

SOCIAL HOUSING BRIEFING NOTE

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Funding Options

This briefing note looks into how social housing providers can get access to funding for low carbon technologies in retrofit and new buildings.

The primary sources of funding are the Low Carbon Buildings Programme, EEC, the Housing Corporation and other energy supplier schemes.

A) Low Carbon Buildings Programme (LCBP)

On the 1st April 2006 the Low Carbon Buildings Programme (LCBP) replaced the Clear Skies Grant scheme. The new programme differs in that it aims to promote a more holistic approach to reducing carbon from buildings by encouraging applicants to consider energy efficiency alongside microgeneration.

The programme will have distinct funding streams targeted at different groups:

- **Stream 1 for individual property owners** including private householders and small to medium enterprises to install microgeneration on small buildings.
- **Stream 1 for non-profit community organisations** such as registered charities, community groups, local authorities, schools to install microgeneration on community buildings.
- **Stream 2 – for applications for large projects from non-profit community organisations** as above plus businesses, building developers, energy services companies, and the public sector to install microgeneration on large-scale building projects.

The stream that applies for social housing providers is most likely to be determined by the size and cost of the project.

Levels of grants

Stream 1– Individual householder & small businesses

Grant levels will be as follows and will be regularly reviewed as the market for each technology develops:

Solar photovoltaics

Maximum £3,000 per kWp installed subject to an overall 50% limit of the installed cost (exclusive of VAT)

Wind turbines and Small Hydro

Maximum £1,000 per kW installed, up to a maximum of £5,000 subject to an overall 30% limit of the installed cost (exclusive of VAT)

Stream 1 – Community

Grants will be up to 50% of the capital and installation cost of the microgeneration technologies installed and is currently set at a maximum of £50,000. These grants will be awarded competitively.

Stream 2 grants are further subdivided as follows:

For large retrofit projects (category 1), grants will be up to £100,000 per project. For major refurbishment and new build projects (category 2) grants will be available up to £1 million per project.

The proportion of eligible costs that will be grant funded will be constrained by State Aid requirements but is likely to be up to a maximum of 40% of the capital and installation costs of the microgeneration technologies installed. (There are constraints on the amount of State Aid i.e. grants and funding that a government can give in order to ensure free competition in the European Single market).

Note: Energy efficiency advice for stream 2, category 2 applicants will be undertaken by the Carbon Trust, will be part of the eligible costs and will therefore count as State Aid.

Application procedure

The entire Stream 1 (Individual householder) process, from application to claim will take up to 30 working days. This is excluding the time it takes for system installation. Once the online application system is ready, the process is expected to go through more quickly.

Stream 1 (Community projects) and Stream 2 Applications will be accepted through a competitive tender process. The call for applications will happen quarterly. The date of the calls will be published each year. Applications submitted will be judged on a competitive basis against given criteria so that the best projects can be selected for funding. This will be done by an independent panel of experts.

Non deductible public subsidy

According to the Housing Corporation, LCBP will not be classified as *'other public subsidy'* for Social Housing Grant purposes. So LCBP grants will not be deductible from any social housing grants.

B) The Energy Efficiency Commitment 2005 – 2008 (EEC 2)

The Electricity and Gas (Energy Efficiency Obligations) Order 2004 ('the Order') came into force on 22 December 2004. It follows on from EEC 2002-2005, (EEC 1) establishing energy efficiency obligations for certain gas suppliers and electricity suppliers for the period 1 April 2005 to 31 March 2008. EEC3 (2008-2011) is currently under consultation but it is likely to be between 50 to 100% bigger than EEC2.

Energy suppliers must deliver quantifiable energy savings based upon total customer numbers for both gas and electricity.

Suppliers must get schemes approved by Ofgem and they must meet Ofgem's Administration and Technical Procedures.

The social housing provider must say that they would not have completed the measures without the EEC funding from the energy supplier.

Half of the total EEC target for each supplier must be achieved with 'Priority Group' households. This is defined as householders in receipt of the following benefits or tax credits.

- income support
- housing benefit
- council tax benefit
- income based jobseekers allowance
- attendance allowance
- disability living allowance
- disablement pension benefit (which must include constant attendance allowance)
- war disablement pension (which must include the mobility supplement or constant attendance allowance)
- child tax credit (where the consumer's relevant income is £14,600 or less)
- working tax credit (where the consumer's relevant income is £14,600 or less)
- state pension credit

EEC for Social Housing Providers

The process the social housing provider will have to follow will probably follow this procedure:

- 1) The social housing provider will need to send detailed information about the condition of the stock that needs renovating to the energy supplier. This will then act as an expression of interest. This will include an estimate of the number of households classified as priority group.
- 2) The supplier will then make a tailored offer. For cavity wall insulation it is likely to be 100% of the cost. For loft insulation the level of funding will vary depending on the existing level of insulation and the fuel source of the house. Grants for external wall insulation and fuel switching will also be available.
- 3) Either the housing provider or the energy supplier can tender out the work and get it completed.
- 4) Once an inspection on a proportion of the properties has been made, then funding can be agreed more accurately.

As a rule of thumb – the greater the energy saving the greater the funding.

Technical Requirements (as required by the Ofgem's technical specifications)

Work carried out must be;

- British Board of Agrément (BBA) certified. The BBA's Agrément Certificates have been providing authoritative and independent information on the performance of building products for over 35 years. Every BBA Certificate contains important data on durability, installation and compliance with Building Regulations.
- 25 year CIGA Guaranteed. The Cavity Wall Insulation Guarantee Agency provides independent 25 year guarantees for cavity wall insulation fitted by registered installers. Under the guarantee, any defect in the materials or workmanship in connection with the cavity wall insulation would be rectified without charge (subject to some terms and conditions).
- (Loft insulation) to a depth of 270mm and hatches insulated and draught sealed.

C) The Housing Corporation

The Housing Corporation administers the National Affordable Housing Programme which oversees the funding of public money into Social Housing in both renovation and new builds. The Housing Corporation is a Non-Departmental Public Body sponsored by the Department for Communities and Local Government (previously the ODPM).

When the 2004-06 funding programme is complete, it will have invested £3.3 billion in over 62,000 affordable homes, and bidding for the 2006-08 programme is under way.

The Housing Corporation also oversees the injection of private finance into the affordable housing sector. Since 1989, private sector lenders have invested almost £20 billion in housing associations, dwarfing any other private sector lending initiative into social programmes. The Housing Corporation collects and analyses financial and management information on all housing associations. In addition, every housing association with more than 250 homes is continuously assessed on its performance against the Regulatory Code.

Investment funded by the Housing Corporation must meet the Scheme Development Standards (SDS2003) in briefing note 4.

D) Energy Supplier Renewable Energy Schemes and Grant funds.

There are a number of renewable energy schemes that energy supply companies have. These change from time to time but examples given here show the types of subsidies given.

There is a £1,500 discount on ground source heat pumps from npower. Powergen also have a ground source heat pump scheme called HeatPlant that have a fixed price of £5,000 per 5kW unit (minimum of six installations). This cost does not include the heat delivery system, but does include the bore hole drilling.

Scottish Power have a Green Energy Trust with a maximum grant of £25,000 or 50% of the costs. The scheme must have an education element and can be 'match funded' through the Low Carbon Buildings Programme.

Powergen have a similar scheme called Green Plan, which has a minimum of £2,500 and a max of £25,000 and can be match funded through the Low Carbon Buildings Programme.

EDF Energy also have a fund with a maximum grant of £30,000.

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Last updated – October 2006