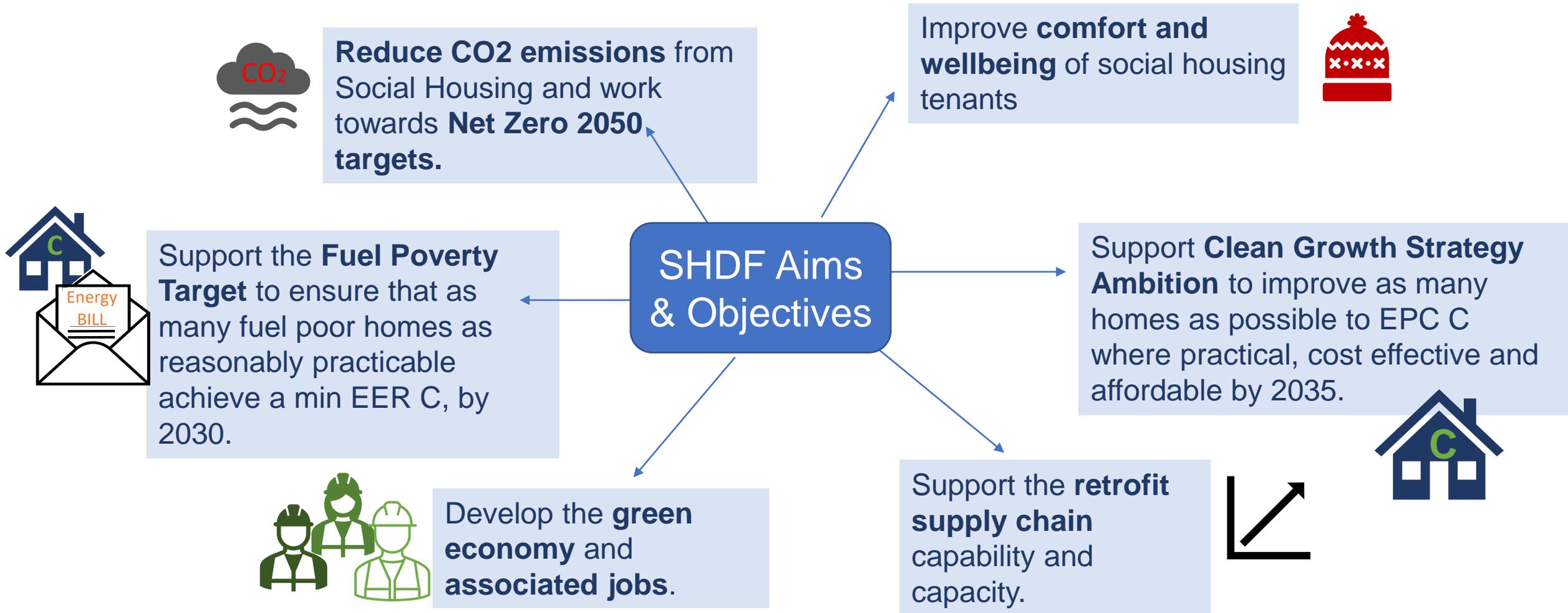


Indicative timeline only – subject to change.



Department for
Business, Energy
& Industrial Strategy

SHDF Aims & Objectives



SHDF Demonstrator

The Demonstrator was designed to learn lessons about high complexity whole house retrofits (high complexity, low volume).

Objectives

- Stimulate the economy and support the supply chain
- Create and support jobs
- Cut bills by £300-500 per household
- Reduce cost of Whole House Retrofit
- Identify key lessons for the forward programme

Summary



Funding 18 projects



14 bids with clean heat measures



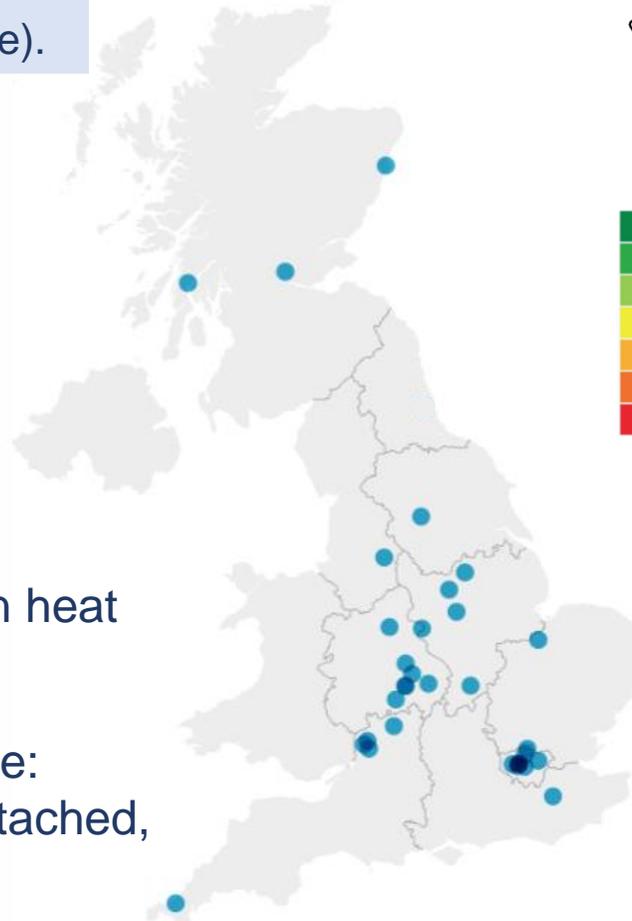
Over 2100 Dwellings



Archetypes include:
terraced, semi-detached,
flats, bungalows



>1100 FTE workers

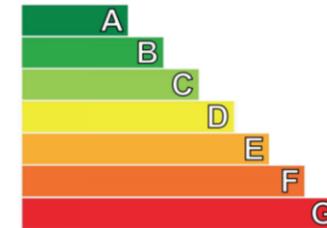


4 distinct partnership models:

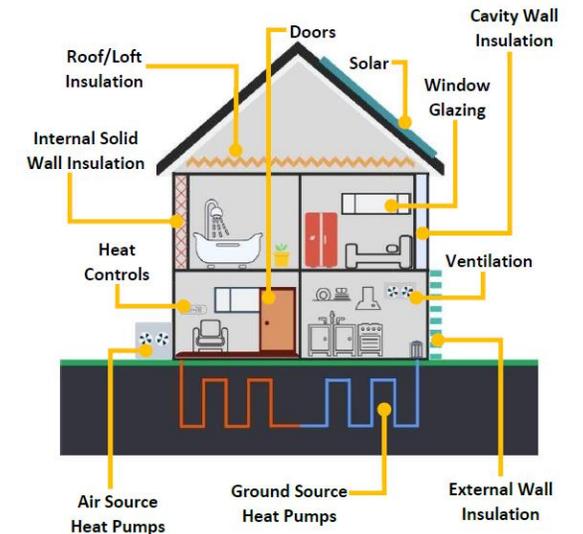


Stakeholder Partnership
Relationship with Contractor
Relationship with Consultant
Pre-Existing Framework

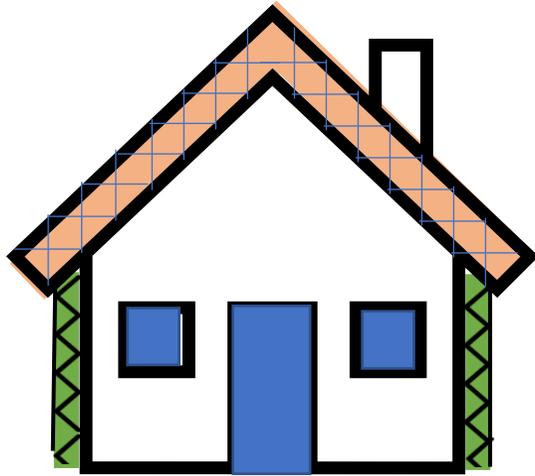
No. of bids improving to:



EPC A: 2
EPC B+: 10
EPC C+: 6



SHDF Wave 1 Key Principles



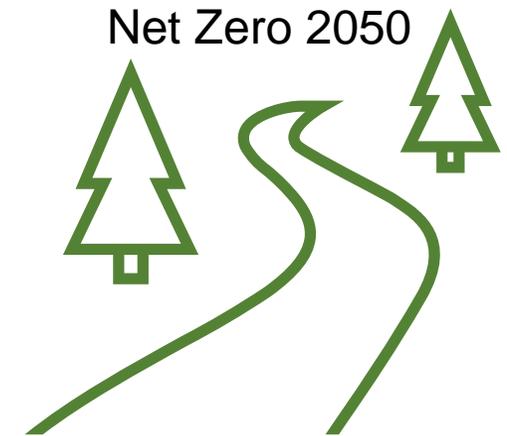
Fabric First

Ensures heat loss prevention measures are installed before other energy efficiency measures, to maximise the dwelling's suitability for low carbon heating either now or in the future, and to benefit tenants (comfort, health, wellbeing and bills).



Worst First

Facilitating the treatment of the worst performing homes through a scaled cost cap that allows for greater spend on those homes with a lower starting EPC Band.



Lowest Regret

Minimise the potential of measures having to be replaced in the future on the journey to Net Zero.

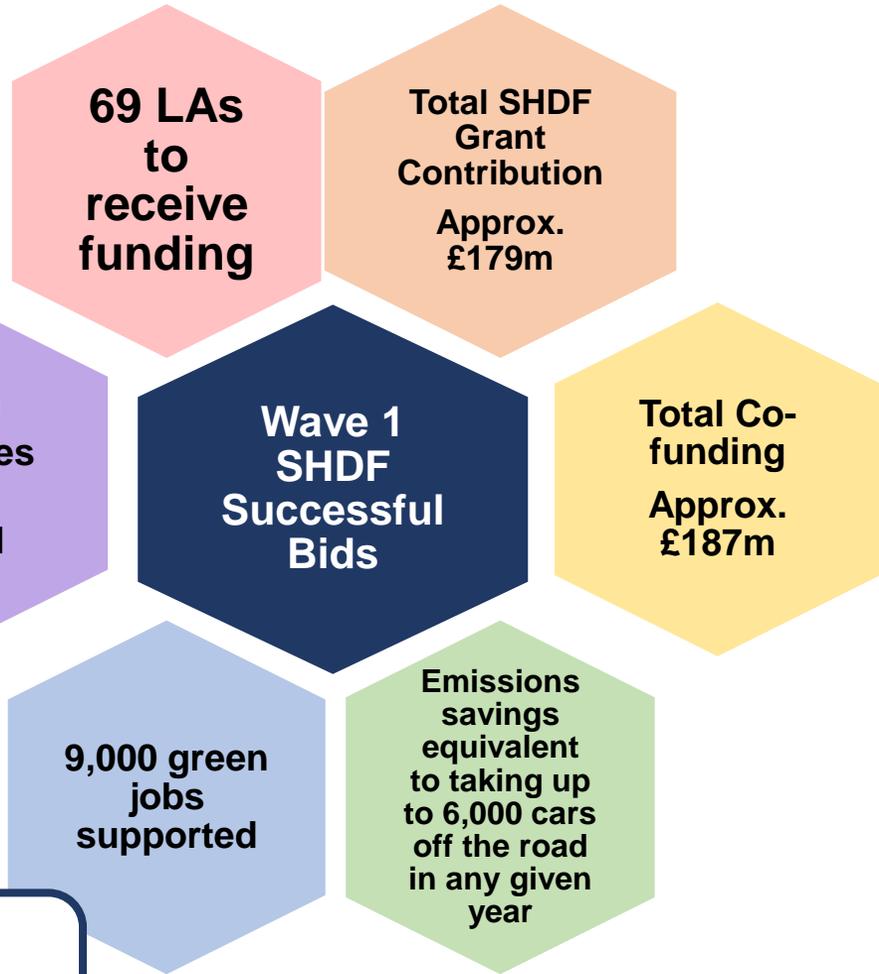
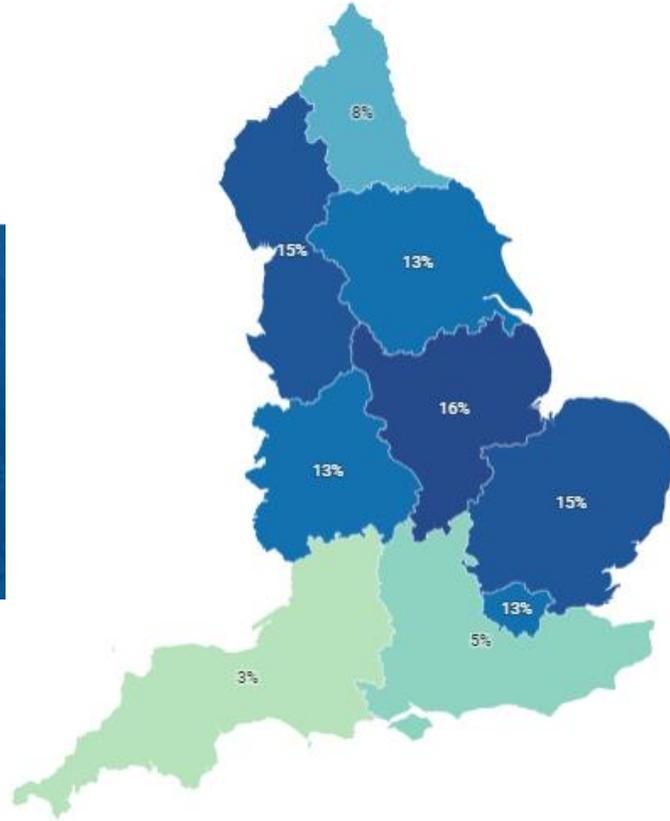


Wave 1 Successful Bids – announced

7 February

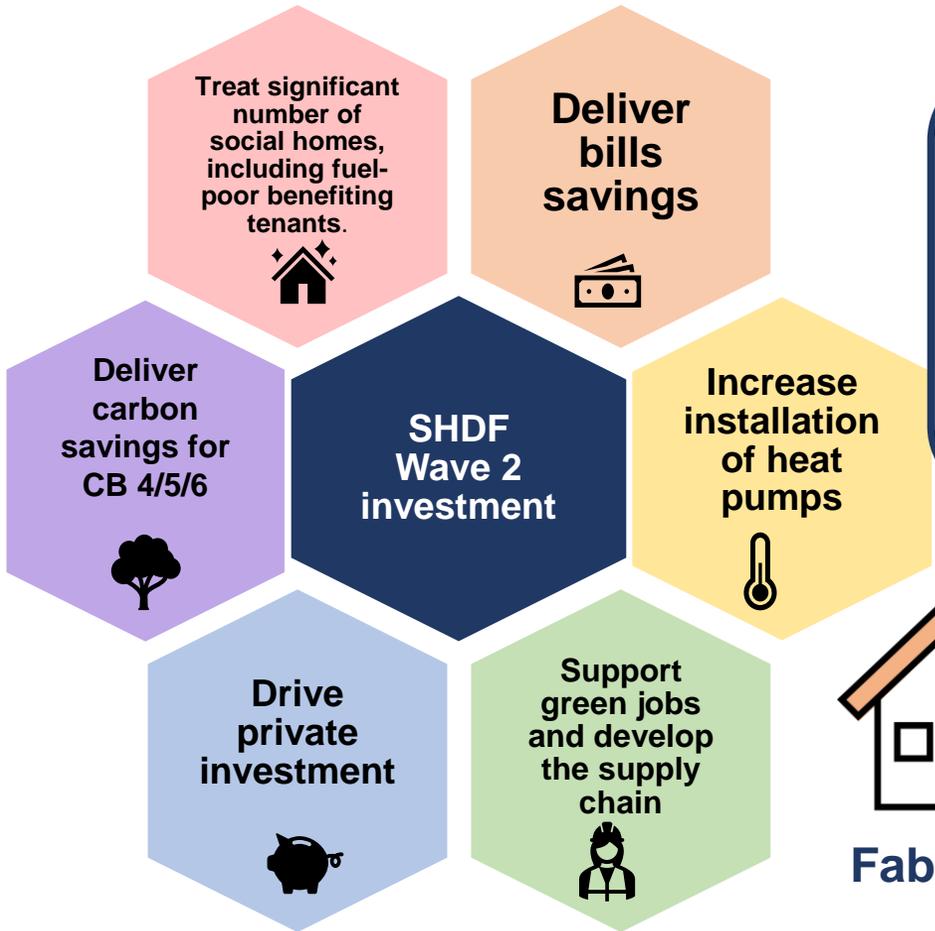


FUNDING FOR ENERGY EFFICIENCY UPGRADES WILL SLASH FUEL BILLS FOR 20,000 SOCIAL HOUSING PROPERTIES

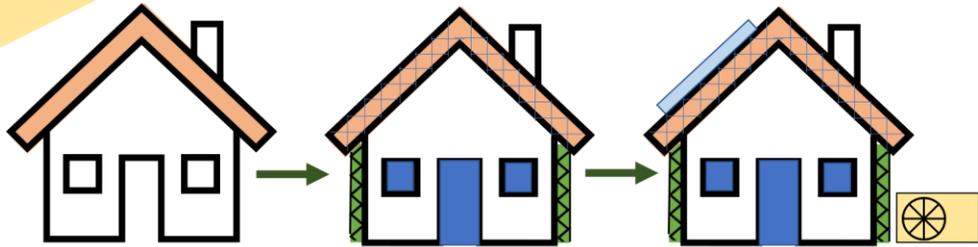


Regional spread of grant funding:
London 13%; Southwest 3%; Southeast 5%; East of England 15%; West Midlands 13%; East Midlands 16%; Northeast 8%; Northwest 15%; and Yorkshire and the Humber 13%. This is roughly in line with the regional distribution of social housing properties between EPC C.

SHDF Proposed Wave 2

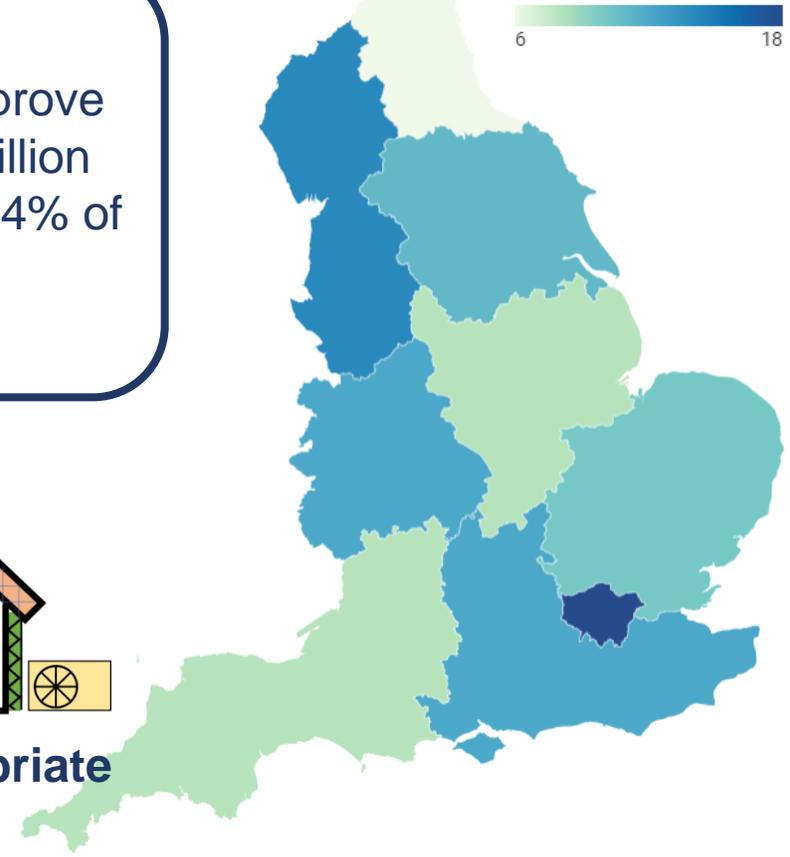


SHDF Wave 2 will continue to improve a significant amount of the 1.4 million social homes below EPC C, with 54% of those in fuel poverty



Fabric First, Clean Heat where appropriate

Percentage of social housing stock below EER C in region



Tips for preparing for Wave 2

Start preparing now for the Wave 2 competition launch (next financial year) and complete the Social Housing Retrofit Accelerator (SHRA) self-assessment to begin receiving tailored support for your project

Develop a clear idea of what you want to do

Consider how SHDF can enable you to complete your project **bigger, better & faster**



Summary

- Decarbonising the Nation's housing stock is challenging!
- Important that Social Housing Landlords develop a strategy and pathway to Net Zero and gain Board level sponsorship and support. A detailed understanding of stock is paramount.
- Tenant engagement must be central to the approach.
- Supply chain scaling must occur. The recent Spending Review commitment is a signal of firm intent.
- There is no “do nothing” option; this fund provides a great opportunity to decarbonise the social housing sector and benefit all other tenures. The approach will drive many benefits.

