

SHARPE PRITCHARD

RETRO-FIT SERIES

Grant Funding Available to Local Authorities



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PART FIVE: THE RETROFIT SERIES: GRANT FUNDING AVAILABLE FOR LOCAL AUTHORITIES



Background

- The UK government has set a target of achieving net-zero carbon emissions by 2050. Retrofitting is an important part of this effort, as buildings are responsible for a significant portion of the UK's carbon emissions.
- Local authorities ("LAs") have an important role to play in retrofitting, as they own or manage many of the buildings that require improvements and can provide support to the households within their respective area.
- The UK government has launched several grant funding schemes over the years to support LAs in carrying out retrofit measures. These grant funding schemes aim to reduce carbon emissions, improve the quality of housing, and reduce energy bills for households and businesses.
- Understanding the grant funding schemes available for LAs can help them identify and secure the most suitable sources of support for their energy efficiency and decarbonisation projects, and to carry out retrofit measures.



Grant funding schemes available for LAs

- Grant funding schemes can benefit LAs directly or indirectly (by means of a third party).

Ongoing grant funding schemes

ECO4 Flex

- At present, there is one ongoing scheme available for LAs to benefit from it indirectly, "ECO4 Flex" which ECO aims to reduce home heating costs for low-income, fuel poor and vulnerable people, and incorporates the replacement of broken heating systems, the upgrade of inefficient systems and the installation of insulation.
- ECO4 Flex is an optional household referral mechanism within the wider ECO4 scheme which enables LAs to widen the eligibility criteria for ECO4 and target low-income households who are unlikely to be in receipt of ECO4's standard approach to fulfilling eligibility. This allows LAs to tailor energy efficiency schemes to their respective area.
- The Energy Company Obligation ("ECO"), first introduced in 2013, is an energy efficiency scheme that places legal obligations on energy suppliers to deliver energy efficiency and heating measures to domestic premises.
- The Office of Gas and Electricity Markets ("Ofgem") administers the scheme on behalf of the Department for Energy Security and Net Zero ("DESNZ"), previously known as the Department for Business, Energy and Industrial Strategy, who set the overall policy for the scheme.
- ECO works by placing a Home Heating Cost Reduction Obligation ("HHCRO") on medium and large energy suppliers. Under HHCRO, obligated suppliers must promote measures that improve the ability of low-income, fuel-poor and vulnerable households to heat their homes.
- At present, ECO4 is the latest iteration of ECO and is currently ongoing from July 2022 until March 2026, as set out in [The Electricity and Gas \(Energy Company Obligation\) Order 2022](#) ("ECO4 Order or ECO4").
- Under the ECO4 Order, suppliers with more than 150,000 domestic customer accounts are obligated, subject to supply volumes of 300 GWh / year for electricity and 700 GWh / year for gas.
- For each phase of ECO4, a supplier is allocated a proportion of the overall obligation depending on its relative share of the gas and electricity market. A supplier must achieve its obligation before 1 April 2026.
- Homes with an Energy Performance Certificate band of D-G may be eligible for the scheme. There is a minimum requirement of improving band F or G homes to at least band D, and band D or E homes to at least a band C. This requirement is to encourage the delivery of multiple measures to a home for a more complete upgrade of the least efficient homes. A list of the measures that can be delivered under ECO4 can be found on our [ECO4 measure table](#).

- Under ECO4 Flex, a participating LA can refer private tenure households that it considers to be living in fuel poverty or on a low income and vulnerable to the effects of living in a cold home. Suppliers can deliver up to 50% of their obligation through the ECO4 Flex route.
- To participate, LAs should be aware that:
 - LAs will need to publish a statement of intent which outlines their intention to participate in ECO4 Flex and their commitment to follow the rules and routes as set out in the ECO4 Order;
 - LAs are responsible for determining whether households are eligible and will also need to produce declarations and declaration notifications for all households they identify;
 - LAs can identify households in their area and for other areas where they have been given delegated authority from another LA;
 - LAs are responsible for collecting and retaining sufficient evidence, which suppliers need necessary access to, for up to three years after ECO4 is concluded;
 - There are a number of potential delivery models that could be followed under ECO4 Flex, and it will be up to the supplier, or their intermediaries, and LAs to agree them for each area;
 - LAs must provide information to Ofgem on projects delivered under ECO4 Flex and as such the supplier will require information from the LA to support this;
 - Suppliers, installers and LAs are free to and encouraged to establish their own working relationships. There are no formal processes implemented by ESNZ or Ofgem to do this;
 - LAs should make clear to their residents that the inclusion of a household in a LA declaration does not guarantee a measure will be installed in their home by an energy supplier. Decisions by energy suppliers on whether to install a measure may depend on:
 - survey carried out by suppliers, or their agents/contractors and installation costs calculated,
 - the energy savings that can be achieved for a property,
 - whether suppliers have achieved, or are close to achieving, their targets, and
 - other commercial considerations;
 - LAs should additionally make it clear to their residents that suppliers will carry-out an assessment to decide which measures their property should receive. Residents should be advised that they are likely to receive multiple measures, including insulation measures, where it is both possible and cost-effective to do so due to ECO4 minimum requirements. This will be decided by the supplier and subsequently shared with the LA;
 - It is encouraged that LAs and suppliers establish robust partnerships with a strong understanding of mutual roles and responsibilities that provide a positive customer journey for fuel poor and vulnerable households. Situations where customers expect a measure that is then not delivered should be avoided.
- In its recent policy paper “[Powering Up Britain](#)”, the UK government confirmed plans for a new ECO scheme, the “Great British Insulation Scheme”, to extend help to a wider group of households by March 2026, including legislation by September 2023 to take it forward.
- In line with this announcement, Ofgem launched a [consultation](#) which ran from the 5th to 28th of April 2023 on how it proposes to administer the Great British Insulation Scheme.

Help to Heat

- Funding is available through the Help to Heat scheme which aims to make sure homes are warmer and cheaper to heat. The scheme incorporates several funds, schemes and grants as detailed below. The schemes are not directly funded by the government but instead are funded by organisations such as installers, local authorities and energy companies.

Boiler Upgrade Scheme

- A scheme available for individuals to provide funding to cover part of the cost in replacing fossil fuel heating systems (such as oil, gas or electric) which have a heat pump or biomass boiler.
- Only one grant can be applied per property and they range between £5,000 - £6,000 in value for heating systems which are installed on or after the 1st of April 2022. Residents will not apply directly but rather the installer of the works will communicate with Ofgem on the residents behalf.
- Though this scheme is only available to those living in England and Wales, those in [Scotland](#) or [Northern Ireland](#) can apply for interest-free loans/grants to make their homes more energy efficient.

Home Upgrade Grant Phase 2

- The Home Upgrades Grant ('HUG') allows residents living in the worst performing off gas grid homes in England to install energy efficiency measures and low carbon heating.
- From April 2023 up to £630 million in grant funding is being provided to local authorities to deliver the project, a list of council who have received funding can be found [here](#).
- Homes which are eligible for support must be:
 - Low income,
 - Off the gas grid,
 - Have an Energy Performance Certificate between D and G, and
 - Live in one of the local authority areas listed.

Public Sector Decarbonisation Scheme

- This scheme provides grants to public sector bodies in order to fund heat decarbonisation and energy efficiency measures. It supports the [Net Zero](#) and [Heat and Building](#) strategies aim to reduce emissions from public sector buildings by 75% by 2037 compared to a 2017 baseline.
- The last application window closed in October 2022 and it is expected to provide up to £635 million in funding over the financial years of 2023-2024 to 2024-2025. The next phase (3c) is expected to open to applications in autumn 2023.
- Phase 4 of the [Public Sector Low Carbon Skills Fund](#) also opened in March 2023 which compliments this scheme by providing grants to public sector bodies to put in place a heat decarbonisation plan. It also gives these bodies information about how to develop future applications for the schemes.
- Both the scheme and the fund mentioned are open to public sector bodies in England and areas of reserved public service across the UK.



Past grant funding schemes

- For completeness, there has been various grant funding schemes available for LAs to carry out a wide range of retrofit measures in their respective area. Some of them include the:
 - Green Homes Grant,
 - Public Sector Decarbonisation Scheme,
 - Local Authority Delivery,
 - Social Housing Decarbonisation Fund,
 - Home Upgrade Fund, and
 - Sustainable Warmth Competition.
- Similar to ECO4, the grant funding schemes above have been delivered in phases. Some of these schemes interacted with each other in a way that phases of a particular scheme were delivered as part of one or more different schemes.
- For example, Local Authority Delivery phases 1 and 2 were delivered under the Green Homes Grant, and the Sustainable Warmth Competition brought together the Local Authority Delivery phase 3 and the Home Upgrade Grant.
- While the latest phase of the Public Sector Decarbonisation Scheme closed in 2022, the next application window to the scheme is expected to open in September 2023.



Bonus track

- There is in place a Green Heat Network Fund which will provide capital grant support for LAs to retrofit existing heat networks. While the latest round of applications closed in February 2023, there will be a series of quarterly application rounds until the scheme closes in 2025.

Sources Used in this Publication:

- www.gov.uk/government/publications/energy-company-obligation-eco-help-to-heat-scheme-flexible-eligibility
- www.ofgem.gov.uk/environmental-and-social-schemes/energy-company-obligation-eco
- www.ofgem.gov.uk/environmental-and-social-schemes/energy-company-obligation-eco/local-authorities
- [www.ofgem.gov.uk/sites/default/files/2023-04/Great British Insulation Scheme and ECO4 Consultation](https://www.ofgem.gov.uk/sites/default/files/2023-04/Great%20British%20Insulation%20Scheme%20and%20ECO4%20Consultation.pdf)
- [www.ofgem.gov.uk/sites/default/files/2022-09/ECO4 Guidance for Local Authorities final.pdf](https://www.ofgem.gov.uk/sites/default/files/2022-09/ECO4%20Guidance%20for%20Local%20Authorities%20final.pdf)

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