

Manchester City Council Report for Information

Report to: Environment and Climate Change Scrutiny Committee – 9 March 2023

Subject: Housing Retrofit

Report of: Strategic Director, Growth and Development

Summary

This report provides an update to the Environment and Climate Change Scrutiny Committee on the Council's proposals to decarbonise the city's housing, incorporating an update on Green Skills and provides an opportunity for members to contribute to and influence these policy areas.

Recommendations

Environment and Climate Change Scrutiny Committee is invited to consider and comment on the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

According to the Climate Change Framework 2022 Update [1], Manchester homes make up approximately a quarter of the city's total carbon emissions. This report details progress and ongoing and new activity to achieve delivery of zero carbon objectives in existing housing.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

Key to the success of decarbonising Manchester's housing stock is the accessibility of funding, advice and services to all Manchester residents. In particular, we will need to ensure that just transition to low carbon is achieved through consideration of vulnerable households in the design of the Retrofit Plan. Well insulated homes can lead to multiple benefits, including but not limited to

- lower energy bills, and therefore reduced fuel poverty and
- improved health and wellbeing due to better thermal comfort during very cold and very hot periods of the year, reduced damp and mould and better indoor air quality.

| Manchester Strategy outcomes | Summary of how this report aligns to the OMS/Contribution to the Strategy |
|---|---|
| A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities | Retrofit provides long term employment opportunities to Manchester businesses and residents. See Section 6.3. |
| A highly skilled city: world class and home-grown talent sustaining the city's economic success | Demand for highly skilled retrofit skills will provide opportunities for training and upskilling both new and existing operators. See Section 6.3. |
| A progressive and equitable city: making a positive contribution by unlocking the potential of our communities | Retrofitting the city's housing stock will ensure healthier, more comfortable homes and in many cases provide for more affordable energy costs. This will result in improved health and wellbeing for Manchester residents. |
| A liveable and low carbon city: a destination of choice to live, visit, work | The Retrofit Plan will address the transition of Manchester's existing housing stock to zero carbon, and ensure the available housing meets the needs of the city's residents and visitors. |
| A connected city: world class infrastructure and connectivity to drive growth | N/A |

Financial Consequences – Revenue

The activity described in this report has staffing and other revenue resource implications, which will be identified as matters develop. If we are successful in obtaining government funding to contribute to our programmes, these typically come with revenue resources to enable their delivery.

Financial Consequences – Capital

Capital resources will be required to deliver the programme of work to Manchester's council housing. As described in section 3.3, this will be supported in part by grant from Social Housing Decarbonisation Fund (SHDF), should the Council be successful in our bid. Most of the proposed projects within the SHDF programme have approved budget and future reports to Executive will deal with the associated capital approvals relating to this programme.

For other housing, there may be capital resources involved/required and details of which will be identified as matters develop.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Manchester Housing Strategy (June 2022)
- Report to Economy Scrutiny Committee (8 Sep 2022 Green Skills and Housing Retrofit)
- Housing Operations Asset Management Strategy 2022-2025
- Manchester Climate Change Framework (2020-25) – 2022 Update
- Manchester City Council's Climate Change Action Plan 2020-2025 (Refreshed plan 2022-2025)
- Report to Resources and Governance Scrutiny Committee (7 Feb 2023) and Executive (15th Feb 2023) – Housing Revenue Account 2023/24 to 2025/26.

1.0 Introduction

- 1.1 Manchester has committed to becoming a zero-carbon city by 2038. With over a quarter of the city's carbon emissions generated by residential properties [1] (largely due to space heating and hot water), we must make urgent progress towards improving the energy efficiency of the housing stock and moving away from fossil fuel-based heating.
- 1.2 The Council's Housing Strategy commits the Council to targets of completing the zero-carbon retrofitting of a minimum of 1/3rd of the 67,300 homes managed by Manchester Housing Providers & achieve an EPC rating of B or above across this stock by 2032. It recognised the need and made a commitment to developing a cross tenure Retrofit Plan for the city, in order to meet these targets and ensure progress towards the wider 2038 zero carbon housing target.
- 1.3 The report to Environment and Climate Change Scrutiny Committee in September 2022 explained why a Retrofit Plan is needed, the key issues for developing and delivering a large-scale decarbonisation programme in Manchester, stakeholders who will need to be involved in the delivery of the plan, and the programme for delivery. The September report was a first step towards developing the Retrofit Plan and it recognised and set out the scale and nature of the challenge and the need to work with and influence a broad range of internal and external partners and stakeholders across the housing retrofit system. Key stakeholders include social housing providers, private homeowners and landlords in the city, and the Council must lead by example in the scale and pace of retrofitting its own housing stock. It provided details of key contributory activity to this agenda over the past few years and the planned and ongoing activity.
- 1.4 A report was also taken to the Economy Scrutiny Committee in September 2022, relating to Green Skills. The Environment and Climate Change Scrutiny Committee also recently requested information on what support the Council can offer to leasehold owner-occupiers and tenants who may be experiencing resistance from the property owner regarding installing energy efficiency improvements to the property. This is covered in section 5.
- 1.5 This report provides an update on the progress made since September, describing the key achievements and planned activity in housing retrofit. Incorporating an update on the Green Skills agenda, this report similarly describes progress and future activity in this important area.

2.0 Background

- 2.1 The September Report provided considerable detail in relation to:
 - the decarbonisation targets for Manchester's residential properties,
 - the numbers of properties, their ownership distribution and general condition

- what is meant by retrofit and the measures that can be taken to decarbonise a home

2.2 Retrofit Targets

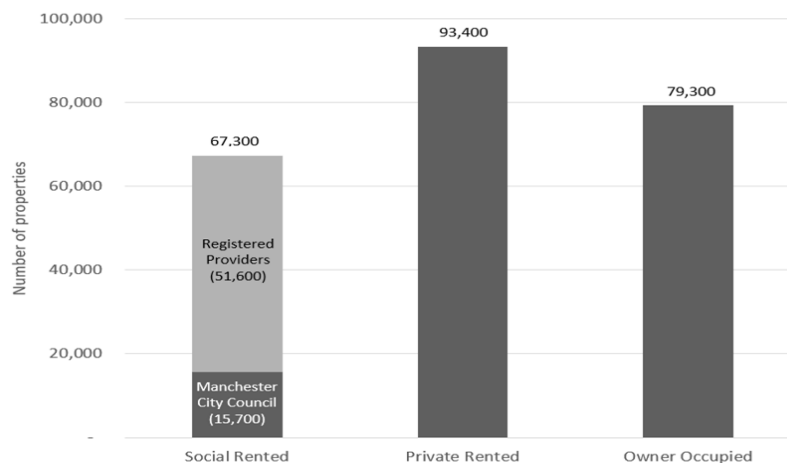
In 2019, Manchester set a target to become a zero-carbon city by 2038, with a challenging reduction of at least 50% of our direct CO₂ emissions by 2025. Housing is a key component in these objectives, contributing to around a quarter of the City's Carbon emissions. According to the Climate Change Framework 2022 Update [1], in order to reduce emissions from the domestic building stock by 50%, we will need to retrofit 84,000 (cross-tenure) properties across the city. With the average cost of home retrofit estimated at £25,000–£30,000 [2], the total cost of achieving just 50% reduction in the CO₂ emissions is likely to be a minimum of £2.1bn.

2.3 In addition to the targets set out in the Climate Change Framework, the Council's Housing Strategy 2022-32 sets a target of retrofitting at least a third of the city's 67,300 social rented properties by 2032. There is a consensus within the Registered Providers (RPs) that this is a stretch target. The Council is expected to lead the way in retrofitting its properties, with approximately 60% of the Council's own stock needing to be retrofitted by 2032 to meet the Housing Strategy target. The latter assumes that other Manchester RPs will retrofit 25% of their properties.

2.4 A significant scale of action is required to meet these targets, both internally for the Council's own housing stock and creating demand and favourable conditions across the city for private homeowners and landlords to address their properties. The time to act is now; with the recent considerable energy price increases, we must reduce the energy demand of properties through improvements in energy efficiency in order to lower the occupiers' energy bills.

2.5 Manchester Housing Stock

2.6 The number of properties owned by Manchester City Council, other RPs, owner occupiers and private landlords are shown below:



2.7 According to a modelling exercise carried out by the Greater Manchester Combined Authority (GMCA) in 2021 [3], Manchester housing across the different tenures has the following characteristics:

| | | |
|--|---|--|
| <p>Dominated by pre-war, mid century terraced and semi-detached properties</p> | <p>Cavity and solid brick walls common</p> <ul style="list-style-type: none"> • High number of uninsulated cavity walls • Many properties unsuitable for cavity wall insulation | <p>Low levels of roof insulation</p> |
| <p>Most properties have double glazing, but single glazing still exists</p> | <p>Heating</p> <ul style="list-style-type: none"> • Gas heating dominates (80%) • Electric storage heaters also common • Only 2% coverage on heat pumps | <p>Average EPC rating of D (Council Owned Housing Average EPC C)</p> |

2.8 Retrofit Measures

2.9 The majority of Manchester homes will need to be retrofitted in order for us to meet our targets. The retrofitting measures are likely to include:

- energy efficiency improvements, such as insulation of walls, roof and floors
- moving away from fossil fuel-based heating such as gas boilers to using low carbon systems such as heat pumps or connecting to heat networks.

3.0 Social housing, including Council owned housing

3.1 Progress and Emerging Plans for Decarbonising Council-owned Properties

3.2 The council owns approximately 15,700 homes. The majority of these (12,800) are managed by the Council's Housing Services. The Council also has 2,700 properties managed by contractors and funded by the private finance initiative (PFI). In addition to the properties managed by Housing Services and PFI contractors, the Council also owns a small number of properties (approx. 200 in total) which are managed by housing associations in West Gorton and Alderley Edge.

3.3 The following sections provide an update on the progress towards decarbonising the Council-owned properties since September, and the ongoing and future work planned to take them towards zero carbon.

3.4 Housing Services properties

3.5 The September report indicated that there had been significant achievements in the past in retrofitting these properties. This included, for example, £83m spend on retrofit since 2005 (resulting in a 49% reduction on Carbon emissions), securing and delivering external grants (£12m) and achieving an average EPC Band C rating for most properties.

- 3.6 Since the Scrutiny report in September, Housing Services have continued to successfully deliver the schemes supported by external funding. The largest of these is the European Regional Development Fund (ERDF) Homes As Energy Systems (HAES) project to retrofit 500 properties by the end of May 2023 and explained in more detail as a case study below.
- 3.7 We are continuing to consider updates to the Housing Services' Asset Management Strategy (AMS) 2022-25 and the development of an asset management plan which will inform the future capital programme and investment plan for our housing stock. Whilst the current AMS includes zero carbon objectives and planned capital works which will contribute to these objectives, it also acknowledges that there is a need to increase the scale and pace of retrofit to meet the wider zero-carbon objectives of the Council. We are currently undertaking technical work to update and build on previous archetype survey and modelling data. This is due to be completed by the end of March 2023 and will help underpin our housing retrofit plan and feed into our updated AMS. Alongside this, we are also working on a new Void Standard, underpinned by technical work and a voids pilot to consider the opportunities for energy works when a property becomes void, whilst balancing off the implications of increased void turnaround times and managing void rent loss.
- 3.8 One of the biggest challenges we face in decarbonising this housing stock is funding and affordability within the HRA. The challenges relating to general affordability and the management of competing priorities within the HRA (e.g., zero carbon, Decent Homes and other legislative requirements) were referenced in the September Scrutiny report. A Report to the Executive on 15th February 2023, concerning approvals relating to the HRA 2023/24 to 2025/26, set out the position and challenges in achieving zero carbon targets, including:
- The current 30-year HRA Business Plan does not include most works required to enable the Council to achieve its zero-carbon targets by 2038. The cost of retrofitting council stock today is estimated to be an additional c.£255m or c£16.5k per property. This is the cost over and above the works already planned.
 - The cost of this will not be achievable from within the ringfenced HRA without government support and/or changes to the current HRA regulations.
 - The current approved programme of capital expenditure for the financial years 2023/24 to 2025/26 is for approximately £137.4m and work is ongoing to review the capital programme to ensure that it is both deliverable and affordable whilst aligning with Council priorities.
 - The approved programme does include some schemes that will support the Council in becoming carbon neutral by 2038. The main priorities for 2023/24 include Decent Homes Standards, Fire Safety, Damp and Mould and Decarbonisation.
 - The programme to reach zero-carbon needs to be delivered in manageable phases and proposals are being worked up which look at:
 - Cease fitting gas boilers in 2023/24

- Retrofitting properties as they become void
- Aligning works with decent homes and asset management works where possible.
- Developing a programme to retrofit a fixed amount of properties per annum to achieve economies of scale and to make sufficient progress on the zero carbon ambitions.
- The asset management plan which is under development will need to address important issues including ensuring decent homes standards are achieved and maintained, and carbon reduction and fuel poverty are addressed - resident engagement is a key part of developing this plan.

Case Study – Homes as Energy Systems Scheme

Homes as Energy Systems (HAES) is an ERDF-funded scheme, delivering an estimated 1,000 retrofit interventions in the Greater Manchester region. The 5-year energy efficiency and low carbon heating programme is coming to an end in May 2023.

Manchester City Council is retrofitting 540 of our properties through the scheme, with measures including ground and air source heat pumps to replace inefficient communal and individual gas boilers, photovoltaic systems, batteries and smart heating controls. Our key drivers for the project included:

- Reducing greenhouse gas emissions through better insulation and moving away from using gas boilers
- Improving tenants' comfort at home through warmer homes and reduction of draughts and allowing individual control of temperature levels
- Identifying and supporting tenants at risk of ill health due to cold homes and presence of damp and mould
- Reducing the Council's costs and financial risk by removing fixed heating charges and old inefficient heat meters
- Reducing the Council's asset risks due to damp and mould

HAES is our biggest retrofit scheme to date and has provided lots of useful learning around effective resident engagement and optimal use of the low carbon technologies and how to address technical, supply, skills and planning challenges on future retrofit programmes.

3.9 Social Housing Decarbonisation Fund (SHDF)

- 3.10 As described above, maximising external funding to support our housing retrofit objectives is of crucial importance in assisting our HRA affordability challenges.
- 3.11 In November 2022, as part of a GM Consortium, the Council submitted a bid to BEIS (now DESNZ) under Social Housing Decarbonisation Fund (SHDF) wave 2.1. The consortium involves 17 other Housing Providers and relates to 6000 properties with a funding ask of £35m and total programme cost of £90m. Approximately half of the total bid (c3000) properties are within

Manchester, with the Council bid being the largest single bid for c1600 properties managed by Housing Services.

- 3.12 The Council's programme, supported by SHDF, involves 6 distinct and varied projects and includes: 7 High Rise blocks, Maisonettes, Heritage Properties, Individual Properties (which require boiler replacement) and a trial Void Project, all of which need to be delivered by September 2025. The majority of these projects were already within the capital programme and the SHDF funding will enable us to deliver housing retrofit alongside Decent Homes and other essential works such as those relating to building safety and fire safety compliance. The total estimated cost of these projects is c£50m and, with an anticipated SHDF grant of c£11m, a Council contribution of c£38m. The majority of the Council's required budget for these projects (c£23m) was confirmed (and approved) within the HRA report to Executive on 15th February 2023. Future reports to Executive (22nd March 2023 and 31st May 2023) will deal with the relevant capital approvals relating to the additional Council capital funding required and the increased budget due to SHDF grant, should we be successful in our bid.
- 3.13 It may be possible to provide an update on the outcome of our bid to the Scrutiny Committee as this is expected at the end of February/beginning of March. All indications are that we can be optimistic in relation to the success of our bid. Should we be unsuccessful in achieving part or all our funding ask, we will need to review these projects and consider the implications. The projects will continue to some degree given the commitment and existing approved internal capital funding.
- 3.14 There are some important requirements to note, including that the funding must be spent by the end March 2025 (we can continue to spend the Council's contribution up to September 2025), funding can only be used for defined retrofit measures, there is a minimum 50% contribution required for eligible measures by the Housing Provider and funding will not contribute to measures which take properties above EPC B and C. Nonetheless, as indicated, this funding is important in providing a much-needed contribution to the costs of retrofitting our own housing stock. It will also kick-start the large-scale action for the Council's own properties, including building internal resources, experience and skills and enhancing our ability to deliver more zero-carbon works over the coming years.
- 3.15 To manage our most obvious risks of us not delivering within these challenging timescales, and to engage a competitive market in a timely manner, we have commenced mobilisation of this programme. To enable this, we have obtained approval to spend and enter into contracts through the Council's Capital Approval Process (to the value of £400k) in advance of a funding outcome (on a risk balanced basis). We are also developing and implementing a procurement strategy, together with a resourcing (including staffing) strategy.
- 3.16 **PFI contracts**

- 3.17 The September report described in some detail the PFI contracts and pointed out that all the (2,700) homes under the Council's three PFI schemes have undergone energy efficiency and carbon reduction works, with the average EPC rating rising from band E to band C. It also indicated that we were working towards a target of having zero-carbon plans in place for all PFI-funded contracts by the end of March 2023, pointing out that the contracts are at different stages in their development of zero-carbon plans.
- 3.18 Positive progress has been made in the development of these plans, with Miles Platting PFI (1400 properties) building on their already established sustainability strategy and the other contracts, Plymouth Grove (500 properties) and Brunswick (800 properties) undertaking archetype surveys and modelling work to develop costed pathways to low carbon to meet the Council's zero-carbon strategic objectives. We are on track for draft strategies to be completed by the end of March 2023, with final strategies at the end of March 2024. Key challenges include incorporating these measures into historical, long-term contracts where zero-carbon was not prioritised and managing competing priorities of other essential works. Funding is perhaps the greatest challenge, in the context of no external funding (for properties at EPC C) and insufficient contract funding to deliver all priorities. Achieving operational savings is a potential option (i.e., omitting some work already in the contract and replacing it with low carbon alternatives). However, these will not fund the whole transition to zero-carbon and there are obvious implications on competing priorities. We are engaging with others including the NW Zero Carbon Hub on potential funding solutions for this area.
- 3.19 Another area being considered with the PFI contractors is the opportunity to connect to existing or create new Heat Networks. There are existing heat networks and communal heating in Plymouth Grove and Brunswick which require upgrading to lower carbon supplies and to improve efficiency. In relation to the latter, there is an opportunity for funding for feasibility and capital improvements under BEIS Heat Network Efficiency Fund to improve efficiency and create conditions for alternative heating sources. We are looking to bid within the first round of this feasibility funding at the end of March 2023, which is likely to lead to a capital bid under this programme.
- 3.20 **Other Council owned properties**
- 3.21 We will be continuing to look at arrangements and opportunities towards zero-carbon for our small number of properties (200) owned by the Council and managed by The Guinness Partnerships (West Gorton) and Peaks and Plains (Alderley Edge).
- 3.22 Note – from April 2023 the management of the properties in West Gorton will be brought in house within the existing Housing Services team.
- 3.23 **Other Social Rented Properties**
- 3.24 As described in the September report, in addition to the Council-owned homes, Registered Providers (Housing Associations) own a further 51,600

social homes in Manchester, with the majority (approximately 70%) of the social housing stock in Manchester being owned by four RPs:

- Manchester City Council (15,700 properties)
- Wythenshawe Community Housing Group (13,500 properties)
- One Manchester (11,800 properties) and
- Southway Housing Trust (5,700 properties).

- 3.25 The majority of Manchester Registered Providers (RPs) are members of the Manchester Housing Providers Partnership (MHPP) and its zero-carbon workstream.
- 3.26 The agreement of the MHPP members to work collaboratively to baseline their housing emissions, indicated in the September Scrutiny report, has progressed, with baseline information covering 85% of Members' stock having been completed. The four lead RPs (including ourselves) are now actively working together to develop costed investment plans to zero-carbon and share learning and this group will be widened out to all MHPP members in due course.
- 3.27 MHPP members are also developing and delivering several housing retrofit schemes, including ERDF funded schemes and SHDF funded schemes. Lessons learned from these schemes is also shared through the MHPP zero carbon sub-group. One of the largest of these schemes currently in delivery is described in more detail in the case study below.

Case Study – Arrowfield Low Carbon Communities Project

Southway Housing Trust is delivering an ERDF-funded project to retrofit around 360 homes on its Arrowfield estate in Chorlton. Works started in late 2022 and include the installation of energy efficiency measures and air source heat pumps on properties which were originally due a replacement gas boiler. Southway's aim is to reduce the estate's carbon emissions by up to 50% while delivering warmer more comfortable homes and engaging tenants in other carbon reduction initiatives. The project is due to complete in June 2023.

Lessons learnt from the Arrowfield project have included

- Timely engagement with residents through a dedicated engagement officer and project hub where residents can see the proposed air source heat pump in action
- The need to engage early with the DNO (Electricity North West) to ensure the installation of heat pumps can be carried out with appropriate grid infrastructure in place

3.28 Challenges relating to social housing

3.29 The significant challenges highlighted in the September report are still live issues for the Council in relation to our housing and our RP providers. These include:

- A large proportion of the housing stock requiring complete retrofit including installation of heat pumps/other renewable energy technologies, with costs originally estimated to be around £25k per property (and with cost inflation, now more likely to be c£30k).
- Government funding being limited in scale and scope, with considerable bidding and delivery requirements.
- Government imposed caps for social rent.
- Competing priorities and increasing requirements imposed on RPs and the Council.
- The ability of the market to respond to high quantity programmes from a relatively low base, with associated skills shortages and implications of high demand in a limited market e.g., cost increases, ability to procure enough quality organisations.
- Even where funding exists, access to the properties to carry out work is difficult, and tenant engagement and buy-in is key to success.
- A need to ensure that works – and transitions to renewable sources - do not cause unintended consequences forcing more people into fuel poverty.

3.30 It is hoped that the collaboration will help the RPs overcome some of the challenges, but with recognition that the targets are unlikely to be met without more support from central Government.

4.0 Private sector housing

4.1 Decarbonising Owner-occupied properties

4.2 The 79,300 owner-occupied properties are discussed below. The ‘willing to pay’ and ‘vulnerable and low-income’ households are covered separately, as schemes and help available for these groups differ. It is recognised that there are many other ways of segmenting the owner-occupied households and this is just one of them. Leasehold properties within the Council estates are discussed as a separate topic due to the unique challenges related to their decarbonisation.

4.3 Challenges

4.4 In general, there is a lack of accurate data on the condition of Manchester’s privately-owned housing which makes it difficult to plan retrofit interventions and measure the city’s progress towards net zero. With the current cost of living crisis, it is assumed that whilst there are likely to be significant numbers of ‘willing to pay’ households, their ability to pay for retrofit works has diminished. It is, therefore, even more important now to continue working on a range of financing options as an enabler for the city’s retrofit delivery.

4.5 **Willing to pay households**

4.6 As indicated in the September report to Scrutiny Committee, the GMCA procured a managing agent to provide impartial advice to homeowners on what they need to do to retrofit their homes, the likely costs and recommended steps to take in the process. The scheme, branded Your Home Better, helps alleviate the uncertainty that many homeowners currently have around how to retrofit their homes. The scheme was launched in June 2022.

4.7 The scheme continues to gain momentum, but given the significant challenges, has made a relatively slow start. As indicated, it is currently geared to benefit the willing to pay market and the intention is to bring in financial solutions for homeowners to access green finance products, which would likely make retrofitting more appealing to many owner occupiers. A very recent development on this has involved a financial offer for solar PV and batteries and Your Home Better is currently accepting expressions of interest from potential households. The scheme has ambitious plans to expand to become the retrofit agency of choice for the region and be able to meet the demand from Greater Manchester residents. We will continue to work with the GMCA to ensure a strong take up and maximise the benefits of the scheme to Manchester residents.

4.8 Additional help for the willing to pay households is available through the UK Government's Boiler Upgrade Scheme. GMCA has recently partnered with Octopus Energy to identify and approach owners of properties which already have adequate levels of home insulation to benefit from an air-source heat pump. Overall, 3,200 potentially suitable homes have been identified in Manchester through modelling and will be approached through a letter campaign. Households interested in an air-source heat pump can apply for a more detailed survey to be done in their home. It is noted that this offer is again aimed at the 'willing to pay' customers, as the remaining balance (total cost minus the government Boiler Upgrade Scheme grant of £5,000) will need to be paid by the homeowner. For a typical house the homeowner contribution is expected to be in the region of £4,000, although this may increase to approximately £7,000 for more complicated jobs.

4.9 **Vulnerable/low-income households**

4.10 Our work continues to identify and access funding schemes and routes for the vulnerable and low-income households in Manchester and there have been developments in these opportunities since the September report. There are currently significant amounts of funding available through national schemes such as the Energy Company Obligation (ECO) and the possibility of other funding opportunities from Department for Energy Security and Net Zero (DESNZ – formerly BEIS). Local Manchester-specific funding includes the Council's own Home Energy Loan Plan (HELP) and the Warm Homes Manchester scheme. More information about each of the currently available schemes is given below.

4.11 **The Energy Company Obligation (ECO)**

4.12 This focuses on supporting low-income and vulnerable and fuel-poor households through installation of insulation and heating measures. The policy aims to reduce fuel poverty and energy bills in the long-term and reduce carbon emissions. All obligated energy suppliers are required to deliver measures under ECO4 (the fourth round of the ECO programme). The scheme is available to those homeowners who are in receipt of means tested benefits and live in EPC D–G rated properties; however, the Council can also refer private tenure households that are considered to be living in fuel poverty or are on a low income and vulnerable – this is known as ECO Flex. Manchester City Council is delivering ECO Flex through GMCA appointed delivery contractors and will be targeting to improve approximately 1,200 homes through ECO Flex between April 2023 and March 2026.

4.13 **Other government funding - Homes Upgrade Grant 2 (HUG2).**

4.14 This funding opportunity was launched to Councils/Combined Authorities in 2022 by BEIS (now DESNZ). It provides grant for energy efficiency measures to be installed in owner occupied and privately rented properties (where the landlord owns less than 4 properties in total) and in certain prescribed Lower Super Output areas or where household incomes are below £31k. Eligible properties must not use gas as their main heating fuel and have relatively low energy performance.

4.15 The Council are awaiting the outcome of a bid for 500 properties and c£10.4m funding. If successful, it is expected that our projects will largely target poorly insulated, electrically heated apartment blocks in the city. The first stage of work will involve identifying neighbourhoods with clusters of eligible properties, with some engagement of residents and landlords to gauge levels of interest.

4.16 HELP is the Council's scheme for assisting homeowners and some private sector landlords to get access to low interest finance. Interest free loans for up to £10,000 can be made for energy efficiency works and heating system upgrades (administration charges apply). Loans are typically paid back within a maximum of seven years, or on sale of the property/death of the assisted person. Care and Repair Manchester administer the scheme on the Council's behalf and the majority of residents who take advantage of this scheme are elderly and often in crisis.

4.17 **The Warm Homes Manchester programme** receives funding from the Warm Homes Fund, a national £150m fund administered by Affordable Warmth Solutions. This small programme is currently identifying eligible properties to install first time low carbon central heating (air source heat pumps), and where possible loft and cavity wall insulation. The programme will fund upgrades to approximately 50 properties in Manchester in 2023.

4.18 In addition to the above, there are schemes coordinated by external parties which offer **emergency heating and energy efficiency measures** to vulnerable households in distress. We will continue to work with these

organisations and others to ensure that these are made available to Manchester residents. We are also working in collaboration with the Cost of Living Advice Line team to allow referrals to be made and help to be accessed, via the range of opportunities, by those who most need it.

4.19 The number of properties targeted through the above schemes has increased from a few hundred in September 2022 (the date of our last report) to several thousand in February 2023. However, there remains an evident gap in the amount of help (both financial and advice/support) available to vulnerable/low-income households. Further work is required to identify and establish suitable financial products and advisory services. The GMCA Your Home Better service may be a vehicle for this and we will continue working with the GMCA to extend the offer to as many Manchester homeowners as possible.

4.20 **Private Rented Properties**

4.21 The biggest group of properties, 93,400 in total, are owned by private landlords. We do not currently hold information about the landlords, although estimates state that there are likely to be around 10,000 of them across Manchester. This makes it difficult to target the private rented sector for improvements (or enforcements if minimum zero-carbon standards could be put in place).

4.22 A particular issue relating to landlords is that retrofit works are typically paid for by the landlord, whilst the tenant benefits from the warmer, more comfortable home and lower energy bills. This split incentive is being discussed at both local and national levels and we are keen to progress financing options for landlords to help with this. While these are being developed, landlords can access help and support towards the decarbonisation of their properties through the GMCA's Your Home Better Service. Some funding streams, such as ECO4 and HUG2 (for small landlords) also apply. We note that influencing and supporting this sector remains challenging within the current policy constraints.

4.23 We continue to work closely with the Council's Housing Compliance and Enforcement team to ensure that landlords adhere to the national Minimum Energy Efficiency Standards (MEES). The team does not currently carry out specific investigations in relation to MEES but embeds these checks in their other processes, for example when assessing for licensing or responding to damp/mould/excess cold issues. In year 2021/2022, the team carried out 371 EPC register checks to ensure compliance with MEES. It should be noted that MEES currently only requires rented properties to be at EPC band E or higher, with exemptions available too, and is, therefore, of limited help towards enforcement of decarbonisation.

4.24 We will continue to identify appropriate channels for communicating with the landlords in the city and are working with the GMCA and others to lobby for tighter minimum energy efficiency standards to be put in place. In the meantime, we will make information and guidance about potential funding sources to increase the energy efficiency of privately rented properties

available to both landlords and tenants through our website and other communications.

5.0 Cross-tenure approaches and area-based schemes

5.1 Leasehold properties within Council-owned estates

5.2 A very specific issue for privately-owned properties is presented by the leasehold flats and maisonettes which have been bought under the Right to Buy scheme within estates managed by the Council (and registered providers). Within the Council-owned estates there are currently just under 500 leasehold properties, the majority of which are low rise flats and likely to still have individual gas boilers similar to other council properties in these buildings. A small number of leasehold properties are also connected to the Council's communal heating systems in high-rise and low-rise blocks.

5.3 Some Government funding (such as SHDF) allows us to make improvements to leaseholder-owned properties as part of wider social housing improvement schemes. These schemes typically require a contribution from the leaseholder, but at much lower rate than the full cost of retrofit works. The Council's position is to recover this cost from the leaseholders. Where possible, a variety of options will be offered, including, for example, a longer repayment period, an equity loan or an offer for the Council to purchase the property and for the leaseholder to remain as a tenant. These options will be determined on a case-by-case basis and communicated to the leaseholders in early stages of the schemes.

5.4 Other Leaseholders

5.5 The Council's general approach to housing regeneration over the years has been to dispose of land on a long leasehold basis to developers. The Council therefore retains the freehold. In some specific circumstances the lease restricts the resident from altering the external appearance of their property. This has been interpreted in some cases by the interim landlord (not the Council) as a restriction on low carbon work such as fitting solar panels.

5.6 Each lease will be specific to each development and the Council will work with the interim landlord and leaseholders to reach an agreed solution.

5.7 Neighbourhood-based Approaches to Retrofit

5.8 It is now recognised that area-based retrofit schemes (also called neighbourhood based retrofit schemes) provide opportunities to regenerate neighbourhoods beyond the zero-carbon agenda, take advantage of economies of scale and develop local skills. The challenge around area-based schemes is typically around funding and enticing the residents to spend significant sums of money to upgrade their homes at time scales which may not fit their other plans, even when these costs may be lower than if they were to undertake the work entirely on their own. We continue to support the work of the Carbon Co-op on their Levenshulme-based neighbourhood scheme

and, as discussed in Section 8.3, have recently secured Innovate UK funding to explore our own neighbourhood-based zero-carbon scheme. These schemes are expected to generate significant amounts of learning around the design of neighbourhood-based interventions, resident engagement, the delivery of social value through creation of local training opportunities and jobs, etc.

6.0 Key Enablers

6.1 Introduction

6.2 Our Retrofit Plan is founded on four key enablers: resident engagement, skills, funding and partnerships. Our recent work to address these is discussed below.

6.3 Resident Engagement

6.4 Effective resident engagement is a key component to both raising awareness of the importance and benefits of retrofit and successfully delivering retrofit schemes. Since September 2022 we have undergone a combination of learning seminars, workshops, and discussions with colleagues from the Neighbourhoods, Work and Skills, Communications, Zero Carbon, Housing Services and other teams in the Council. This has resulted in the development of a Draft Resident Engagement Plan which is grounded in best practice, learned experience, and compassion.

6.5 In order to make engagement comprehensive and inclusive to all, we have used a best practice retrofit customer journey to discuss engagement at each stage of the process. Additionally, we have divided the actions we need to take over the coming years into short-term, medium-term, and long-term. This gives us a clear immediate course of action as well as allowing for flexibility in the future as we learn from experience and improve our methods. Finally, we have identified the relevant stakeholders and categorised them based on their interest and influence levels and have determined the most appropriate format and frequency to communicate with them with regards to effective resident engagement.

6.6 More generally and as part of our engagement strategy we are looking at our website page development, linking into and making use of the developing GMCA website that gives people a central place to get all the information and help available on housing retrofit.

6.7 Skills

6.8 Large scale retrofit will require thousands of new operatives to be trained and upskilled to undertake retrofit work. We continue to work closely with the Work and Skills team in order to address potential challenges and identify opportunities for early interventions. To support retrofit skills in Manchester, the Council's Work and Skills team have embedded retrofit within the Liveable and Zero Carbon priorities in the refreshed [Work and Skills Strategy](#).

- 6.9 An outcome of this priority is the creation of a retrofit working group with Strategic Housing colleagues, GMCA and local training providers to ensure skills provision will be developed to meet the needs of the emerging Manchester retrofit delivery plan in order to maximise opportunities for residents and businesses. Further work will be carried out with the Manchester Housing Providers Partnership (MHPP) to support all housing providers' needs.
- 6.10 Some skills challenges remain within the sector such as:
- Qualification structures are still not agile enough to deal with the pace of change.
 - Traditional construction skills remain a challenge for the sector which is booming. Current Greater Manchester construction pipeline is estimated at £17bn, and in addition to this, HS2 is expected to result in a significant demand for skills from 2025 onwards.
- 6.11 This is alongside an emerging, but still weak, retrofit pipeline. For example, the Social Housing Decarbonisation Fund only offers two years of funding with limited line of sight beyond this period. This makes it a challenge for existing construction workers who need to re-skill when they already have full order books. It also puts additional pressure on colleges and training providers to develop and grow training programmes and fill these courses due to the funding regime.
- 6.12 More needs to be done in schools and with businesses to raise awareness and increase communications and work is ongoing with school careers teams to support the delivery of a Green Careers tool kit co-created with Groundwork.

Working with GMCA on Work and Skills

GMCA have commissioned a range of activities to improve the provision of retrofit skills in Greater Manchester. The interventions have been designed to:

- improve the flexibility of training provision
- address any current and anticipated skills shortages through upskilling of existing workers
- attract underrepresented groups into the industry

Existing training provision in Greater Manchester already includes courses in insulation, domestic retrofit, solar panels, heat pump installations and more. These will be supplemented by new courses and 16-week bootcamps. In the academic year 2022/2023 alone, construction and green skills bootcamps are expected to benefit 500 learners.

The latest development is the launch of the [Green Skills Academy](#) in Trafford Park. The Green Skills Academy houses the latest green technology equipment in order for businesses and individuals to gain the knowledge and skills which will place Greater Manchester at the forefront of emerging technologies.

GMCA's partners on the retrofit skills agenda include (but are not limited to):

- Complete Skills Solutions
- Fabric CIC
- Low Carbon Academy
- Manchester College
- North West Skills Academy
- Oldham College

6.13 **Funding**

6.14 The Council has established a Zero Carbon Finance and Investment Sub-group to investigate funding opportunities for zero-carbon work and to engage with others externally on this agenda. For example, we are engaging with a consultancy (3Ci) on a neighbourhood-based retrofit/financing approach. We are also supporting the work of the GMCA in identifying and developing new funding mechanisms for homeowners, including their recent engagement with the Manchester Credit Union.

6.15 As described, the Government offers some, modest, support towards the decarbonisation of both social and privately-owned homes. However, there is a continuing need to lobby the Government for:

- More funding for all homes
- Longer, more sustainable policies
- Devolved powers to direct funding to those households/neighbourhoods with the potential to create the biggest impact in terms of reduction of (fuel) poverty, improvement of health and wellbeing, reduction of carbon emissions, etc.

6.16 We are also working with various partners to explore new funding and financing mechanisms. From 1st April, the Council will be working on an Innovate UK funded three-month feasibility study to explore further the concept of a Net Zero Neighbourhood. This concept would allow, among other things, the delivery of energy efficiency improvements at a neighbourhood level. We have also submitted a bid to Ofgem's Strategic Innovation Fund as part of a wider consortium and are waiting for the outcome. This funding would allow us to do further work in identifying cost savings in grid infrastructure upgrades and could open up future funding streams for home retrofit.

6.17 **Partnerships**

6.18 Delivering the city's Retrofit Plan will require collaboration across Council teams as well as many other Manchester-based and national organisations and networks. We cannot achieve our challenging targets working in isolation.

6.19 We have already established retrofit networks and collaborative working practices with many Council teams and are working hard to avoid silos. These include:

- Working with the Neighbourhoods team to identify areas for retrofit schemes and potential communication channels with residents.
- Ensuring teams answering calls on the Council's Cost of Living Advice Line are familiar with support available for households without heat and in emergency situations and are able to refer residents to the available schemes.
- Establishing regular communication with the Planning team to identify and address potential planning challenges on ongoing retrofit schemes.
- Opening up a conversation with the Policy, Partnerships and Research team on the Council's anti-poverty strategy and how home retrofit can support the delivery of this strategy.
- Contributing to conversations on new build, particularly for social housing, to avoid unnecessary future retrofit costs.

6.20 Our relationship with the GMCA has allowed us to integrate the findings of recent large-scale decarbonisation masterplanning work, such as the Local Area Energy Plan and Heat Network Zoning, into our retrofit thinking. In particular, these have informed our identification of opportunity areas for heat networks and allowed us to progress conversations with wider stakeholders. We are in regular communication with the various teams at GMCA, including those delivering Your Home Better and the retrofitGM action plan, as well as the combined authority-led GM Housing Retrofit Group. These partnerships allow us to explore different funding mechanisms and options such as group procurement to alleviate issues with technology supply and ensure help available through the combined authority is communicated effectively to Manchester residents.

6.21 Manchester Climate Change Agency published its update to the city's climate change framework in late 2022. This details the level of retrofit activity needed to reach our zero-carbon target. We are working closely with the Climate Change Agency to share knowledge, particularly around new funding mechanisms for retrofit, and to ensure we stay involved in the initiatives that allow us access to different stakeholder networks and state-of-the-art research.

6.22 As discussed in Section 4, we have established a new working group with the largest social housing providers in the city to share knowledge and ensure social housing providers have costed plans to zero-carbon. This partnership has already resulted in the successful exercise to baseline emissions from the city's social housing stock. Findings from the working group are communicated to other social housing providers through the existing MHPP forums for their knowledge and input.

6.23 We continue to work with the electricity Distribution Network Operator (DNO), Electricity North West, both through the GMCA and directly through the delivery of our own retrofit schemes. This will ensure the electricity infrastructure in the city is able to support the large-scale electrification of heating.

- 6.24 We are establishing links with third sector organisations in the city, including Groundwork Greater Manchester, to ensure we are well connected and able to share knowledge about help available for Manchester residents. More work will be needed to further build this network.
- 6.25 We are nationally recognised for the work we have done to establish and progress a retrofit plan for the city. We actively participate in the UK Green Building Council's Local Authority Retrofit network. This has allowed us to meet other local authorities with similar interests in large-scale retrofit and discuss challenges, for example relating to specific tenures. We continue to support the work of 3Ci to identify and progress different funding opportunities for large scale retrofit. We intend to continue our externally-facing presence to ensure we learn and adapt best practice from elsewhere to our own operations.

7.0 Monitoring and Reporting

- 7.1 In order to monitor our progress against the 2038 zero carbon and various other city targets, we are proposing to set up a progress monitoring framework. This will be established in collaboration with others, in order to ensure availability of data and usefulness of the reporting metrics. Work on this is ongoing, but our draft reporting metrics include for example the following:

| Metric | Availability of data | Why proposed | Notes on coverage |
|---|--|---|---|
| EPC movements | Through national database. | Improvements to the overall EPC scores in the city will indicate the level of retrofit work carried out overall. | Back-ward looking. Top-down approach. Covers private home owners, landlords and social housing providers. |
| Number of low carbon technology installations | Through MCS database. | MCS certify low-carbon products and installations used to produce electricity and heat from renewable sources. This quality mark is currently required for all government-funded installations and indicates the level of activity in the city. | Back-ward looking. Top-down approach. Covers all tenures, but is only a requirement for Government-funded schemes (i.e. won't capture all installations in the city). |
| Retrofit programme data • Number of homes | Through other social housing providers and GMCA. | Captures data and plans on local retrofit programmes, such as: <ul style="list-style-type: none"> • SHDF • HUG | Forward-looking (overall targets re: number of homes, anticipated measures, costs, programme dates) |

| | | | |
|---|--|--|---|
| planned/ completed <ul style="list-style-type: none"> • Measures • Costs | | <ul style="list-style-type: none"> • ECO • Your Home Better • Warm Homes Manchester | Back-ward looking (completions, actual cost) Bottom-up approach. Covers programme data only (i.e., not work done by individuals, unless through Your Home Better or similar). |
|---|--|--|---|

8.0 Conclusion

8.1 An ambitious work programme is underway now that the Council has its own zero-carbon team within Strategic Housing. Significant progress has been made by the team, working collaboratively with several other internal teams, including Work and Skills, Neighbourhoods, Housing Services, Zero Carbon and Finance as well as externally with a range of partners and stakeholders.

9.0 Equal opportunities

9.1 Retrofitting the city's housing stock will ensure healthier, more comfortable homes for Manchester residents and result in improved health and wellbeing for the city's residents. The consideration of vulnerable and low income households in the development of the plan will be key to ensuring just transition to zero-carbon housing.

10.0 Risk Management

10.1 Key risks for the development and delivery of the Retrofit Plan include, but are not limited to, the following:

- Availability of funding for the Council, RPs, private homeowners and landlords
- Low demand for zero-carbon works by Manchester residents, particularly due to the current energy price crisis
- Lack of skilled, PAS2035 qualified retrofit assessors, coordinators and installers in the local area
- Short supply of required technologies such as air source heat pumps
- Difficulties of engaging with certain stakeholders, such as private landlords
- Access to properties

11.0 Legal Considerations

11.1 Legal aspects to note include the consideration of lease terms and conditions when planning zero-carbon works and the support offered to private homeowners within Council and RP-owned estates.

12.0 Recommendations

- 12.1 The Scrutiny Committee is asked to consider and comment on this report and the Executive is asked to note the report and approve the recommendations.

13.0 References

1. Manchester Climate Change Partnership. Manchester Climate Change Framework (2020-25) – 2022 Update.
2. Savills. Northwards Housing Zero Carbon Study Report. February 2020.
3. Pathways to Healthy NetZero Housing for Greater Manchester. Report produced by Parity Projects, Bays Consulting, ACE Research and Energy Systems Catapult for the GMCA in February 2021.