



**Report of the Sustainable Energy and Air Quality Team**

**Report to the Environment, Housing and Communities Scrutiny Board**

**Date: 25<sup>th</sup> March 2021**

**Subject: Update on fuel poverty in Leeds**

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Summary**

**1. Main issues**

- The council remains committed to tackling fuel poverty and the last available data saw numbers of people in fuel poverty continue to fall.
- The council has a strong track record of delivering both broad domestic energy efficiency programmes and focused fuel poverty alleviation projects. This year has seen a significant increase in the amount of government grant funding available to address fuel poverty, which the council has been very successful at securing. This funding is welcome, but the timescales are extremely tight, the conditions are restrictive and there is no ongoing pipeline of work, meaning contractors are unable to invest in training or new staff.
- At the same time, the newly introduced PAS 2035:19 standard for retrofit work is creating significantly higher admin costs whilst making each property take longer to deliver. A new specification has also been introduced for thermal insulation, however, the specification is inflexible and there is a very real risk that some priorities in Leeds, including street-lined back to backs, become undeliverable.
- The council is engaging with funding partners and government to highlight and address these ongoing concerns.
- The council is undertaking further work to understand the likely investment needed to address fuel poverty and achieve net zero in the domestic sector, which indicates that costs are likely to be over £5bn.

## **2. Best Council Plan Implications** (click [here](#) for the latest version of the Best Council Plan)

- The fuel poverty programme contributes to the Best Council Plan by improving the health and wellbeing of residents through enabling them to live in warm homes. The work programme contributes to the energy efficiency and quality of homes, as set out in the Leeds Housing Strategy and contributes to the Leeds Affordable Warmth Strategy 2017-2030.
- The overarching aim of the Best Council Plan is Tackling Poverty and Reducing Inequalities and work to tackle fuel poverty plays a key role in achieving this ambition. The activities set out in this report support the Best City priority of Safe, Strong Communities through:
  - a. Keeping people safe from harm, protecting the most vulnerable.
  - b. Helping people out of financial hardship.
  - c. Being responsive to local needs, building thriving, resilient communities.
  - d. Promoting community respect and resilience.
- The projects and initiatives outlined in this report also contribute towards the Best City priority of Inclusive Growth through a targeted approach to tackling poverty in priority neighbourhoods. The actions also contribute to the priorities of Health & Wellbeing, Child-Friendly City, Age-Friendly Leeds and Housing.
- The fuel poverty programme plays a key role in helping the council to respond to the climate emergency by improving domestic energy efficiency and reducing carbon emissions.

## **3. Resource Implications**

- The projects and initiatives described in this report are fully funded within current budgets and there are no additional resources implications arising from it.

## **Recommendations**

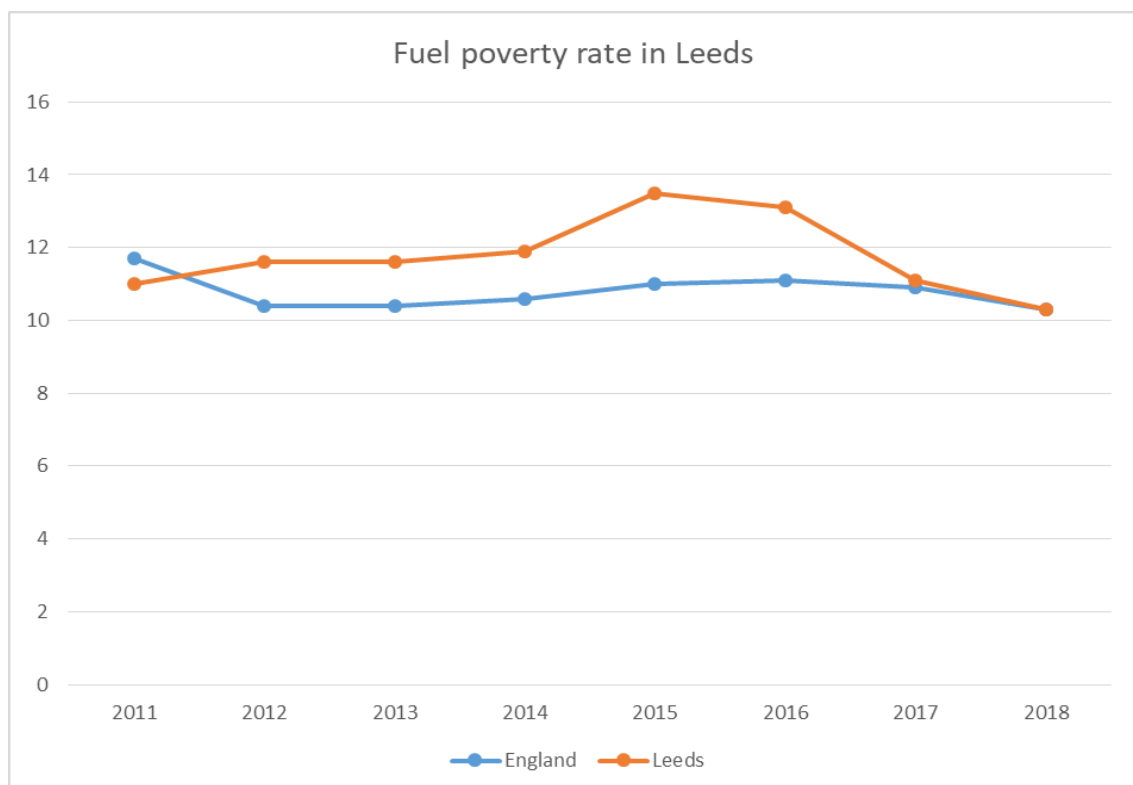
- The Environment, Housing and Communities Scrutiny Board is recommended to note the content of this report.

## 1. Purpose of this report

- 1.1 To update members of the Environment, Housing and Communities Scrutiny Board on fuel poverty within Leeds.
- 1.2 To provide an overview of recent government policy announcements and their impact on the council's work to tackle fuel poverty in the city.

## 2. Background information

- 2.1 A household experiencing fuel poverty is one with required fuel costs that are above the national median and for whom spending that amount would leave them with a residual income below the official poverty line. When people are in fuel poverty, they often struggle to afford hot water or electricity to run appliances for day-to-day living such as cooking, washing, charging, and so on.
- 2.2 Leeds's approach to fuel poverty is underpinned by the Leeds Affordable Warmth Strategy 2017-2030. It consists of the following objectives
  - i. Increase energy efficiency
  - ii. Reduce fuel poverty
  - iii. Improve health and wellbeing through affordable warmth
  - iv. Enable residents to benefit from renewable energy
- 2.3 Government data indicates that fuel poverty in Leeds has declined in recent years, from a recent high of 13.5% of all households in 2015 to 10.3% in 2018 - the most recent year for which figures are available. This puts Leeds in line with the average for England overall, and is the first year Leeds has not performed worse than the national average since 2011, when the current low income, high cost definition of fuel poverty was first put into use.



- 2.4 Leeds has a comparatively high proportion of low income residents and a large proportion of the city's housing has characteristics that are more likely to result in residents having higher than average fuel costs, for example post-war system built housing or early 20th century solid-wall terraced housing. As well as being hard to heat efficiently, this housing stock tends to be concentrated in areas where low income households are concentrated, making fuel poverty particularly likely. Furthermore, treating these types of houses to make them more energy efficient often requires interventions such as external wall insulation that are much more expensive than those that can be used on more conventional property types, meaning that they are highly unlikely to be improved without intervention from the state or other external agencies.
- 2.5 In early 2019, Leeds declared a climate emergency with a commitment for the city to become carbon neutral by 2030. A major part of meeting this challenge will be the decarbonisation of domestic heating, which in 2019, across the UK, accounted for 65.2 megatonnes of CO<sub>2</sub>, or 19 per cent of all the country's carbon dioxide emissions. In the same year, domestic gas consumption in Leeds totalled 4,639 gigawatt hours (GWh) or around 14 megawatt hours (MWh) for each domestic metered property.
- 2.6 We have been working hard over the last year to try to understand the likely costs of retrofitting existing homes to a standard that should both eradicate fuel poverty and contribute to achieving net zero by 2030. This is a considerable challenge, and relies on:
  - 2.6.1 Improving fabric thermal efficiency to minimise heating requirements;
  - 2.6.2 Replacing fossil fuel based heating (i.e. gas central heating) with renewable based heating or heat pumps;
  - 2.6.3 Significant decarbonisation of the grid, to a near zero carbon standard.
- 2.7 In our 2020 scrutiny report, we estimated that to increase the average SAP (energy efficiency) rating of housing in Leeds to band C, would cost c£803m and to ensure that no properties are below band E would cost up to £190m more.
- 2.8 We also estimated that to achieve net zero across the whole housing stock would cost between £1.1 and £2.4 billion, depending on the form of heating chosen.
- 2.9 However, more recent work has shown that, whilst the cost is still not finalised, our previous calculations look likely to be an underestimate:
  - 2.9.1 The Leeds Climate Commission produced an updated *Net-Zero Carbon Roadmap for Leeds* in early 2021 which estimates costs to be £5.5bn to reduce emissions to c200,000 tonnes pa. This figure includes all emissions from homes, including lights, appliances and heating & hot water.
  - 2.9.2 Arup have been appointed by BEIS to work with Leeds on the *City Deep Decarbonisation Programme* which initially estimated that to achieve net zero across the whole housing stock in Leeds would cost £9-£15bn, depending on the level of insulation applied to the homes.
  - 2.9.3 This figure is currently being refined and looks to be an overestimate, as a more granular estimate is that all 54,000 Housing Leeds properties could be made near net-zero (assuming grid decarbonisation) for c£862m.
- 2.10 However, it is fair to assume that the minimum cost is likely to be over £5bn; a level of investment that is currently unbudgeted for locally or nationally.

### **3. Main issues**

- 3.1 In July 2020, the chancellor's summer statement included substantial new investment to improve the energy efficiency of UK buildings. The announcement was part of a package of measures intended to help the economy recover from the effects of the Covid pandemic and included support aimed at promoting a green recovery that would also help meet the government's carbon targets.
- 3.2 £3 billion was announced to improve the energy efficiency of buildings overall, with £1 billion for public sector buildings and £2 billion for domestic properties. The majority of this £2 billion was allocated to the Green Homes Grant voucher scheme, through which homeowners can apply for vouchers for up to £5,000 (or £10,000 for certain low income households) to spend on insulation or other low carbon measures to improve the energy efficiency of their property.
- 3.3 The remaining £500 million of GHG funding was set aside for the Local Authority Delivery scheme (GHG LAD). This operates differently to the voucher scheme, with local authorities bidding for grants from this pot to spend on projects in their areas. Bids had to meet a number of criteria to qualify; they had to be targeted at households with annual income below £30,000, the total cost of works had to be below £10,000 per property and each property had to have a starting EPC Band of E or lower (this was later raised to D) which would be improved as a result of the works. The funding also came with very tight restrictions on when it could be spent, with initial funding allocations for phase 1 of the grant announced in September 2020 with all works to be complete by March 2021.
- 3.4 Leeds made a successful bid for this funding, with a proposal to improve 385 properties. These were primarily focused on the installation of external wall insulation to properties in three areas with large numbers of post-war system built properties - the Westons estate in Otley, the Bodmins in Middleton and a large area of Swarcliffe and Seacroft. The bid also included 100 hard to treat cavity properties and 25 Home Plus Leeds grants.
- 3.5 This initial round of bids saw the government failing to allocate the majority of the funding it had set aside and it launched a follow up bidding round with slightly relaxed eligibility criteria that also allowed EPC band D properties to benefit, with a requirement to spend funding by September 2021. Leeds was successful in this round of funding as well, with a project that will treat a further 180 properties in the areas mentioned above along with 100 more cavity walls and 25 more Home Plus Leeds grants. In total these grant awards have a value of more than £5.6 million and will improve around 700 properties in the city.
- 3.6 There is a second phase of GHG LAD funding for which Leeds has an indicative allocation of £5.3 million and which is being administered by the North East, Yorkshire and Humber Energy Hub, rather than by BEIS. This is also subject to a further bid which will be submitted by the 26th March 2021, with works to be completed by December 2021.
- 3.7 Along with the Green Homes Grant, the 2020 summer statement also saw the government announce the pilot of the Social Housing Decarbonisation Fund. This is initially worth £50 million and is first phase of a manifesto commitment to £3.8 billion of new funding. It aims to find innovative approaches to installing measures that will secure a much greater reduction in energy demand from social rented properties than is achieved by standard insulation schemes at a cheaper cost and at greater

speed. The idea is to find approaches that work at scale and that can be rolled out across the country to allow much deeper decarbonisation of social rented stock than can be achieved at present.

- 3.8 Leeds successfully applied for this funding, with a bid to improve 190 properties in the Holtdales estate near Cookridge. These homes will receive extension decarbonisation measures including external wall insulation, Solar PV, air source heat pumps, smart meters and thermostats and new ventilation systems. The total value of the project is £8.87 million, with £4.18 million of this coming from government grant. The government announced a further £60 million for the Social Housing Decarbonisation Fund in its Autumn Spending Review.
- 3.9 The council also secured £2.6m from the Getting Building Fund to deliver energy efficiency improvements to 94 private sector back to backs in Holbeck, building on the successful Holbeck phase 1 project. This is now on site.
- 3.10 A further fund was announced in November 2020 to support low income households in off-gas-grid areas to move onto cheaper, more efficient, low carbon heating systems than are currently available to them. Full details of eligibility and the bidding process are yet to be released but the fund is scheduled to commence in early 2022. Leeds has a large number of low income off-gas properties, particularly in high rise flats so could potentially stand to benefit substantially from this fund.
- 3.11 Leeds has so far secured a total of £12.4 million from funding announced by the government over the last 12 months, with a further £5.3 million available pending submission of a successful bid to GHG LAD phase 2. Works resulting from these will benefit over 1,000 properties making a sizeable contribution to the city's efforts to tackle fuel poverty.
- 3.12 While this investment is undoubtedly extremely welcome, there are substantial associated challenges. Chief among these is undertaking works at this scale at the pace required by the government. Works for GHG LAD phase 1a must now be complete by June 2021 (recently extended from the original deadline of March), phase 1b must be completed by September and all work for phase 2, must be completed by the end of this year. Working at this pace is proving a major challenge for contractors across the country, who are reporting problems with securing sub-contractors to carry out works, little time to train new staff to meet the increased demand and a subsequent knock-on effect on costs within the sector.
- 3.13 However, the biggest issue is that there is no tangible long-term commitment to delivering low carbon housing retrofit, particularly in the able to pay sector. This means that the industry are unable to invest in training or apprenticeships as there simply isn't a pipeline of work that can be relied upon.
- 3.14 The widely publicised problems with the voucher element of the Green Homes Grant, culminating in the decision by Treasury to withdraw underspend funding which is only underspend as the government fundamentally mismanaged the programme, has drawn industry fury. This further undermines confidence in the long term sustainability of the sector, with concerns that a more stable, longer term base of government support is needed to allow the building industry to sustainably grow to meet the challenge of upgrading the country's housing stock.
- 3.15 At the same time, the newly introduced PAS 2035:19 standard for retrofit work is creating significantly higher admin costs whilst making each property take longer to deliver. A new specification has also been introduced for thermal insulation, designed to address some instances of poor workmanship by contractors.

However, the specification is inflexible and does not work well with some archetypes, meaning that there is a very real risk that some priorities in Leeds, including street-lined back to backs, become undeliverable.

- 3.16 There is also a possibility that this new PAS2035:19 standard will impact on ongoing publically funded work, such as ERDF projects.
- 3.17 There is therefore a risk that despite securing significant investment for domestic retrofit, we will not be able to deliver the full amount of funding secured or meet our targets.
- 3.18 In addition to the above funding streams, Leeds City Council continues to target assistance towards residents in, or at risk of fuel poverty through the Home Plus Leeds service, which provides energy efficiency and fuel bill advice to low income and vulnerable residents. Home Plus Leeds is delivered by Care & Repair Leeds, Groundwork Leeds and Age UK Leeds, and is funded by Adults and Health, Public Health and SEAQ.
- 3.19 Private residents who are on a low income and who suffer from a cold related illness or are elderly and frail, can be provided with heating and insulation improvements through the Warm Well Homes scheme, funded by Housing and Health. The scheme is administered through Home Plus Leeds and improvements are installed through Better Homes Yorkshire.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 The Affordable Warmth Partnership, which includes council members as well as representatives from the health, housing and voluntary sectors, is our main vehicle for consulting on and developing affordable warmth policy. This meets on a quarterly basis.

### **4.2 Equality and diversity / cohesion and integration**

- 4.2.1 A key focus of the work outlined in this report has been to support people struggling against fuel poverty in particular, as well as broader issues of hardship, poverty and inequality. Many of the projects in this area also look at communities holistically, thereby strengthening cohesion and integration too.
- 4.2.2 An Equality, Diversity, Cohesion and Integration Impact Assessment was undertaken in conjunction with the adoption of the Leeds Affordable Warmth Strategy 2017 – 30.

### **4.3 Council policies and the Best Council Plan**

- 4.3.1 The fuel poverty programme contributes to the Best Council Plan in terms of improving the health and wellbeing of residents by enabling them to live in warm homes. The work programme contributes to the energy efficiency and quality of homes, as set out in the Leeds Housing Strategy and contributes to the Leeds Affordable Warmth Strategy 2017-2030.
- 4.3.2 The work to tackle fuel poverty plays a key role in achieving the Council's ambition to build a compassionate city and tackling poverty and reducing inequalities. The overarching aim of the Best Council Plan is 'Tackling Poverty and Reducing

Inequalities'. The activities set out in this report support the Best City Priority of Safe, Strong Communities through;

- Keeping people safe from harm, protecting the most vulnerable.
- Helping people out of financial hardship.
- Being responsive to local needs, building thriving, resilient communities.
- Promoting community respect and resilience.

4.3.3 The projects and initiatives outlined to tackle fuel poverty in this report also contribute towards the Best City Priorities of Inclusive Growth through targeting interventions to tackle poverty in priority neighbourhoods. The actions also contribute to the priorities of Health & Wellbeing, Child-Friendly City, Age-Friendly Leeds and Housing.

#### Climate Emergency

4.3.4 The above fuel poverty programme helps to reduce the city's emissions of greenhouse gases by improving the overall energy efficiency of the housing stock.

4.3.5 In Leeds, as globally, it is the poorest people and communities who are most affected by the negative impacts of climate change and extreme weather, and who have the fewest options available to them in order to respond. The council has a crucial role to play in assisting these communities wherever possible by reducing fuel poverty and improving affordable warmth.

#### **4.4 Resources, procurement and value for money**

4.4.1 All of the projects and services referred to in this report are being undertaken within current budgets, there are no additional resource implications arising from this report.

4.4.2 However, it is clear that the wider drive for net zero carbon housing to meet the climate emergency requires very considerable additional funding and new approaches to financing able to pay households. This will be addressed in the forthcoming Low Carbon Housing Strategy.

#### **4.5 Legal implications, access to information, and call-in**

4.5.1 There are no specific legal implications or access to information issues with this report.

#### **4.6 Risk management**

4.6.1 The most significant risk relates to the specific grant conditions and tight deadlines, combined with the newly introduced PAS2035:19 standard which is making delivery extremely challenging.

### **5. Conclusions**

5.1 The council remains committed to tackling fuel poverty and the last available data saw numbers of people in fuel poverty continue to fall.

5.2 The council has a strong track record of delivering both broad domestic energy efficiency programmes and focused fuel poverty alleviation projects. This year has



seen a significant increase in the amount of government grant funding available to address fuel poverty, which the council has been very successful at securing.

- 5.3 This funding is welcome, but there are a number of challenges related to timescales, specific grant criteria and the newly introduced PAS 2035:19 standard for retrofit work which are combining to make delivery extremely difficult.
- 5.4 The council is engaging with funding partners and government to highlight and address these ongoing concerns.
- 5.5 The council is undertaking further work to understand the likely investment needed to address fuel poverty and achieve net zero in the domestic sector, which indicates that costs are likely to be over £5bn.

## **6. Recommendations**

- 6.1 That the Environment, Housing and Communities Board notes the content of this report.

## **7. Background documents<sup>1</sup>**

- 7.1 Leeds affordable warmth strategy 2017-2030

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<sup>1</sup> The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.