

Investing in area-based energy efficiency improvements to back-to-back homes in Armley and Holbeck (phase 3)

Date: 17 April 2024

Report of: Director of Communities, Housing and Environment

Report to: Executive Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

The investing in area-based energy efficiency improvements to back-to-back homes in Armley and Holbeck (phase 3) will unlock grant funding to provide £12.99m of investment in energy efficiency improvements to 350 back-to-back homes in some of the most deprived areas in Leeds. The project will improve the thermal efficiency of the 350 homes making them easier to heat and reducing fuel poverty amongst the residents. It will also reduce residents' susceptibility to cold related ill health.

In addition to this, for the 100 properties in Armley, we will undertake a feasibility study to ascertain the suitability of the area for ground source heat pumps which will aim establish a scalable way to de-carbonise older, terraced properties.

Recommendations

Executive Board is recommended to:

- a) Provide authority to enter into a grant agreement for £1.785m with the West Yorkshire Combined Authority (WYCA) and a grant agreement for £4.5m* with the Department for Levelling Up, Communities and Housing (DLUCH) via the Levelling Up Fund (LUF).

**subject to the LUF grant award.*

- b) Approve the request to inject £1.785m of WYCA grant funding and £4.5m of DLUCH grant funding into the capital programme, supplemented by £6.3m of other income as set out in the resource implications section.

- c) Provide authority to spend for £12.992m to deliver both entire programmes in Armley and Holbeck.
- d) Provide authority to direct award to Equans S.A.S via the Greener Futures Partnership Decarbonisation Delivery Framework.
- e) Delegate authority to the Director of Communities, Housing and Environment to determine whether to seek further WYCA funding of c£2.1m to part-fund phase 2 in Armley, subject to the outcome of the feasibility study. Should this funding be secured, delegate authority to procure, inject into the capital programme and provide authority to spend to the Director of Communities, Housing and Environment.

What is this report about?

1. This report seeks decisions to unlock £12.99m of investment in energy efficiency improvements to 350 back-to-back homes in some of our most deprived neighbourhoods. This will transform the look and feel of the areas, changing lives by providing warm homes with affordable energy bills.
2. This will be achieved by combining targeted grant funding from WYCA and DLUCH with a range of other funding sources including Energy Company Obligation (ECO) funds, Housing Revenue Account (HRA) funds, Home Upgrade Grant (HUG) funds and householder contributions to create a comprehensive fund that supports improvements to homes of all tenures.
3. This fund will be used to first address disrepair before undertaking extensive fabric energy efficiency improvements, including external wall and attic room insulation and replacement doors and windows where required.
4. In addition, in Armley, we will also commission a detailed technical feasibility study into low carbon heating for the properties in the form of networked ground source heat pumps (GSHPs). If feasible, we will seek additional support from WYCA to implement the low carbon heating solution as phase 2 of this work.
5. The council is focusing on these areas as older solid walled properties have traditionally been difficult to improve due to the high cost of solid wall and attic room insulation. In addition, the back-to-back built form makes them unsuitable for some more established low carbon heating technologies such as air source heat pumps.
6. The Cedars area of Armley has been selected for support for three reasons. Firstly, due to the demographics:
 - It is in the lowest 10% of areas in the UK as measured by the index of multiple deprivation;
 - It has a higher proportion of private rented properties than the Leeds average (30% as opposed to 22%) with landlords often unable to justify investment in energy efficiency due to low rental values; and
 - It has a higher proportion of residents living in fuel poverty than the Leeds average (19.3% as opposed to 17.6%).
7. Secondly, the Cedars contains a good mix of tenures, allowing the council homes to be used to generate momentum in the area and persuade private owners to participate. It

also has some similar property types to the north that can be used as reserve properties if update is lower than anticipated.

8. Thirdly, the area is close to green space by Armley Leisure Centre which can potentially be used for GSHP boreholes.
9. The Rydalls/ Shaftons/ Crosbys/ Runswicks and Pleasants areas of Holbeck have been selected. These homes were part of the Levelling Up Funding (LUF) Round 2 bid as part of the overall bid for Holbeck. Whilst we were not successful in round 2, DLUHC has now offered the council funding for Holbeck under their Round 3. The improvements to these homes will form part of wider 'Heart of Holbeck' programme.
10. Although the Council has had considerable success in improving similar properties through area-based renewal schemes, such as those in Richmond Hill and Holbeck, these projects have not included low carbon heating. WYCA's Better Homes Hub programme now aims to demonstrate the benefits of a cross-tenure area-based approach. Specifically, this seeks to test different technological, delivery and financial models, build momentum, strengthen supply chains and develop communication techniques to tackle the social, technical and financial challenges of mixed tenure retrofit projects.
11. It should be noted that the Holbeck project forms part of the larger Heart of Holbeck LUF grant programme. However, due to time pressures, it is critical that decisions are taken now to allow start on site as quickly as possible. A further report regarding the remainder of the LUF programme will be brought to Executive Board later in the year.

What impact will this proposal have?

12. The project will improve the thermal efficiency of 100 hard to treat back-to-back properties in Armley and 250 in Holbeck, making them easier to heat and reducing fuel poverty amongst the residents. This will help towards the city's aim, as outlined in the cost of living update report to Executive Board of making a substantial long-term difference to peoples cost of living. It will also reduce residents' susceptibility to cold related ill health and contribute to Leeds' work as a Marmot place in creating healthy sustainable communities with good quality housing.
13. The project will also conduct a feasibility study in Armley for ground source heat pumps, which aims to lay the foundations for a scalable method of improving solid wall terraced properties to near net zero energy consumption using low carbon heating technology.
14. Leeds has 100,260 terraced homes and approximately 75,000 solid walled properties which will need to be made substantially more energy efficient if Leeds is to reach its ambition of achieving net zero carbon emissions by 2030. Approximately 19,000 of these are pre-1900 back-to-backs. This proposal will provide a potential pathway to achieving nearly net zero carbon emissions from these homes.
15. The scheme will help to grow and secure supply chains of skilled tradesman and companies that will be able to undertake retrofit works into the future.
16. Overall, these schemes will address traditional barriers to such projects including fragmented funding sources for different tenures, the high cost of improving solid

walled properties, the unsuitability of more popular low carbon technologies for some terraced properties and unfamiliarity of residents with low carbon heating.

17. We have completed an Equality, Diversity, Inclusion and Cohesion impact assessment and included this as appendix 1.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

18. The energy efficiency improvements to 350 homes will make it easier for residents to stay warm in their own homes and make them less susceptible to cold related illness. They will also make it less expensive for residents to heat their homes, making them less likely to fall into fuel poverty and more resilient to cost of living pressures over the longer term.

19. As a Marmot place, Leeds City Council is committed to working to tackle health inequalities and the part they play in causing illness and lower life expectancy. These energy efficiency improvements will help to create healthy sustainable communities with good quality housing.

20. The project will help to maintain skilled employment in the area and strengthen supply chains for future retrofit works.

21. Improving the energy efficiency of 350 homes will directly reduce carbon emissions. By proving the efficacy of full retrofit and low carbon heating in solid walled terraced housing, the project has the potential to provide a route to achieving near zero carbon emissions for tens of thousands of solid walled, terraced houses in Leeds and across West Yorkshire.

What consultation and engagement has taken place?

Wards affected: Armley, Beeston and Holbeck

Have ward members been consulted?

Yes

No

22. The Holbeck project builds on two successful previous group repair schemes in the area (Phase 1 completed in June 2018 and improved 153 properties, Phase 2 completed in April 2022 and improved a further 146 properties) as well as the Sustainable Community Investment Project in Cross Green completed in 2016 which improved 261 homes. These projects included the installation of roof and wall insulation in the properties as well as heating upgrades, repairs and other improvements to the homes and local environment where required. These projects resulted in excellent community engagement and take-up rates of over 75% and led to increases in internal temperatures in the homes, reducing the risk of cold related illness to those residents as well as improving the appearance of the whole area. The LUF funded proposal therefore builds on this work and will spread the benefit to neighbouring streets. Low level engagement with local residents has already generated expressions of interest from 120 property owners in addition to the 52 HRA funded properties which will be improved as part of the scheme.

23. The Armley project has been selected as it is a low income area with the right property archetypes, access to green spaces for boreholes and a good mix of tenures.
24. Ward members for Holbeck and Armley have been consulted on the projects and Executive Members for Housing and Climate, Energy, Environment and Green Space have both been consulted on these projects and are supportive of the proposals.
25. To ensure wider support across the city, the Leeds Affordable Warmth Partnership has been consulted on the project and are supportive due to the very positive impacts on fuel poverty.
26. Once approved by Executive Board, local residents and landlords covered by both schemes will be contacted with further information to build their interest in the offer to improve their homes.

What are the resource implications?

27. The budget for phase 1 of the Armley project is £4,422,241, plus £50,000 for the low carbon heating feasibility study. This is expected to be funded as follows:
 - £1,784,906 WYCA Home Upgrade Hub funding.
 - £1,357,691 Energy Company Obligation (ECO) funding.
 - £179,567 Home Upgrade Grant (HUG) funding.
 - £371,282 householder/landlord contribution.
 - £728,795 Housing Revenue Account (HRA) funding for council homes.
28. Leeds City Council and WYCA are investigating further funding opportunities worth c£2.5m (c£2.1m of WYCA grant) to deliver phase 2 of the Armley project. These will be secured once the feasibility study into low carbon heating has been completed.
29. Phase 1 of the project is not reliant on the implementation of phase 2.
30. The budget for phase 3 of the Holbeck group repair project is £8.52m. This is expected to be funded as follows:
 - £4.5m DLUCH Levelling Up Fund.
 - £2.52m Energy Company Obligation (ECO) funding.
 - £0.45m householder/landlord contribution.
 - £1.05m Housing Revenue Account (HRA) funding for council homes.
31. Both schemes have been designed and costed based on our previous experience with delivering similar works, particularly Holbeck phase 1 and 2. The council has also worked with a contractor to undertake surveys and prepare budget costs for both areas.

What are the key risks and how are they being managed?

32. The Armley and Holbeck projects will have their own risk registers which will be updated by the project managers during project management meetings. All risks have and continue to be assessed and mitigation and management of the risks identified instigated as required. Some key risks and mitigations are highlighted below:

33. There is a risk that global events lead to an increase in the cost of materials and labour. We will ask contractors to set out how they intend to minimise this risk at the procurement stage and work with them to minimise any inflationary pressures should they arise. As a last resort, we would seek funders permission to reduce the number of properties included in the scheme.
34. Although the WYCA/DLUCH grants and HRA contributions are secure, the ECO, HUG and landlord funds are not. These are anticipated levels, based on assumptions about the properties, experience on other schemes and our knowledge of the grant regimes. This previous experience helps to reduce risks and manage the schemes based on the funding available rather than the proposed overall spend. Experience from previous schemes has allowed this risk to be well managed.
35. The scheme requires private owners to sign up to the works their home needs and they may have to pay a contribution. Landlords are required to pay 25% of eligible costs whereas owner/occupiers pay up to 25%, subject to a test of resources. The success of the scheme is based on owners, in this case the majority are private landlords, signing up for works to their properties in sufficient numbers to ensure the viability of the scheme as a whole. As part of the scheme we will undertake full engagement of residents and landlords in the area explaining the benefits of the improvements. Additionally, there are 140 potentially suitable homes in the area that can be contacted to achieve the 100 sign-ups.
36. There is a risk that delays caused by severe weather/events/supply chain difficulties lead to extended timescales jeopardising the project completing on time. We will work with the contractor to minimise the risk and work with the funder to reprofile any timings as necessary.
37. There is a risk that owners won't participate in the scheme due to the additional ventilation and other measures required for PAS2035 accreditation. To mitigate this, our contractors will explain all ancillary measures at the start of the scheme to ensure that residents are fully informed to decide whether to go ahead.
38. It is possible that the feasibility study finds that a ground source heat pump system is not viable for the properties in the scheme in Armley. However, phase 1 of the project is not dependant on phase 2 and will deliver substantial benefits in terms of thermal comfort and reduced heat demand in its own right.

What are the legal implications?

39. The decisions set out in this report are Key Decisions due to the values and are subject to call-in. Consequential decisions will be:
 - 39.1. Contract award for the professional services related to design activity and feasibility.
 - 39.2. Contract awards for the installation of the energy efficiency improvements.
40. These subsequent decisions will be brought back to the Director of Communities, Housing and Environment for consideration.
41. The grant agreements will be subject to legal review prior to signing.
42. The Private Sector Housing Assistance Policy 2009 allows the Council to offer financial assistance to private sector owners. This policy has been adopted by the Council as its

response to the Government's Regulatory Reform Order (Housing Assistance 2002 – Private Sector Housing Policy).

43. A Data Protection Impact Assessment has been undertaken. This has shown that the contractor will be a data processor. Council information governance requirements will be included in the contract.

Options, timescales and measuring success

What other options were considered?

44. No other significant options were considered for Armley as the project was designed to meet specific criteria in terms of providing a route to retrofit, mixed tenure, solid walled back-to-back and terraced properties to near zero carbon emissions.
45. However, we considered delivery in other priority areas in Armley which contain clusters of council homes but concluded that the Cedars is the most technically suitable given the proximity to green space at Armley Leisure Centre which has the potential for GSHP boreholes.
46. No other options have been considered for Holbeck. Levelling Up Round 3 funding is specifically available to deliver the original round 2 Holbeck. The funding is non-transferable and is only available to deliver this scheme as part of the Heart of Holbeck programme.

How will success be measured?

47. Success will result in 350 homes across the two areas being made substantially more energy efficient through fabric improvements. In addition, the feasibility study for GSHPs in Armley could provide a clear route to near zero carbon emissions for back-to-back homes, which currently do not have a feasible route.
48. The project will therefore provide a blueprint for retrofitting solid walled back-to-back properties at a large scale.

What is the timetable and who will be responsible for implementation?

49. The Head of Private Sector Housing will be responsible for delivery of both schemes. The Senior Project Manager within Climate, Energy and Green Spaces will be responsible for monitoring both projects and reporting to funders.
50. The timetable for Holbeck is set out below.

Date	Implementation
March 2024	Contract signed with DLUCH
April 2024	Procurement and contracting
Feb 2024 – ongoing	Resident liaison and sign up
June 2024	Delivery commences
March 2025	75 homes complete
Dec 2025	250 homes complete
Feb 2026	Construction completed
March 2026	Reporting and project closure

51. The timetable for Armley is set out below.

Date	Implementation
April/July 2024	Procurement and contracting
June 2024 – ongoing	Resident liaison and sign up
October 2024	Phase 1 delivery commences
July – September 2024	Feasibility Study for Phase 2 of project
December 2025	Phase 1 construction finishes
Early 2025	Approval for Phase 2 (low carbon heating) granted by WYCA
March 2026	Reporting and project closure

Appendices

- Appendix 1, EDIC assessment

Background papers

- N/A