

3 December 2021

REPORT SUMMARY SHEET

GREEN SKILLS AND ADVICE PRIORITISATION IN RESPONSE TO BUDGET AND SPENDING REVIEW

Purpose

To propose funding for a new programme to help prime the retrofit and heat pump markets within the region to leverage in new government funding through the Boiler Upgrade Scheme.

Summary

As a region, we have set the ambition to reduce our greenhouse gas emissions and become net zero by 2030. Achieving this will require regional action on the highest sources of emissions, including those coming caused by our buildings.

We need to do more to encourage and increase the pace of retrofitting properties to make them more energy efficient and move them away from gas heating. Achieving this will save thousands of tons of carbon as well as create jobs and business opportunities for our residents.

This report summarises the positive action being taken forward on developing a retrofit programme and seeks specific next-stage funding approvals.

Recommendations

1. To ringfence £3m of the £30m Green Recovery Fund towards a retrofit programme subject to business case approval.
2. To allocate £200k from the Green Recovery Fund to create a Retrofit Step-Up programme and delegate the approval of a Feasibility and Development Funding Application to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils.

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**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY
COMMITTEE**

DATE: 3 December 2021

**REPORT TITLE: GREEN SKILLS AND ADVICE PRIORITISATION IN
RESPONSE TO BUDGET AND SPENDING REVIEW**

DIRECTOR: STEPHEN BASHFORD & JESS LEE

**AUTHOR: HELEN ILES, SENIOR POLICY MANAGER & LIZZY
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Purpose of Report

1. This report proposes funding for a new programme to help prime the retrofit and heat pump markets within the region to leverage in new government funding through the Boiler Upgrade Scheme.

Impact of Covid-19 pandemic

2. The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:
 - Facilitating economic resilience and growth by increasing training and employment opportunities within the retrofit and heat pump installation sectors
 - Improving the energy efficiency of homes

Recommendation

3. That committee:
 - Ringfence £3m of the £30m Green Recovery Fund towards a retrofit programme subject to business case approval.
 - Allocate £200k from the Green Recovery Fund to create a Retrofit Step-Up programme and delegate the approval of a Feasibility and Development Funding Application to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils.

Background / Issues for Consideration

4. Context

- 4.1. As a region, we have set the ambition to reduce our green house gas emissions and become net zero by 2030. Achieving this will require regional action on the highest sources of emissions, including those coming caused by our buildings.
- 4.2. Domestic emissions form 30% of the region's total, largely from gas used for heating and cooking. Government have recently released the Heat and Buildings Strategy setting out its strategic plan for eliminating emissions from our homes and heating systems. Some funding streams have already been announced to help the delivery of this programme, with further initiatives anticipated. In order to best place the region to take advantage of these opportunities and reduce emissions, we need to develop a programme of activity to increase the pace of retrofit in the region and develop a long term approach to sustainable delivery.
- 4.3. There is existing provision focussing on retrofit within the region, including but not limited to:
 - Futureproof project - an initiative that aims to stimulate local supply and demand for low carbon retrofit in the West of England. This was recently awarded additional funding as part of the UK Community Renewal Fund.
 - Innovative Housing Retrofit Scheme – part of the Low Carbon Challenge fund, offering grant funding to retrofit 25 hard- to-treat homes (as detailed in paper 1)
- 4.4. However, the scale of demand for retrofit and low carbon heating systems far exceeds the supply of available resources. To increase the energy efficiency of buildings we will need to retrofit over 250,000 homes and 8,000 non-residential properties by 2030, including installing low carbon heating systems.
- 4.5. However, current deployment levels of heat pumps and low carbon heating systems within the region are too low. Evidence from the Green Skills report indicates that the heat pump market will need to grow by an average of 80% each year for us to reach our 2030 objectives.
- 4.6. At the current pace of installations in the region, it would take around 557 years to install the required solid wall insulation and 857 years for the required heat pumps to meet net zero.
- 4.7. We need to do more to encourage and increase the pace of retrofitting properties to make them more energy efficient and move them away from gas heating. Achieving this will save thousands of tons of carbon as well as create jobs and business opportunities for our residents.

5. Green Skills and Retrofit Sector

5.1. Over the past six months, the Combined Authority has undertaken two pieces of research into the greens skills and retrofit sector within the region:

- **Green skills report** – an interview and desk-based study carried out by Equity Consulting Ltd into the retrofit market (phase 1) and the wider green skills market in the region (phase 2). It included a review of existing skills markets and relevant skills provision, barriers, and the regional levers for market interventions available.
- A recent **evidence gathering exercise** was undertaken to inform a Spending Review submission for retrofit. This encompassed a market review and high-level options analysis for a regional retrofit strategy, [focused on the domestic 'able-to-pay' market]. Work included a workshop with our unitary authorities, Severn Wye and the South West Energy Hub.

5.2. These have identified that there are several significant barriers to increasing the scale and pace of retrofit within the region, notably:

- **Supply side issues** – there are insufficient numbers of trained fitter or construction specialists to carry out the retrofit work required. Recent government funding programmes such as the Green Homes Grant have struggled to achieve their goals in part due to a shortage of trained professionals.
- **Demand side issues** – interest from homeowners needs to be stimulated through improved access to finance and better, unbiased information, advice and guidance on how to retrofit their property including an understanding of the benefits of doing so. Feedback from the workshop to develop the Spending Review submission highlighted a range of barriers to taking action, including a lack of trust in and skills within the current retrofit value chain, and insufficient knowledge and education amongst homeowners.
- **Funding/policy uncertainty** – the retrofit market has been through cycles of boom and bust with national government policies and grant funding offered for specific interventions over time limited periods. This uncertainty has hampered market growth, preventing suppliers from training new workers or expanding their operations.

5.3. In order for the region to begin to increase the pace and scale of retrofitting within the region, we will need to ensure that these issues are addressed and that homeowners have the right level of information and suppliers have a stable policy and funding background. The recommendation from the evidence gathering workshop with UAs and other partners suggests that taking action to stimulate demand via property owner education and engagement, as well as supply via boosting specialist retrofit skills in the region can prove effective.

6. Retrofit Programmes

6.1. Over the past two years, government have released funding programmes to

try and increase the pace of retrofitting on a national scale, including the Green Homes Grant programme. This included different funding streams including:

- Green Homes Grant Vouchers – A voucher scheme for homeowners and residential landlords, offering up to £5,000 towards the cost of installing energy efficient improvements including most insulation and low carbon heating measures. Up to £10,000 was available for those receiving certain benefits. Applications closed on 31 March 2021.
- Local Authority Delivery (LAD) scheme - including the allocation of £300m to local Energy Hubs (including £7m to South West Energy Hub) who are working directly with local authorities in their region to deliver energy efficiency upgrades in low income homes by end of March 2022.

6.2. However, the customer voucher scheme strand of the programme had to be scrapped due to a lack of suppliers and poor administration of the scheme. The Local Authority Delivery funding stream needs to be complete by March 2022 meaning that success is dependent on referrals and informed homeowners wishing to participate in scheme.

6.3. We know that there is further government funding that will be imminently available through the Boiler Upgrade Scheme, announced at the recent Spending Review.

6.4. The £450m 'Boiler Upgrade Scheme', will offer £5,000 grants to replace household gas boilers with heat pumps over the next three years. This is intended to stimulate and grow the heat pump market as part of a broader government ambition to reduce the costs of heat pumps by 25-50% by 2025. The scheme is expected to launch in April 2022 and run for three years, with Government yet to confirm the delivery mechanism.

6.5. We want to ensure that the region's suppliers and property owners are primed to be able to take advantage of the remaining green homes grant funding and the imminent boiler upgrade scheme when it becomes available. This requires urgent action.

6.6. In order to do this, we recommend that committee allocate £200k from the Green Recovery Fund (as detailed in Item 1) to create a Retrofit Step-Up programme, and delegate the approval of a Feasibility and Development Funding Application to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils.

6.7. This funding will be used as seed funding to ready the region's market and supply chains. It will aim to:

- Run a targeted marketing campaign to households within the region, making them aware of the funding opportunities incl. Green Homes Grant, the Boiler Upgrade scheme and other schemes within the region including finance options
- Enable approximately 90 retrofit assessments and plans for households within the region – providing in-depth advice and assistance to residents looking to make their homes more energy efficient or install heat pumps

- Facilitate approximately 90 retrofit training opportunities to local tradespeople or heat-pump installers. This will include ensuring that installers meet any government required quality standard (e.g. Trustmark, MCS, PAS2-35, PAS2030:2019), PAS2035 retrofit co-ordinator qualifications and industry specific short courses.
- 6.8. The programme will deliver against a number of key priorities including increasing the pace of retrofit and working to maximise the amount of external funding leveraged into the region. It will offer a short-term stimulus and support to existing retrofit provision while a longer programme of activity is developed to address the systemic issues within the sector.
- 6.9. A full funding prospectus for the £200k will be developed as part of the Feasibility and Development Funding Application for approval by Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils, with a view to delivery commencing in early 2022 and concluding by the end of 2022.

7. Developing a long term retrofit solution

- 7.1. The Retrofit Step-Up programme will provide short-term support to the sector with a view to optimising existing or imminent funding streams. However, we know that we need to develop a longer-term solution to tackling the entrenched supply and demand issues currently evident within the retrofit sector.
- 7.2. We have already started to pivot our skills provision and employment support towards green skills development in the region. Including:
- Through the second phase of our £8m investment in Workforce for the Future, projects to provide expert advice to small businesses to help them create new green skills, including through a focus on Modern Methods of Construction.
 - The development of a new Green Futures Fund to help our secondary schools align their careers strategy and curriculum to the retrofit and green skills agenda.
 - Through successful bids to the UK Community Renewal Fund, further support for increasing skills for green jobs and entrepreneurship (£700K UWE award), alongside targeted support for expanding the market and supply chain for low carbon housing retrofit in the West of England (£100k CSE award).
- 7.3. However, given the scale of the challenge within the retrofit and low-carbon heating sector, we need to do more as a region. We have eight years to achieve our 2030 ambitions and we cannot do this without taking radical action on improving the buildings within the region.
- 7.4. To achieve this, we propose ringfencing £3m of the £30m Green Recovery Fund (as detailed in item 1) to develop a long term Retrofit Accelerator. This will build on (and be in addition to) the Retrofit Step-up programme to provide a sustainable support package to the retrofit sector.
- 7.5. The Retrofit Accelerator will aim to increase the scale and pace of delivery by:

- Continue to improve the skills offers in place including retrofit assessors and co-ordinator roles e.g. PAS2035 by directly funding skills interventions and working with skills providers and industry bodies to meet existing skills gaps and prevent further gaps from emerging.
- Increase the amount of the information, advice and guidance aimed at property owners to help guide them through the retrofit process, building on existing programmes and good practice within the region, including the development of a one-stop shop approach.
- Develop a flexible grant funding scheme to provide certainty to market, giving suppliers and home owners confidence where government schemes have previously failed.

7.6. As well as offering increased delivery of skills and guidance as outlined above, the Retrofit Accelerator will also take a strategic approach to enabling others to deliver and draw in funding from elsewhere. This will include:

- Enabling a wide variety of property owners (including private and social landlords) to take action on retrofit by developing a housing archetype evidence base. This will provide a breakdown of the types of property across the region and detail suggested approaches to retrofit and installation of low carbon heating systems.
- Leveraging in external sources of funding from national government and other sources to supplement the Green Recovery Fund and create a sustainable finance offer.
- Promoting best practice in the region, including the delivery of the Innovative Housing Retrofit Scheme.

7.7. This strategic approach will draw upon existing expertise within including the Mayor's recently established Climate Action Panel which includes members with prominent positions within the regional retrofit sector. We will draw upon their expertise to shape interventions and a longer term retrofit strategy for the region and informing how investment is best targeted in a way that complements existing initiatives.

7.8. Officers will develop a business case to support this wider programme of activity, with the ambition to create a long term, sustainable programme to increase the pace of retrofit in the region. The Accelerator programme will operate over a three-year period up to 2025 and build on the expertise developed through existing programmes such as Retrofit Step-up and FutureProof

7.9. It will be developed in conjunction with the Unitary Authorities and other key partners. It is intended that this will be brought to committee in the New Year with the start of delivery overlapping with the conclusion of the Retrofit Step-up programme.

8. Summary of key activities and funding

Project	Aim	Timescale	Funding	Funding Source
Innovative Housing Retrofit	to reduce energy consumption in 25 hard-to-treat homes delivering an estimated 100 tonnes of additional annual greenhouse gas emission savings	2022-March 2023	£200,000 (ERDF) £300,000 (GRF)	ERDF & Green Recovery Fund
Retrofit Step Up	To maximise uptake of existing retrofit schemes through skills and guidance	Jan 2022- Dec 2022	£200,000	Green Recovery Fund
Retrofit Accelerator	To develop a long-term strategic approach to retrofit	Spring 2022 - 2025	£3million	Green Recovery Fund

Consultation

There is no statutory consultation required in the development of this paper.

Other Options Considered

Not investing in retrofit – rejected. The need to develop a comprehensive approach to tackling retrofit will mean that we are unlikely to meet our 2030 ambitions as we will not be addressing the largest sources of emissions.

Risk Management/Assessment

Full risk assessments will be undertaken as part of the Feasibility & development reports and business case proposals

Public Sector Equality Duties

The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

The Act explains that having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.

There are no direct equalities issues resulting from this report.

Full equality and diversity assessment plans will be undertaken as part of the Feasibility & development reports and business case proposals.

Finance Implications, including economic impact assessment where appropriate:

The £3.2m funding identified in this report will fall within the £30m Green Recovery Fund allocation recommended for approval elsewhere on this agenda. Business case approval will be required to unlock the £3m of funding ringfenced for the retrofit programme.

Advice given by: Malcolm Coe, Director of Investment and Corporate Services

Legal Implications:

No additional legal implications arising from the report.

Advice given by: Shahzia Daya, Director of Legal Services

Climate Change Implications

On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?
- * The region's resilience to the effects of climate change?
- * Consumption of non-renewable resources?
- * Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

This report outlines a programme of activity to reduce emissions from buildings and heating systems within the region. This will positively contribute towards the meeting our 2030 ambitions to be net zero as a region.

Land/property Implications

There are no direct land and property implications arising from this report.

Advice given by: Malcolm Coe, Director of Investment and Corporate Resources

Human Resources Implications:

There are no direct HR implications arising as a result of this report.

Advice given by: Alex Holly, Head of People and Assets

Appendices:

None.

Background papers:

None.

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird on 07436 600313; or by writing to West of England Combined Authority, 3 Rivergate, Temple Quay, Bristol BS1 6EW; email: democratic.services@westofengland-ca.gov.uk