

REVIEW OF NET ZERO: CALL FOR EVIDENCE

**NORTHERN HOUSING CONSORTIUM RESPONSE
OCTOBER 2022**

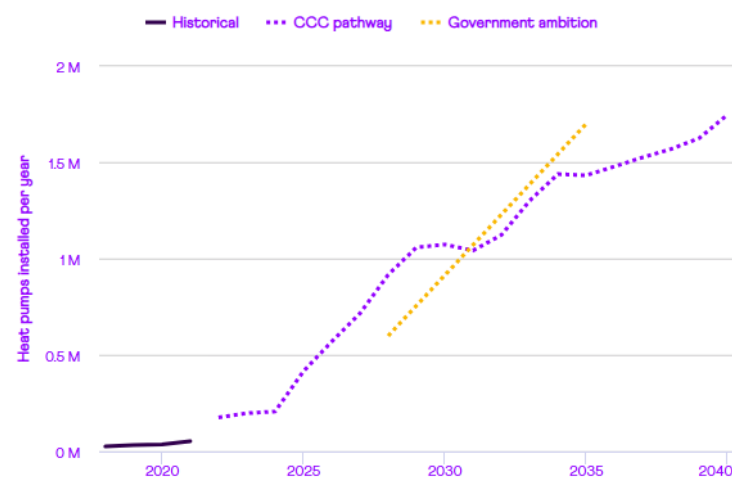
The Northern Housing Consortium (NHC) is a membership organisation based in the North of England. We are the 'Voice of Housing in the North' working with local authorities, housing associations and ALMOs. Our members own or manage 9 out of 10 socially rented homes in the North. The NHC brings together housing in the North to develop insight, influence and solutions for our members. Our vision is to help our members create and regenerate sustainable homes, and build resilient, thriving communities. The NHC brings its members together to share ideas, and to represent their interests to ensure they are heard at a regional and national government level.

The NHC welcomes the opportunity to submit evidence to the Net Zero Review as we know that good quality, affordable, sustainable housing is central to reaching net zero targets.

The Climate Change Committee's latest progress snapshot report illustrates the vast gap in where we are and where we need to be on heat pump installations and energy efficiency improvements:

Heat pump installations in homes

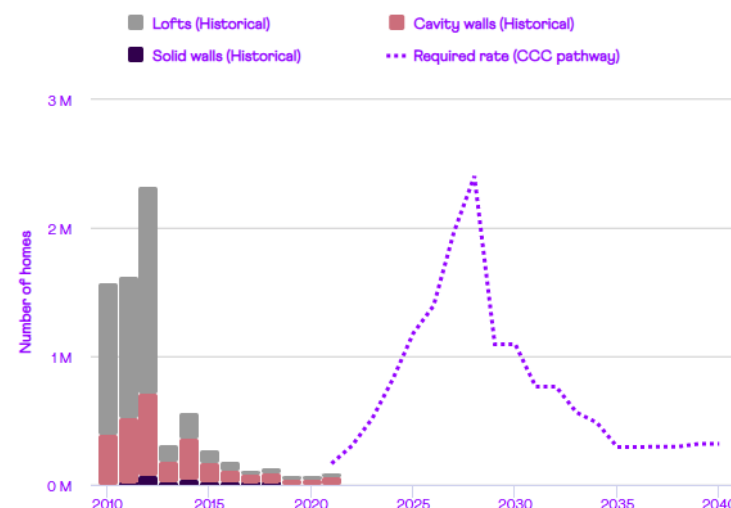
It's too early to say whether installations are on track, as the Government's policies aim to ramp up installations from 2024.



Source: BSRIA (unpublished)

Energy efficiency improvements in homes

Building insulation rates are far behind the required level



Source: BEIS

CCC (2022), 'Progress Snapshot October 2022'. Available at: <https://www.theccc.org.uk/action-on-climate-change/progress-snapshot/>

Our submission to this Review therefore focuses on the call for evidence's questions for 'local government, communities and other organisations delivering net zero locally' with a firm focus on the relationship between net zero and the quality of existing homes.

Please see answers to questions 24, 25, 26, 27, and 28 below:

24. What are the biggest barriers you face in decarbonising / enabling your communities and areas to decarbonise?

With some of the most energy inefficient housing stock in Europe, the UK faces a huge challenge to upgrade homes. The North is home to a high concentration of these older,

colder homes and so this agenda is particularly important for NHC members. In the North, homes account for 26% of carbon emissions¹.

The government's current target is to upgrade as many homes as possible to EPC C by 2035 (this target is five years earlier for social homes and homes experiencing fuel poverty). Around 60% of homes in the North do not meet the energy efficiency benchmark of EPC C so the scale of the challenge is significant. Though the opportunities of meeting the challenge are now widely referenced as transformative for households and the climate, with energy efficient homes leading to improved health outcomes, lower bills, and reduced emissions.

NHC members are ambitious to achieve these co-benefits for communities across the North but they do experience many and varied barriers of achieving their goals, including:

- **Funding:** Social housing providers face competing priorities to improve existing homes, ensure building safety compliance, and deliver new homes in their areas. Financial pressures are intensifying as inflationary prices continue to impact business plans and rents are likely to be subject to a cap beneath the current rate of inflation. Our members have accessed central funding focused on reaching EPC targets over recent years, such as through the Local Authority Delivery (LAD) element of the Green Home Grants scheme and the Social Housing Decarbonisation Fund (SHDF), which has supported some brilliant projects across the region. However, the latest round of SHDF funding - £800m confirmed at the last Spending Review and currently open to bids from providers – is the last round of funding available to our members. There are still unconfirmed funds from manifesto commitments yet to be brought forward. The new government must use the net zero review as an opportunity to commit to upgrade homes across tenures as a medium- and long-term response to expensive bills, energy security concerns, and climate change.
- **Nature of funding:** While government funding rounds have supplemented housing providers' plans to improve the energy efficiency of existing homes, the ways in which funding is distributed is not optimal. Competitive, short-term bidding windows make long-term planning difficult and put additional pressure on the capacity of teams to submit good quality bids in a short period of time. Delivery timescales have also been constraining as there is little flexibility given to carry out the whole process from start to finish. This puts pressure on the supply chain. The government must work with housing providers to establish the most effective way to get funding moving, for example the second phase of LAD funding was allocated to regional Net Zero Hubs which enabled greater local coordination and provided confidence to the supply chain of the quantum of work forthcoming locally.
- **Supply chain:** The Heat and Buildings Strategy gave welcome encouragement to the heat pump market, signalling confidence in heat pump technology (and heat networks where appropriate) and deferring a decision on hydrogen for home heating to 2026. Further confidence in heat pump technology has been pushed through the Boiler Upgrade Scheme and other local pilot projects led by BEIS. Though, the scale of this activity does not match the ambition of the government's current target for 600,000 heat pump installations per year by 2028 (currently at around 30,000). For

¹ D. Long (2021), *Northern Housing Monitor* (commissioned by NHC). Available at: <https://www.northern-consortium.org.uk/wp-content/uploads/2021/08/The-Northern-Housing-Monitor2021.pdf>

supply chains to gear up at this scale, a long-term strategy is necessary to enable a scaling up of the manufacturing and installing of heat pump technology at the level required to meet future demand. This would ensure that capital costs reduce at a quicker rate, and housing providers are not competing in the market for similar services (this tends to happen at particular times in funding cycles so the previous recommendation on the nature of funding would also alleviate this problem).

- **Skills gap:** NHC members will have a crucial role in stimulating markets and creating new jobs for communities in the region. The NHC's *Northern Powerhomes* report with IPPR North showed that a large-scale programme of social housing retrofit could lead to the creation of 77,000 direct jobs in the North by 2035². There is a significant skills challenge to overcome to fill new green roles to install and maintain new technologies over the long-term. But housing decarbonisation presents us with a huge opportunity to attract new entrants to these good green jobs, and to retrain tradespeople (such as gas engineers) to refocus the labour market on delivering improved home energy efficiency and low carbon technologies. There needs to be a focus on education and training providers partnering with the housing sector to ensure this skills demand is met.
- **Tenant engagement:** For social housing providers, engagement with tenants is going to be a core component of decarbonising existing homes due to the disruptive nature of retrofit works and introducing new technology to households. Last year, the NHC commissioned a first of its kind Social Housing Tenants' Climate Jury which saw 30 social housing tenants from across the North come together to explore the question: "how can tenants, social housing providers, and others work together to tackle climate change in our homes and neighbourhoods?"³. The NHC is currently progressing a number of these recommendations with our members. For the private rented sector, there is an arguably more difficult challenge to engage and incentivise landlords to upgrade homes where they will not directly benefit from reduced bills. For owner occupiers, the challenges will be different for those able to afford to carry out the work and households that will require additional support to reap the benefits of an upgraded home. Public engagement with this issue is likely rising due to the current increased focus on energy bills, global energy security, and the climate crisis, but consistent messaging and advice from national and local government will be key.
- **Local authority capacity:** Enforcing current Minimum Energy Efficiency Standards (MEES) in the private rented sector is a challenge due to stretched resources within local authorities in the North. Councils in the North have seen a 58% reduction in their housing capacity over the last decade due to funding cuts⁴. BEIS consulted in 2020 on updating MEES regulation to EPC C for all tenancies by 2028, an ambitious uplift from the current EPC E standard. The new government must respond to this consultation swiftly to ensure local authorities have the increased resources to enforce new standards. This will also be important if DLUHC go ahead with applying

² IPPR North (2020), *Northern Powerhomes*. Available at: <https://www.northernconsortium.org.uk/wp-content/uploads/2021/04/Northern-Powerhomes-A-green-recovery-plan-to-decarbonise-homes-in-the-North1.pdf>

³ Social Housing Tenants' Climate Jury (2021), 'July-September 2021 report'. Available at: <https://www.northern-consortium.org.uk/the-social-housing-tenants-climate-jury/>

⁴ D. Long (2021), *Northern Housing Monitor* (commissioned by NHC). Available at: <https://www.northern-consortium.org.uk/wp-content/uploads/2021/08/The-Northern-Housing-Monitor2021.pdf>

the Decent Homes Standard to the private rented sector for the first time, as recently consulted on.

The House of Lords Environment and Climate Change Committee have said in a recent report: “Insulating homes could deliver emissions reductions, help reduce household energy bills and improve energy security, but without greater government support comprehensive home insulation remains out of reach for many households who are being affected acutely by the cost-of-living crisis. Without improved insulation, the Government’s heat pump installation targets are also at risk as homes must be well insulated for heat pumps to work effectively”⁵.

On increasing insulation measures, around 15.3 million households could benefit. These households currently live in homes rated EPC D or below and are therefore paying an “inefficiency penalty” on their bills due to the wasted energy lost through the building envelope⁶. Reducing energy demand in these homes would cut bills and carbon emissions considerably.

On low carbon technology, research has shown that 10 million homes in the UK could currently fit a heat pump without additional insulation, representing a significant opportunity to kickstart the market. If the government introduces the right policies now, heat pumps could be cheaper to buy and run than a gas boiler – without subsidy – by the end of the decade⁷.

The Net Zero Review is a good opportunity to strengthen the links between government departments, namely BEIS, DLUHC, Treasury and No 10, to address the barriers outlined above for housing providers in the North and make housing decarbonisation a priority in the face of a cost-of-living, energy and climate crisis.

25. What has worked well? Please share examples of any successful place-based net zero projects.

NHC members have undertaken some innovative work already to increase the sustainability of existing homes for the climate and for tenants and they continue to be ambitious on this agenda. As outlined above, LAD and SHDF funding have supported retrofit plans, but this now needs to be ramped up to tackle a continuing cost-of-living, energy security and climate crisis in the long-term.

Some examples of retrofit projects by NHC members are listed below:

- [Leeds Holbeck upgrades](#): Leeds City Council have this year retrofitted 153 homes in the Holbeck area. These whole-house retrofits have cut the city’s carbon footprint by 1,450 tonnes and contributed significantly to the regeneration of the area.

⁵ House of Lords Environment and Climate Change Committee (2022), ‘In our hands: behaviour change for climate and environmental goals’. Available at:

<https://committees.parliament.uk/publications/30146/documents/174873/default/>

⁶ E3G (2022), ‘The Home Energy Security Strategy’. Available at: https://9tj4025ol53byww26jdkao0x-wpengine.netdna-ssl.com/wp-content/uploads/The-home-energy-security-strategy-a-permanent-solution-for-lower-bills_E3G-report-1.pdf

⁷ University of Birmingham (2022), ‘Pathways for Local Heat Delivery’. Available at: <https://www.birmingham.ac.uk/Documents/college-eps/energy/policy/23216-local-heat-energy-policy-commission-report-accessible.pdf>

- [Newcastle City Council heat pumps](#): Over 300 homes have been fitted with heat pump technology and accompanying energy efficiency upgrades across the area through the BEIS Electrification of Heat project, with support from Your Homes Newcastle and National Energy Action.
- [Cosy Homes in Lancashire](#): 15 local authorities in the Lancashire area have established an energy efficiency partnership to provide owner-occupiers and tenants access to funding to improve homes and free energy advice.
- [Thirteen's Hartlepool retrofits](#): Through Wave 1 of the Social Housing Decarbonisation Fund, housing association Thirteen are spending £1.3m to upgrade homes, reduce bills and cut emissions. Around £140,000 will be invested into the local community as part of this project, creating jobs, educational activities, environmental projects and helping communities become more resilient.
- [Blackpool's place-based approach](#): Blackpool Coastal Housing have used ERDF funding to increase community resilience to climate change and carbon reduction on an estate in the area. Retrofit measures were installed in 75 homes, heat pumps and solar PV installed, and other green infrastructure projects included.
- [West Yorkshire skills drive](#): The West Yorkshire Combined Authority has established a Retrofit Hub with support from the UK Community Renewal Fund to support people in the area to take up a career in retrofitting buildings and other green jobs.
- [Manchester's Demonstrator project](#): Housing association One Manchester used £3.12m of funding from the initial round of SHDF to retrofit over 100 social homes in the Beswick area. The works included re-roofing, external wall insulation, window replacement, new renewable heating systems with smart controls and a heat recovery ventilation system.
- [Upgrading Liverpool's private rented sector](#): Liverpool City Council are targeting the worst energy performing homes in the area through thorough data management and engagement with private landlords. This approach will become more important if BEIS go ahead with updating current MEES regulation to EPC C by 2028.

The NHC is currently working on a case study showcase that we will be happy to share with the net zero review team at a later stage. We would also be delighted to set up any site visits with our members across the North so the review team can learn more about this activity and see the impact first-hand.

26. How does the planning system affect your efforts to decarbonise?

The installation of air source and ground source heat pumps are generally permitted development. Planning permission should be applied for under the following circumstances:

- the volume of an air source heat pump unit exceeds 0.6 cubic metres
- there is an existing air source heat pump on a building or within the gardens or grounds
- it is within 1m of the property boundary
- it is on a pitched roof or less than 1m from the edge of a flat roof
- on a wall which fronts a highway, and any part of that wall is above the level of the ground storey
- in a conservation area, it would be on a wall or roof which fronts a highway, or be nearer to any highway which adjoins the property than any part of the building
- the house or flat is a listed building, or within the garden or grounds of a listed building.

Planning permission is not required for insulation installation, though this may not be the case for external wall insulation where the appearance of a building will be altered in a conservation area (or a listed building).

27. How can the design of net zero policies, programmes, and funding schemes be improved to make it easier to deliver in your area?

Ambitious long-term targets to reach net zero are strongly welcomed but this needs to be reflected in policy and investment to reduce emissions from homes across tenures. The Climate Change Committee's latest progress report to Parliament flagged the UK's housing stock as a source of emissions which will derail net zero progress without urgent policy interventions⁸.

Policy needs to be strengthened to give direction to housing providers and the supply chain, and to reflect the urgency of addressing the crises we face in the long-term. While the energy bill support households will receive this winter and the price cap freeze are welcome and necessary steps, the Government must also start to think about how households can be protected from high energy bills (driven largely by volatile wholesale gas costs, accelerated by Putin's invasion of Ukraine) in the future.

This is not just a challenge for this winter. The quality of homes is central to the solution for future high energy costs and mitigating the impacts of climate change, such as flooding and overheating.

The leakiest and draughtiest homes tend to be concentrated in the North meaning heating costs are higher in the region. Centre for Cities' estimates show that average energy costs account for around 6% of average wages in Burnley and Blackpool, compared to 3% in London or Milton Keynes⁹. The design of net zero policies, programmes and funding schemes must reflect these regional disparities and ensure the North's disproportionate number of energy inefficient homes are upgraded.

A long-term retrofit strategy would allow stakeholders across sectors to plan and strategise to gear up for delivery, including social housing providers, education and training providers, and supply chains. Continuing the stop-start approach – the harm of which most visibly seen through the failure of the Green Homes Grant scheme – will not rise to the scale of the current challenge.

As discussed in the previous question, funding arrangements need to be adapted to make it easier and more flexible for housing providers to access and spend funding in ways that work best for them. Grant funding is match funded by providers with potential for huge investment in homes across the North.

The outcome of the current social rent cap consultation may impact how much providers can deliver in their communities, with net zero plans and budgets at risk if long-term income is significantly impacted. Government need to ensure that retrofit plans are not derailed and remain a priority to reach net zero targets.

⁸ CCC (2022), 'Progress report to Parliament'. Available at: <https://www.theccc.org.uk/publication/2022-progress-report-to-parliament/>

⁹ Centre for Cities (2022), 'Out of pocket: the places at the sharp end of the cost of living crisis.' Available at: <https://www.centreforcities.org/reader/out-of-pocket-the-places-at-the-sharp-end-of-the-cost-of-living-crisis/>

28. Are there any other implications of net zero or specific decarbonisation projects for your area that the Review should consider?

The opportunities and benefits of tackling heat-sieve homes are obvious, with clear positive outcomes across government departments:

- **Impact on growth:** According to Green Alliance analysis, “cheaper energy generally translates into lower inflation and higher productivity, while expensive energy acts as a drag on the economy”¹⁰. Moving away from fossil fuel reliance for home heating would release households from the grip of volatile international gas markets and harnessing cheap renewable energy would prevent the need for repeated (and expensive) government bill support. The long-term jobs potential is also significant with new infrastructure required and high demand for skills to carry out energy reduction measures in homes. This work is labour-intensive and could drive productivity growth in the North and through supply chains across the UK.
- **Impact on energy security:** The gas price crisis, compounded by Putin’s invasion of Ukraine, has put energy policy front and centre. The Energy Security Strategy highlighted the importance of producing more domestic low carbon energy, not only to reach net zero but to improve national security. The new Government’s focus on energy supply has so far ignored serious commitment to reducing energy demand by insulating homes and conserving energy within them. This energy reduction would also increase the UK’s energy security as the greenest energy is the energy you do not use in the first place.
- **Impact on bills:** The £2,500 price cap freeze is a welcome move but we know that this is only an average price and energy inefficient homes will pay much more than that to keep warm this winter. On average, leaky homes will raise bills for households by around £1,000 per year in line with current prices and taking into account existing support. Homes below EPC C will be paying significantly more per year: homes rated EPC D will pay around £700 more; homes rated EPC E will pay around £1,200 more; and homes rated EPC F will pay around £1,800 more¹¹. This penalty for living in a poor energy performing home is not sustainable for many households and highlights the extreme level of wasted energy (most likely coming from non-renewable sources). For those experiencing serious fuel poverty this winter, it would not be possible for them to reduce demand further and so they must be supported to stay warm through the cold weather by increasing energy efficiency measures.
- **Impact on levelling up:** As referenced above, the jobs potential of improving the energy efficiency of homes and transitioning away from gas boilers is huge. A large-scale programme of social housing retrofit could lead to the creation of 77,000 direct jobs in the North by 2035. 53,000 of those would be to retrofit homes with energy efficiency measures, 13,000 to install and maintain heat pumps, and 11,000 for heat networks. Housing decarbonisation presents us with a huge opportunity to attract new entrants to these good green jobs, and to retrain tradespeople (such as gas

¹⁰ Green Alliance (2022), ‘Climate for growth Productivity, net zero and the cost of living’. Available at: <https://green-alliance.org.uk/wp-content/uploads/2022/05/Climate-for-growth.pdf#>

¹¹ ECIU (2022), ‘Poorly insulated homes to cost £1,000 more to heat this year than if they had been upgraded to meet Government’s target’. Available at: <https://eciu.net/media/press-releases/2022/poorly-insulated-homes-to-cost-1000-more-to-heat-this-year>

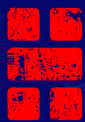
engineers) to refocus the labour market on delivering improved home energy efficiency and low carbon technologies.

- **Impact on health:** Housing is a key determinant of our health and wellbeing and it is well-evidenced that poor quality housing can create, or worsen, health conditions. Whereas warm, dry and comfortable homes are more likely to lead to better health outcomes with other indirect results including improved outcomes in the early years, better employment prospects and strong community resilience, which are all associated with good health. Reducing excess cold in homes could save the NHS nearly £900m per year¹². Housing decarbonisation should be seized as an opportunity for policymakers to benefit both public health and planetary health¹³.

Contact Brian Robson (Executive Director of Policy and Public Affairs) at the NHC if any questions about this submission or for any further information about housing in the North:
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¹² BRE (2015), 'The Cost of Poor Housing to the NHS'. Available at:
<https://www.bre.co.uk/filelibrary/pdf/87741-Cost-of-Poor-Housing-Briefing-Paper-v3.pdf>

¹³ UK Centre for Housing Evidence (2022), 'How to combine action on housing retrofit with tackling health inequalities (and other injustices)'. Available at:
<https://housingevidence.ac.uk/publications/how-to-combine-action-on-housing-retrofit-with-tackling-health-inequalities-and-other-injustices/>



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