energy saving trust

Consultation response

May 2021

Local Government and Net Zero: Submission to MHCLG Committee

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1. About Energy Saving Trust

Energy Saving Trust is an independent organisation dedicated to promoting energy efficiency, low carbon transport and sustainable energy use to address the climate emergency.

Our work focuses on reaching net zero targets by taking action to reduce energy consumption, installing new infrastructure and accelerating a move to sustainable, low carbon lifestyles.

A trusted, independent voice, we have over 25 years' sector experience. We provide leadership and expertise to deliver the benefits of achieving carbon reduction targets: warmer homes, cleaner air, healthier populations, a resilient economy and a stable climate.

We empower householders to make better choices, deliver transformative programmes for governments and support businesses and community groups with strategy, research and assurance – enabling everyone to play their part in building a sustainable future.

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2. Scope of the inquiry

Local governments are responsible for a range of areas that could also play a key role in the UK's efforts to reach the net zero target. This includes local transport, recycling and waste disposal.

Terms of reference

New homes: Future Homes Standard and Future Buildings Standards

- Do the proposals for improving the energy efficiency of new homes by 2025 go far enough?
- The government has acknowledged the need to clarify the role of local planning authorities in setting energy efficiency requirements for new homes that go beyond the minimum standards. What role should LPAs play in determining local energy efficiency standards?
- Will heat pumps will become the primary heating technology for new homes?
- Do the proposals address the performance gap between design and build of new homes?
- Is the government right to introduce revised transitional arrangements?

Existing homes

The Committee also seeks evidence on plans for improving the energy efficiency of the existing housing stock, including:

- Local authorities' progress towards reducing the carbon footprint of their own estate.
- The role of local authorities in improving non-council building stock, including through take-up of Local Authority Delivery scheme and setting/ enforcing of energy efficiency standards.
- The role of local authorities in encouraging and enabling private owners to reduce carbon emissions, including through the development of loan schemes and the delivery of existing grants, such as the Disabled Facilities Grant and Housing Renewal Assistance.
- The role of MHCLG in making the existing housing stock more energy efficient, including through its review of the Decent Homes Standard.

The Committee also seeks submissions on how else local government help the UK achieve "net zero" emissions by 2050.

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Summary of our recommendations

For new buildings:

1. **Ambition** the Future Homes and Buildings Standards are a good step forwards but do not go far enough given the scale of the change required. We are disappointed that government opted not to require low carbon heating from 2023. This would been a cost-effective route to scaling-up supply whilst delivering lower lifetime costs for occupants.

2. **Local control** – since local authorities (LAs) and their residents will be liable for the costs of retrofitting new homes not built to net zero standards, it seems appropriate for local planning authorities (LPAs) to have a role in setting and enforcing standards. We urge that this power is not withdrawn. Higher standards in high-demand areas can bring down costs, enabling standards to be rolled out more widely. Government can encourage LPAs to act in a 'same road, faster speed' approach by setting out its long-term plans in advance'.

3. **Performance gap**: We welcome the initial moves to tackle this, but more action is needed:
   - **i)** The introduction of mandatory 'as-built' performance testing. This could build on London's new 'energy use disclosure' and the government's SMETER programme
   - **ii)** We support the findings of the Hackitt Review into building standards which recommended that LAs be funded to enforce standards properly.

For existing stock:

Departmental carbon budgets: Departmental carbon budgets would help address the split responsibility between departments in areas such as heat decarbonisation and demand reduction.

Clear roles and responsibilities: we recommend a clear role is set out for local government in delivering net zero. This should emphasise a *collaborative* relationship rather than one in which local government is viewed as a delivery arm of central government or a funding conduit. It should include a new duty to report on emissions, and to prioritise net zero in service delivery and procurement. As with any new duty, it should come with appropriate support and resources.

Finance: for government to set out how the National Infrastructure Bank and the UK Shared Prosperity Fund will support investment in this area and consider some regional devolution of funding in this area to allow existing budgets to be used more effectively.

Capacity: For government to resource LAs to respond to the challenge. This should include building internal capability and resourcing new/ existing specialist support services (on finance - getting projects 'investment ready' and aggregating opportunities' and on housing stock assessment).

Local heat and energy strategy: For LAs (with appropriate funding and external specialist support) to work with partners to deliver local heat and energy strategies by 2023 (to a common methodology).

Social housing: For social housing providers to deliver early action on heat and energy efficiency (promoted by the Decent Homes Standard and the Social Housing Decarbonisation Fund).

Enforcement: Whilst regulation and enforcement will be required (and LAs should be equipped to respond), this should act as a *signal* to investors (including homeowners) rather than the primary driver. It is important that the transition is seen as fair and that homeowners see a clear benefit to acting. For this there will need to be an attractive consumer offer including a 'smorgasbord' of finance to meet upfront costs, lower running costs (Treasury have a clear role here), impartial government-backed advice and strong consumer protection to de-risk action.

3. Part 1: New build

3.1 Do proposals for improving energy efficiency go far enough?

The proposals are a good step forward but do go not far enough given the scale of the challenge.

We welcomed the government's recent decision (in the response to the Future Homes Standard consultation) to retain the Fabric Energy Efficiency Standard (FEES) for new build homes. Losing this could have led to homes being built to lower fabric standards than the 2013 regulations.

Retaining the FEES will ensure that the individual components of the building (walls, roof etc.) are more efficient than current standards, however, the continued use of the notional building approach limits further ambition. The notional buildings approach is a *relative* measure requiring buildings to perform better than under previous regulations. An alternative approach with a *minimum* operational (regulated and unregulated) energy use measured in kWh/ m2 would be more effective in delivering very energy efficient buildings.

The challenge as heating and vehicles are electrified will be managing the demand on the grid (total demand and when that demand is supplied). Homes that minimise energy (through efficient form and passive design as well as improved fabric) and can defer demand (for example, by pre-heating) are the homes that will provide lower running cost for occupants and benefits for the grid. We should be buildings these homes of the future now.

Building to ultra-high energy efficiency and a heat pump adds between 1 to 4 percent[1] to build costs (depending on the build type), a cost will fall as supply chains adjust, delivers lifetime savings for occupants and avoids future retrofit costs.

In evidence given to a parliamentary select committee in 2019, two of the UK's largest housebuilders, Barratt and Persimmon, confirmed they do not require a long lead in time to deliver higher standards and that higher standards could viably be delivered within 18 months. Persimmon admitted to lobbying government to remove the zero-carbon standard even though they could have built all their 2018 homes to the standard for around £165 million (just over a quarter of the sum that Persimmon confirmed to the Committee they had paid out in staff bonuses that year). The evidence also confirmed

[1] The costs and benefits of tighter standards for new buildings (Currie & Brown and AECOM) - Climate Change Committee (theccc.org.uk)

that both developers had been confident that if implemented, they would have been able to bring down the additional cost of the standard quickly. In practice, Exeter City Council, despite its small scale, has already found that it can build Passivhaus homes (homes that require almost no heating) on sites of 100+ units at no additional cost.

'Future-fit' buildings are ones in which energy use has been minimised from the outset. Prioritising relative metrics like primary energy and carbon dioxide (CO2) focuses on impact *now* rather than lifetime impact. This can mask high energy requirements which could be a drain on tomorrow's decarbonised grid.

See our response to the Future Buildings Strategy here. In a coalition of built environment partners we wrote a letter (organised by RIBA) to MHCLG highlighting our concerns about the approach along with our recommendations here.

3.2 What role should LPAs play in determining local energy efficiency standards?

It is our view that where local authorities and cities wish to set more stringent or earlier targets they should be allowed to do so. As they are likely to be liable for overseeing the retrofit of new homes not compatible with net zero (at 4-5 times the cost of incorporating measures at the new build stage), it seems reasonable to allow some local control here.

It is positive that the government has not withdrawn the power to set local standards. However we are concerned that this could still be announced this summer, via the Planning White Paper (the government's response to the Future Homes Standard consultation states that this will "*clarify the role that they [LPAs] can play in setting energy efficiency standards for new build developments*"). We urge the government to look at the evidence generated by London, Milton Keynes and Exeter of how local innovation can bring down overall costs and support higher national standards.

- Areas can trial new approaches for both feasibility and cost-effectiveness before they are rolled out more widely (for example the 'Merton Rule').

- Areas with higher land values and/ or demand (for example, London), are better able to support the higher costs of new approaches. Early action here can scale new approaches and bring down costs making them feasible to roll out in other areas/ nationwide.

For almost 20 years LPAs have been using their powers to push for an improvement on national carbon standards in buildings. The landmark decision in 2003 by the London

Borough of Merton to require new build to generate at least 10 percent of energy from on-site renewables and achieve higher fabric standards spread to 325 (out of 390) LPAs before being formally adopted as national policy (via the Planning and Energy Act 2008, PPS 1 Planning and Climate Change).

Over the past ten years however, it has become progressively more difficult to set local standards. Whilst the 2008 Act has not been amended, in 2015 the government announced that the Zero Carbon Homes Standard (due to start in 2016) would be dropped and that higher standards could no longer be imposed at local level. This ambiguity was enough to dissuade many LPAs from doing so, except in London, where the then Mayor, Boris Johnson, pushed ahead with the London Plan which required new homes to be 'Zero Carbon' from 2016 and new non-domestic buildings from 2019. Whilst there are different definitions of what 'zero carbon' means, the policy has not stalled development and the latest monitoring report shows in 2018/9, there was an average 37 percent improvement in CO2 reduction compared with national standards.

We appreciate the concern that different standards could stall development, but in practice, this is unlikely. LPAs need to defend additional provisions to the planning inspectorate and face challenging housing targets, viability assessments and potential legal challenges from better-resourced developers. Given this, most are unlikely to act without a clear evidence base showing that policies will not affect viability. Where an urban area is made up of multiple LPAs (such as London), regional planning guidance also ensures that LPAs guidance is 'in general conformity' with the regional plan to prevent significant disparity.

The government can support LPAs to take a uniform approach by clearly out its intended long-term trajectory. This will allow LPAs opting for a where the local context allowed, to take a 'same road but faster approach' (as proposed by the UK Green Building Council here).

The new UK100 Power Shift Report has some excellent recommendations in this area.

3.3 Will heat pumps will become the primary heating technology for new homes?

Yes. Generally electric heat pumps will be most suitable heating technology for new build. New build properties are more efficient which means that a smaller, lower cost system can be installed. The 'enabling' changes that can be required in retrofit (resizing pipework and/ or radiators) are also avoided, further the upfront costs. Work[2]

[2] The costs and benefits of tighter standards for new buildings (Currie & Brown and AECOM) - Climate Change Committee (theccc.org.uk)

commissioned by the CCC shows that even where the upfront costs are passed through, heat pumps will generate lifetime savings for the occupants over other heating options (such as natural gas boilers).

In dense urban areas (and sometimes beyond this), it will be viable instead for the home to be connected to a new or future heat network. The heat for this could be provided by a range of sources (heat pumps, waste heat, geothermal or low-carbon gas).

A minority of homes with very low heat demand (such as those built to Passivhaus standard) may have heat demand that is too low to warrant that additional costs of a heat pump. Direct electric heating (for example as part of the Passivhaus mechanical ventilation system) may be more appropriate here. As heat pumps are 3-4 times more efficient than direct electric heating however, this option will only be appropriate for very low demand homes. Elsewhere a heat pump will be the most cost-effective system for the occupant(s).

The CCC's analysis suggests that over two thirds of homes will have some form of heat pump by 2050 and has recommended that the supply chain should be boosted to install 1 million a year by 2030 (over a 30-fold increase from the 30,000 installed in 2019). Since incorporating heat pumps into new build is affordable (for both developer and occupant) and requires no subsidy, maximising take-up here would be a cost-effective means of boosting the supply-chain. It is disappointing that the government decided against bringing forward the requirement for low carbon heating in new build from 2023. Early action here could have delivered an additional 400,000 heat pumps (along with the associated new jobs (heat pumps are around twice as labour-intensive as gas boilers to install).

3.4 Will proposals address performance gap between design and build quality of new homes?

Research[3] by the Passivhaus Institute suggests that on average, space heating demand in new build is around 60 percent higher than the design standard (from 54kWh/ m2/yr. to 85kWh/m2/yr.). This is broadly equivalent to the CCC estimate of a 50 percent increase.

The higher building standards set out in the Future Homes Standard will not be delivered unless there are parallel efforts to close the performance gap (retaining Part L 2013 but improving build quality would deliver a higher saving for the 2021 uplift).

[3] UK Passivhaus and the energy performance gap - ScienceDirect

The shift to low carbon heating increases the urgency here – whereas high-temperature, low-cost gas heating is fairly forgiving of leaky buildings, low temperature heating is less so. If the heat demand is much higher than anticipated (because the building is leaky), then the system will have to work harder, for longer, using more units of electricity (electricity is around 4 times more expensive than gas per unit) than modelled thereby increasing occupant costs. This has been recognised by government[4]: '*Poor build quality can lead to a new home requiring more energy for heating than intended and can result in higher energy bills for occupants*'. The CCC have said here that "*Assuming a central estimate that new build homes lose 50 per cent more heat than they should, closing the gap now could deliver £70-£260 in annual bill savings per household*"[5].

Government's proposals to address the performance gap are welcome:

i) A new compliance report (BREL) signed by both the energy assessor and the developer to confirm that the as-built calculations are accurate.
ii) Requirement for photographic evidence of measures

However, they are unlikely to be sufficient to tackle what we recognise will require a long-term approach. We would like to see 'as-built' performance testing introduced to address this. In the parliamentary committee hearing quoted earlier, the Committee asked Barratt, Persimmon and Bovis whether they would be happy to test their 'as built' performance. They responded that in principle they would be if Building Regulations mandated it. Taylor Wimpey said, "*Should a robust and implementable test of 'as built' performance be developed and mandated by Building Regulations, we would be happy to test our homes, however we are not currently aware of a suitable or reliable test that could be applied at volume.*[6]" The Committee was confident that once there is demand, suitable tests will be made available.

Proposals in the new London Plan ('Be seen' stage - London Plan 2021 Policy SI 2) on energy use disclosure will require all major development proposals to monitor and report on their actual operational energy performance for at least five years post construction. There is also scope for a national approach to build on the government's SMETER programme which uses smart meter and weather data to compare actual performance (controlling for occupancy effects) to the design.

[4] The Future Homes Standard: changes to Part L and Part F of the Building Regulations for new dwellings - GOV.UK (www.gov.uk)
[5] Energy efficiency: building towards net zero - Business, Energy and Industrial Strategy Committee - House of Commons (parliament.uk)
[6] Energy efficiency: building towards net zero - Business, Energy and Industrial Strategy Committee - House of Commons (parliament.uk)

Whilst monitoring and verification will improve visibility, compliance is likely to require a shift in approach to Building Control. The capacity of a local authority to enforce Building Regulations has been severely hampered by staff and funding cuts. The Hackitt Review, reporting after the Grenfell fire, found the whole system of regulation and enforcement was not fit for purpose, and recommended that local authorities be funded to enforce standards properly.

3.5 Is government right to introduce revised transitional arrangements?

Yes – we support this

The current loopholes which allow later stages of phased development to be built to the standard that applied when the first home was started means that new homes are still being built to pre-2010 standards. Evidence given to the BEIS Committee in 2019 found that '*62 per cent of homes that Persimmon built last year* [2018] *were to standards that pre-date the 2013 regulations, as were 52 per cent of Taylor Wimpey's and 47 per cent of Barratt's*'.

The new transitional arrangements mean that where approval was granted on the basis of the current standards, but work is not started before June 2023, the design will need to be upgraded to meet the new standards.

Further clarification on what this means in practice would be welcome. For example, where large developments include several building blocks built-off of a single podium base, it should be clarified, if each block will be counted as an individual building. Similarly, clearer definition is needed on what constitutes 'work commencing'. We would expect this to mean installation of permanent below and/or above grade works, rather than simply demolition or enabling works.

4. Part 2: Existing homes

4.1 Governance

Intra-governmental governance: A recent report by the National Audit Office[7] (NAO) highlighted Net Zero as a *cross*-Government delivery challenge, noting that it needed to be built into all departmental plans with clear plans for empowering local government. The echoes the findings of Exeter University research into energy system governance (IGov): '*Whilst BEIS have responsibility for energy supply, the determinants of energy demand are largely controlled by other government departments, including, for example, the Ministry of Housing, Communities and Local Government (MHCLG) for buildings and land use planning*'.

> **Recommendation:** For all departments to have departmental carbon budgets to guide appropriate action. For MHCLG, metrics to measure total end-user energy (kWh/ yr.) and CO2 (CO2/ yr.) would encourage action on existing homes and higher ambition for new build.
>
> Secondary targets relating to homes improved to EPC 'C' (or volumes of fabric measures installed) and low carbon heating would improve visibility here

Inter-governmental governance: In England and Northern Ireland, there is no overall plan on how local authorities fit into delivering net zero. The onus is on local authorities to work out their own course based on piecemeal policy.

In contrast to this, the Scottish and Welsh administrations have stronger frameworks (for example, Energy Efficient Scotland) and support systems in place to work effectively in step with their local authorities. The Scottish Programme, Energy Efficient Scotland, for example, includes a consumer offer for homeowners (finance [interest-free loans and grants], impartial advice and support and consumer protection) looking to improve their homes and a requirement on LAs to develop Local Heat and Energy Efficiency Strategies (alongside funding and technical support to do this).

Devolution: Metro Mayors such as Andy Street in the West Midlands have called on the government to devolve carbon targets and related funding (Energy Company Obligation [ECO] for domestic energy efficiency and electric vehicle charging infrastructure funding) to a regional level. In return for more powers and the ability to raise funding/ use existing budgets more effectively, Mr Street would deliver net zero for the region a decade earlier. The Institute of Public Policy Research (IPPR) (which has

[7] Achieving net zero - National Audit Office (NAO) Report

called for a northern carbon budget) and Exeter's University's IGov energy governance research have made similar calls.

Or collaboration? In their recent report on the role of local authorities, the CCC stops short of calling for regional devolution of carbon budgets, highlighting that whilst local authorities have *powers or influence* over roughly a third of emissions in their local areas, their *direct* control is far lower (between 2- 5% of local emissions). Instead, they call for '*collaborative delivery*' - a combination of bottom-up climate action and top-down delivery: '*Top-down policies go some way to delivering change but can achieve a far greater impact if they are focused through local knowledge and networks*.

The CCC say that collaborative delivery will require the following:

- **Framework**: An agreed framework for delivery incorporating local and national action
- **Financing**: Appropriate long-term financing to support local authorities
- **Flexibility**: Local operational flexibility around how local areas take action
- **Facilitation**: coherent policy and powers for the facilitation of delivery

Recommendation: That a clear role is set out for local government in delivering net zero. This should include a new duty to report and prioritise net zero in service delivery and procurement along with appropriate resources. Where this can allow LAs local flexibility on delivery rather than treating them as funding conduits, it will 'add value'. Support with capacity building will be required and could be delivered by expanding/ adding new BEIS energy hubs

4.2 Local government and net zero: opportunities

Beyond housing, MHCLG could use its remit on local authorities (LAs) to catalyse net zero delivery across a whole range of sectors from housing to transport to waste.

i) **Enabling net zero through building systems/ infrastructure**: The CCC estimate that than half of the emissions cuts needed rely on people and businesses taking up low-carbon solutions, many of which depend on having supporting infrastructure and systems in place (for example, electric vehicle charging).

The way that this is delivered will vary according to local context - a 'one size fits all' approach will not work. Heat decarbonisation is a good example here – different technologies will be more suited to different locales (based on housing stock/ local resources). Local government will need to play a key role

in facilitating urban heat networks and local hydrogen grids – in a strategic and/ or delivery capacity. For example, opting in public buildings to serve as 'anchor' loads or using planning power to require new buildings to connect, and securing community buy-in for hydrogen heating as part of an economic regeneration package to bolster local jobs and investment.

ii) **Mainstreaming net zero through core service delivery**: Whilst LAs have limited *direct* control over emissions (CCC estimate 3-5 percent), they have powers or influence over roughly a third of emissions in their local areas. Examples of action here include building net zero into purchasing decisions and mainstreaming it through core service delivery (for example, balancing the needs both active travel users and drivers in transport projects).

iii) **Influencing net zero compatible choices and action:** Local Government is the closest form of government to people, can be best placed to know what works best locally and is often more trusted than other public and private bodies. LAs could be instrumental in encouraging homeowners to retrofit their homes (for example, by partnering with a provider to deliver services, or by tendering for 'recommended' suppliers whose services they can promote).

iv) **Catalysing local investment:** LAs are best used to catalyse investment and add value by blending different funding streams rather than as a 'passive funding conduit' (CCC). Bristol's City Leap procurement aims to identify a suitable strategic partner to deliver more than £1 billion of energy and infrastructure investment into the region. By taking an area-based approach, pooling existing budgets and leveraging additional funding LAs have an almost unique ability to 'add value.' The West Midlands Combined Energy Innovation Zones (EIZs)is an example of the potential here. Work spans the different energy vectors taking an integrated approach to CO2 reduction (for example, utilising commercial waste heat for domestic heating). Their aim is to work at a scale beyond 'demonstration' to turn their integrated solutions into commercial propositions that can be deployed elsewhere.

Where LAs can struggle, however, is in developing opportunities into 'finance-ready' projects and aggregating them to the scale that is of interest to commercial investors. The BEIS Energy Hubs were set up to work with LAs and Local Economic Partnerships (LEPs) to do this. UK100 and Siemens have mapped the opportunities under development and identified the potential to unlock over £100 billion of investment in local energy systems by 2030 with an initial development funding of the order of £5 billion. To realise these

opportunities however, support in the energy hubs or elsewhere will need to be expanded.

4.3 Barriers and supporting LAs to deliver on this potential

There is clearly a desire amongst LAs to act in this area and a popular mandate for action - over 300 local authorities have declared Climate Emergencies (many with a net zero target date of 2030) but insufficient policy at the national level compounded by limited capacity, funding and conflicting priorities/ requirements at the local level are severely hampering delivery here.

- **Barrier 1: National Policy**: the current policy 'vacuum' for housing retrofit is a clear example here. Major change will take a package of regulation (minimum energy performance standards for all tenures; dates by when new heating in new build/ off-grid and grid-connected homes must be low carbon) and a clear consumer offer. This offer needs to make it attractive to act (for example with no upfront cost, attractive finance and lower running costs, supported by impartial advice and strong consumer protection). Whilst the private sector is ready to help with the finance, the levers to reduce energy costs (VAT, bill levies, carbon pricing) and ensure that all can access suitable finance rest with central government.

- **Barrier 2: Finance**: The report highlights competitive funding as a particular issue. Competitive grants focus resources into those most able to respond quickly, creating a vicious circle for those with less staffing/ capacity. In contrast, long-term stable funding schemes (like Salix finance which has been providing 'invest to save' loans for retrofitting the operational estate for the past 16 years) enable a wider range of LAs to benefit and build capacity. In six months, the Public Sector Decarbonisation Fund (PSDF) allocated all of its £1 billion budget. This compares with the Green Homes Grant voucher scheme which managed around a fifth of its total £1.5bn potential allocation. Whilst not the only reason, it is significant that the PSDF was a scaling-up of an existing funding scheme and builds on nearly two decades of support for the sector reduce emissions (starting in 2002 with the publicly funded Carbon Trust's Carbon Management Programme and the 2013-2019 requirement to report/ pay a carbon tax under the Carbon Reduction Energy Efficiency Commitment). This meant that potential funding recipients had the internal capability to manage the funding. A new Decent Homes Standard and Social Housing Decarbonisation Fund could support similar capacity building for social housing.

  Availability: The loss of European funding such the European Regional Development Fund (ERDF) and the ELENA Technical Assistance Programme has also caused difficulties. It is estimated that over the past 10 years £23 million of

ELENA support has led to £800 million of investment in local energy efficiency and renewables in the UK. Clarity is needed on how the UK Shared Prosperity Fund and the National Infrastructure Bank will work for LAs.

Devolving funding: We agree that it would make sense to consider devolving some budgets (particularly for housing retrofit / fuel poverty) to a regional level. ECO, for example, is funded by an energy bill-payer levy is a market mechanism which deliver measures/ CO2 savings at the lowest cost. As congested urban areas (such as inner London) and rural areas increase installer costs, these areas benefit less from the funding. Devolving funding would address this. Similarly, at a national level, three times as much is spent on helping low-income households pay their bills as is spent on supporting them to reduce their energy demand in the first place (£2.3bn versus £0.64bn). If these budgets were similarly devolved with metro mayors (for example) able to determine the allocation (between insulation measures and bill support), then this could be used far more effectively. The Home Upgrade Grant (due to be introduced in 2022) which will support low-income households to move to low-carbon heating is likely to be better targeted and more effective if delivered at a local level, with authorities able to combine funding streams (ECO/ WHD etc) where appropriate.

- **Barrier 3: Capacity**: Once this framework is in place, local government can catalyse uptake. To do this though they will need more resources and clearer priorities (a duty to act with corresponding incentives and resources). The recent UK100 report Power Shift in LA powers here found that limited powers are not the key barrier here. More important are conflicting obligations (whose needs to prioritise where there is conflict – active travel users or drivers?), limited funding and a lack of capacity. The report highlights that the oft-cited exemplars (Bristol City LEAP programme, workplace car levy, Milton Keynes new-build policies) are the exceptions – the work of extraordinarily determined individuals backed at a senior level. They note that despite the feting of Nottingham's workplace parking levy, no authorities have replicated it. An overarching duty (duties) to act to reduce community and operational emissions would help here (alongside a common methodology and adequate resources). LA income has been cut by a third in real times since 2010 and many are only able to put staff to mandatory services.

  Capacity will need to be rebuilt both within LAs and within organisations to support them. The five BEIS energy hubs have been successful in catalysing investment but would need to scale-up to provide the support necessary. A project development unit linked to the new National Infrastructure Bank (building on the successful for the Heat Networks Delivery Unit) would help here as would

specialist hubs in organisations with the relevant expertise. Energy Saving Trust provide support, funded by the Department of Transport to local authorities on fleet and electric vehicle charging infrastructure. Since the team was established in October 2018, its regional account managers have supported over 85 local authorities. There is a particular gap in support for small to medium social housing providers wanting to understand how to build retrofit into their ten-year funding strategies that could be filled in a similar way.

In Scotland, the government funds Energy Saving Trust to support LAs and social housing providers with energy strategy and stock improvement analysis. Various stock assessment and optimisation tools help social housing providers understand what investment will deliver they outcomes they want and help LAs to map geographical areas against funding opportunities.

4.4 LAs role in catalysing housing retrofit

Whilst LAs only have a degree of power or control over, at most, 10 percent of buildings (mainly limited to their own stock), they could be a lynchpin to delivering housing retrofit. There are several aspects to this role.

Table 1: LA's current powers and influence over housing (UK100, Power Shift)

New Buildings	Number / Scale	Local authority power or control
Housing	478,000 homes completed in 2016-19[92]	Power to require marginal improvement over national standards Power to build homes to own standards
Non-domestic buildings	£43,000m investment in 2019[93]	Power to require improvement over national standards
Existing Homes	**Number[94]**	**Local authority power or control**
Owner occupier	15,581,489 (64%)	Limited to homes with extreme cold or heat issues Some control over home improvements or refurbishments through Building Control Potential to check properties have an EPC on sale, through Trading Standards
Private rented	4,724,514 (19%)	As above plus properties with an EPC lower than E through MEES
Rented from Registered Provider	2,478,680 (10%)	As above plus homes not meeting the Decent Homes Standard
Rented from Local Authority	1,587,165 (7%)	Full power, subject to funding and capacity constraints
Non-Domestic Premises	**Premises**	**Local authority power or control**
Owner occupied	1,061,000 (58%)	Some control over building improvements or refurbishments through Building Control Regulation of polluting businesses
Rented	769,000 (42%)	As above plus properties with and EPC lower than E through MEES

The Heat and Buildings Strategy is expected to set out a regulatory framework including possible new regulation for minimum energy standards in rented (and possibly owner-occupied homes) and dates from when new/ replacement heating in buildings should be low carbon. If LAs are the enforcement body and the enforcement powers are bolstered, this may give LAs far more scope to monitor and facilitate housing

improvement in their areas. Increased regulation in this area, however, will only be accepted if it there is a reasonable consumer offer – a 'smorgasbord' of attractive finance to meet the higher capital costs of low carbon heating/ retrofit (including for those not able to extend their mortgage), reliably lower running costs and trusted consumer advice and protection to de-risk the transactions for homeowners. Many of the levers here sit at a national level.

Key roles for LAs in catalysing housing retrofit include:

i) **Strategic energy planning**: LAs have a key role here – regional options for heat and electricity network capacity need to be built into spatial plans and homeowners will need to understand the long-term retrofit plans/ options for their homes (for example, via green building passports) so they can invest accordingly (and reduce the risk of 'stranded assets').

ii) **Delivery:** Some LAs will play an active role here - either directly or with delivery partners. A current example of this public-sector-led model is Leeds City Council which is 'deep' retrofitting 1,000 homes across the city. The UK100 Power Shift report highlights that this could be encouraged by a partnership approach between central and local governance with regular feedback loops built into delivery programmes rather than viewing LAs as a delivery bodies for national policy.

The recent Green Homes Grants scheme included a market-based voucher scheme (for private homeowners) and a mixed tenure, public-sector-led, area-based stream (LADS). It is likely that both approaches will be needed but the latter approach can be especially effective at rolling out measures to multi-tenure buildings and for 'difficult' measures such as solid wall insulation. In addition to economies of scale, peer-to-peer validation of the technology helps to drive uptake. This is recognised by the Scottish government which funds an area-based scheme (EES: ABS) as part of their Energy Efficiency Scotland programme. This provides some funding (which is blended with ECO, owners' contributions and funding from social landlords) for local authorities to develop and deliver energy efficiency programmes (mainly solid wall insulation) in areas with high levels of fuel poverty.

iii) **Aggregating demand - demand and finance:** Other LAs may be more suited to promoting government schemes or 'preferred providers' selected via tender process ('aggregating demand'). This role can vary between a less engaged 'promoter' or a more engaged role in assembling a pipeline of work

delivered by partners. This is primarily the role envisaged for LAs in the Construction Leadership Council's recent National Retrofit Strategy

iv) **Learning by doing**: The CCC emphasise the scale of change that is needed this decade. Much of this work in scaling-up technologies (for example heat pumps) and approaches (new business models) can be done by social housing providers who have the relevant expertise. Crowding funding into social housing first will help reduce costs and risks for other tenures who may be less equipped to manage them.

v) **Enforcement:** If LAs enforcement powers here are not clear or properly resourced, then enforcement will not happen. LAs have too many competing priorities and are too wary of legal challenges to take on additional workloads. There seems to have been little enforcement of either the current MEES or Energy Performance Certificate (EPC) legislation, with a large number of landlords using the MEES exemption register. For enforcement to happen in practice LAs must have 'the tools for the job' (for MEES LAs lacked access to a register of local landlords and only public access to EPC and MEES exemption registers).

5. MHCLG's role in reducing operational emissions

Energy Saving Trust does not work directly on operational building emissions however, we would strongly support the mandatory reintroduction of reporting (along with appropriate resource) of LAs on both operational emissions and actions taken to reduce borough emissions

In Scotland for example, all public bodies are obliged to report on their emissions.

This builds capacity within reporting organisations to understand and act on emissions. It is regrettable that some of the capability within LAs to act here will have been lost with the loss of requirement to report. Whilst larger, better resourced LAs have continued this function, smaller LAs will have not and as the old energy management adage states '*If you can't measure it, you can't manage it.*'