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EXECUTIVE SUMMARY: ENABLING LOCALLY LED RETROFIT¹

REFORMS TO SCALE UP EFFECTIVE DELIVERY

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There is an intrinsically local dimension to decarbonising our homes and buildings, which makes local authorities critical to delivery. However, the schemes need reform to maximise their potential.

The government could take a series of near-term steps to improve local retrofit delivery immediately, while smoothing the transition to more comprehensive devolution. Our research identifies changes related to central government grant disbursement, planning laws and local energy planning that would address commonly faced challenges raised by local authorities, while laying the foundation for more in-depth reform.

Recommendations

- > **Funding and project design:** The government should consolidate the various English local retrofit schemes, allocate funding on a three-year basis via “challenge funds” rather than competitive allocation, and increase local autonomy over household and area eligibility.
- > **Reforming the planning system:** Align the National Planning Policy Framework with net zero and provide additional resource to speed up the planning system.
- > **Energy planning for net zero:** Appoint a central body to help local authorities produce local area energy plans and give the Future System Operator regional system planning responsibilities, starting in areas with significant local grid congestion.

¹ This is an Executive Summary of **the report of the same name**, published July 2023.



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Why local government

Many local functions sit with local government, and the scope and nature of retrofit projects depend on a variety of local factors. Local authorities are clear candidates to run schemes optimised for their area. Furthermore, recent government grants for authority-led retrofit mean many authorities have already practiced retrofit projects. Meanwhile, both major political parties have committed to further devolution, particularly in England, in the coming years.

This makes home retrofit an ideal candidate to increasingly devolve decision making down to authorities. Locally led retrofit should be supported alongside the other avenues for retrofitting homes in the UK, namely, the obligation on energy suppliers (ECO), and national schemes to subsidise private retrofits, such as the Boiler Upgrade Scheme.

Why reform

There are important barriers to delivery that hold local authorities back. Progress on some barriers can be achieved by reforming central government policy, while others will require the combined action of central and local government plus the private sector to solve.

The current system has created significant inequality between authorities' capacity to undertake home retrofit programmes. As a result, asking too much of local governments too quickly – without paying sufficient attention to co-ordination, procurement, and project management capacity – could create significant delivery risks. Our recommendations are targeted at enabling effective delivery at scale, including immediate changes to policy which align with deeper long-term reforms.

Funding and project design

The design of grant schemes, including the way funding is administered, is instrumental to effective delivery. Local authorities in England currently play a central role in delivering three publicly funded retrofit schemes,² for low-income households. However, structural challenges in the schemes are holding authorities back from fulfilling their potential in the efficient delivery of these schemes.

² Local Authority Delivery, Home Upgrade Grant and the Social Housing Decarbonisation Fund



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Reforms should ensure no local area is left behind by creating an environment where all local authorities can invest in skilled teams and undertake long-term and locally led home retrofit schemes. Based on these principles we make the following recommendations:

- > Long-term commitment to investment: Set out a ten-year investment plan for retrofit, with three years' guaranteed funding for locally led.
- > A single application route with funds allocated under a “challenge” model.
- > Grants issued on quarterly basis and spending deadlines decided on a project-by-project basis.
- > Give authorities independence to suggest eligibility criteria suitable to their local area and remove eligibility cliff edges by allowing a defined percentage of grants to be spent on otherwise ineligible homes.
- > Allow authorities to use funds flexibly to build internal capacity and review the proportion of funds available for project management.
- > Launch a consultation on a statutory duty for net zero aligned with devolution deals.

Reforming the planning system

The planning system is holding local government back from being able to act on net zero. In the context of home retrofit, the National Planning Policy Framework (NPPF), which provides the framework for action, is acting as a barrier. The planning system is also underfunded. The Royal Town Planning Institute found funding fell 43% from 2009/10 to 2020/21. We make the following recommendations:

- > Introduce an overarching requirement that all planning decisions must be taken giving full regard to net zero.
- > Provide an additional £500m in revenue over the next four years.
- > Adjust the wording in chapter 16 of the NPPF to balance retrofit decisions with conservation decisions.

Energy planning for net zero

The energy system will be a critical enabler of net zero homes. However, in some places, it is a barrier to deployment of EV chargers and heat pumps. Local area



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energy planning can play a role in guiding the planning and investment needed for the future, and ensure electrification is not obstructed by grid constraints.

- > Producing local energy plans must be as simple to achieve as possible. A body, such as Energy System Catapult, could be funded to work with authorities to help them produce plans.
- > Ofgem should progress proposals to create regional system planners. The Future System Operator should trial its planning function in areas under high grid constraints before rolling out more widely. In the short term, Ofgem should monitor DNO (Distribution Network Operator) performance in responding to planning requests.
- > Integrate deployment of smart digital technology to avoid grid congestion, developing the local area energy planning methodology to incorporate smart local energy systems.

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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