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# EXECUTIVE SUMMARY: A NEW DEAL FOR LOCALLY LED HOME UPGRADES<sup>1</sup> BOOSTING CAPACITY TO DELIVER AREA-BASED RETROFIT SCHEMES

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Local authorities are uniquely positioned to coordinate area-based retrofit programmes. However, at present, many do not even have internal capacity to apply for grant schemes. A new deal for locally led delivery is needed to address the postcode lottery: providing clarity and a stable model for allocating funding to authorities.

The new deal should be underpinned by action on four areas, outlined in the figure below. These commitments will form the basis of a stable and long-term model for funding home upgrades in low-income households.

Locally led home upgrades			
<p><b>Investment pledge</b></p> <p>Give authorities and businesses confidence by setting out both investment quantity and how it will be spent over 10 years.</p> <p>Focus funding on low-income homes and define the role of authorities, energy companies and grants. Work with devolved governments to deliver multi-year funding.</p>	<p><b>Needs-based funding</b></p> <p>Transition to needs-based funding for longer-term relations with suppliers. Allocate using a formula that combines EPC and income data to local partnerships.</p> <p>In the interim, boost authority capacity by making a revenue funding pot. Introduce locally agreed indicators to evaluate delivery.</p>	<p><b>Skills and supply chains</b></p> <p>Consistent, and long-term investment so businesses have the confidence to invest. Central investment in further education courses.</p> <p>Boost ancillary funding for authorities that have not yet accessed grant funding.</p>	<p><b>Heat and energy planning</b></p> <p>Regulation and resource for heat and energy plans. Develop Regional System Planner's role to coordinate energy plans, regulate for heat strategies</p> <p>Align the Planning Policy Framework with net zero and provide additional resource to speed up the planning system.</p>
Local home upgrade deal			



<sup>1</sup> This is an Executive Summary of the briefing of the same name, published February 2024, <https://www.e3g.org/wp-content/uploads/A-new-deal-for-locally-led-home-upgrades.pdf>



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## Room for improvement on locally led home upgrades

The locally led approach to retrofit – a relatively new introduction in England – could have significant social and economic benefits. Important housing and planning functions already sit with authorities, and the scope and nature of projects depends on local conditions, which makes authorities clear candidates to run schemes optimised to their area. Local retrofit schemes implemented in the 2020/25 parliament have shown positive outcomes, including street-by-street approaches which deliver multiple benefits for residents and the wider community. Several local authorities have combined funding streams to launch area-based schemes.

Despite the benefits, delivery problems have meant that on average, 50% of public investment in the English programmes that ran from 2020 to 2024 was returned to the treasury.<sup>2</sup> The tight timelines to apply for funding and delayed scheme guidance made delivery difficult for authorities. Many less experienced authorities relied on large consortia to manage projects. When supply chain issues affected consortia, millions of pounds worth of funding were not spent.

## A framework for Local Home Upgrade Deals

To build a successful locally led approach to home upgrades, government needs to transition to a long-term, sustainable funding model – while providing authorities with technical and strategic assistance – within a joined-up framework. The current fragmented system does not lend itself to strategic long-term approaches, and disadvantages areas covered by authorities that do not have the resource and political will to engage with the schemes. This worsens the postcode lottery for retrofit, and broader regional inequalities.

### **Local home upgrade investment pledge**

Government should give local authorities and the private sector long-term confidence in the amount of investment and the way it will be delivered. We suggest a timeframe of at least ten years, or two parliamentary terms. English authorities, businesses and devolved administrations require certainty to invest in capacity and build out supply chains to successfully undertake large home retrofit projects.

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<sup>2</sup> Calculated from UK government, December 2023, **Green Homes Grant Local Authority Delivery (LAD) and Home Upgrade Grant (HUG) release, December 2023**



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### **Need-based allocation funding**

The next locally led scheme needs to transition to allocating funding based on each area's individual needs. This will likely have the single largest impact on the successful use of public funds. The current funding allocation models has created a fragmented, short-term approach that has contributed to delivery challenges. The level of government at which funding is allocated also needs to be considered, to ensure funds are delivered locally, while avoiding duplicating efforts between authorities. As part of this approach, the government could:

- > Design a needs-based allocation model in collaboration with authorities and industry, to be implemented in the next parliament.
- > Encourage local groupings (such as collections of districts) of authorities to deliver allocated funds, phasing out large regional consortia.
- > Immediately introduce a revenue funding pot to support authorities to build internal capacity, focused on low-capacity authorities.
- > Agree indicators with local groupings to allow oversight of where delivery is working well and target further support where it is needed.

### **Support for skills and supply chains**

Transitioning to needs-based allocation will help mitigate the risks of supply chain constraints and inequality between authorities, but it is not a panacea for transforming the success of locally led retrofit. Government will also need to ensure funding is in place to train skilled workers and acknowledge it will take some years for the workforce to train and grow. The government should also ensure a trusted body is resourced to share best practice on how authorities can fill skills gaps by engaging with local further education colleges, running green careers fairs and liaising with trusted suppliers.

### **Heat and energy planning**

Central government has a crucial role providing the framework and resources to ensure every local area has a technical heat and energy plan. Both heat and energy planning need long-term, non-competitive funding, and regulation to ensure consistent delivery across the UK. Both are technical asks, so will require support and coordination from separate national and regional bodies. Energy planning will involve coordination by the Future Systems Operator and Regional System Planners. The Scottish model for heat and energy strategies could be deployed in England with the addition of resource to undertake the analysis in sensible regional partnerships. Authorities are key stakeholders in both.



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## About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

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