

Utilising ERDF for Energy Efficiency in Social Housing Summary Report

A review of economic and
environmental benefits

ESTA



Environmental Sustainability
Technical Assistance

The ENWORKS Environmental Sustainability Technical Assistance (ESTA) project is designed to support North West LEPs and their partners to embed sustainable development into their economic development priorities and strategies.

The project is funded by the European Regional Development Fund (ERDF) and delivered in collaboration with the Environment Agency.

The four key work streams are:

Support the strategic input of Local Enterprise Partnerships (LEP) and other local partners – establishing an environmental sustainability evidence base and priorities for sustainable growth to inform the transition to a low carbon and resilient economy.

Support applicants in developing ERDF eligible projects.

Support the delivery of ERDF communications.

Capture lessons learnt and best practice.

This report was commissioned by ENWORKS to provide a review of the economic and environmental sustainability benefits derived from ERDF funded energy efficiency in social housing projects in Cheshire and Warrington, Cumbria, Greater Manchester and the Liverpool City Region. Good practice and learning from these projects has been identified to maximise the effectiveness of future similar activities through EU programmes or other sources of funding.

PROJECT OVERVIEW

The European Regional Development Fund (ERDF) provided 50% funding to four projects in four different Local Enterprise Partnership (LEP) areas to retro-fit social housing properties with a range of new energy efficiency measures and renewable energy technologies, and to act as a stimulant for the low carbon economy.

These projects were:

Conservation and Acceptance of Renewable Energy in Social Housing (CARE) - Cheshire & Warrington
Cumbria Cohesion
Greater Manchester Energy Smart Homes (GMESH) - Greater Manchester
Renewables & Energy Efficiency in Community Housing (REECH) - Merseyside

Over 5,000 homes were improved through these projects, with an investment totaling over £40 million including £20 million ERDF and £20 million match. Match funding was provided through a mixture of the Social Housing Provider's own capital reserves, Community Energy Saving Programme (CESP) and Carbon Emissions Reduction Target (CERT). In all the projects match funding was also contributed by local authorities, in varying levels, mainly for project administration and management costs. 17 Housing Associations were involved in the projects.

These four projects have delivered a range of valuable benefits including jobs created, skills developed, energy and CO₂ savings and increased capacity to deliver further schemes. There are a number of key findings that have been identified as part of this review which should be considered when putting together future funding bids and programmes. These, together with a set of recommendations are set out below.

‘Insulation delivers the most cost effective energy savings and also supports the largest number of jobs.’

KEY FINDINGS - ECONOMIC DEVELOPMENT

1 Due to the nature of the work, which involves a large number of sub-contractors with short contracts, it is difficult to meet the ERDF reporting requirements (Full Time Equivalent for one year) to document the number of jobs created. It could therefore be beneficial to develop a method that captures the true level of job creation whilst also providing evidence for ERDF. This could include monitoring person-days on the job and where these people live. Nonetheless energy improvements to social housing does create jobs and develop skills in the local economy which given the wide variables, are likely to be between 6 and 22 jobs per £1 million, depending on the nature of the work. For the four projects studied in this report, that is equivalent to between 240 and 880 jobs.

2 The nature of the work in large-scale insulation projects leads contractors to employ local workers for delivery, even if the company is based outside the area.

3 Procurement procedures can determine whether a project supports local businesses.

4 Including local job and training targets in contracts with suppliers, and requiring them to report on this, raises the profile of the value of the work to the local economy and makes it easier to track.

5 Projects can maximise opportunities for local companies by holding supplier engagement events to introduce the main contractor to local companies, gives them an opportunity to learn more about the project and how procurement is carried out.

6 Training in external wall insulation has been critical to the success of all four projects, and there is now a greater pool of skilled labour available in companies across the delivery areas able to take on future work.

7 Supply companies are very involved in delivering appropriate training and may be better placed to respond to training needs than educational establishments alone.

8 The experience gained on the ERDF projects has enabled the Housing Associations to plan further large-scale energy improvements, including projects funded through ECO.

9 Energy improvements deliver multiple benefits for householders including cost savings that can further support the local economy, and health benefits that can support higher levels of economic activity. People who are fuel poor (including those who live in social housing) will take the majority of the theoretical saving as increased comfort.

10 Partnerships to deliver large-scale projects require time and resources to manage, but generate additional value from sharing experiences and building the capacity to develop and manage further projects.

11 The experience gained by the project co-ordinators in managing large EU-funded programmes should be captured to support future projects.

KEY FINDINGS - ENVIRONMENTAL IMPACT

1 Insulation (the fabric-first approach) delivers the most cost effective energy savings and also supports the largest number of jobs. External wall insulation can improve the look of an area and how tenants feel about where they live, as well as providing energy savings.

2 Even external work on energy measures is invasive. Involving residents at an early stage and through the process of energy upgrades is important to get high levels of uptake and to deliver the project smoothly.

3 Personal contact with tenants is essential for any new energy system that involves controls, and appears to be necessary for fabric first measures like external wall insulation in order to make the best of potential energy savings for the residents and to avoid problems with damp or condensation.

4 The method used for calculating energy and CO₂ savings does not reflect the reality of the properties and tenants involved in these projects. Evidence from other projects working with social housing tenants suggests that the predicted CO₂ savings are overstated by the method. In the early stages of future projects, consideration needs to be given to how to estimate expected savings, as actual data will continue to be hard to come by. There is a small body of evidence on the complex interaction between the installation of energy measures and residents behaviour, and the latest research in these areas must be taken into account in designing future schemes. A limited amount of learning on actual energy savings will be produced by these four projects. For more information on carbon related Behaviour Change see the ESTA report at <http://www.enworks.com/ESTA-project-outcomes>

5 Pre-installation monitoring is difficult as part of a time-limited project such as those funded by ERDF, but a reasonable comparison between pre- and post-installation energy use can be achieved where residents already keep their energy bills. Investment in smart metering as part of a project may assist this, but the issue of data confidentiality and the difficulty in retrieving private historical data from the utility companies will remain. However, lack of baseline data should not be a barrier to taking action to improve the building fabric.



‘Personal contact with tenants is essential for any new energy system that involves controls.’

KEY FINDINGS - FUNDING

1 European funding is difficult to manage and perceived to be risky for the Housing Associations, but it provides important investment to trial new approaches to energy efficiency and renewable energy generation for housing providers, and brings in investment to the areas of delivery.

2 Matching funding from different sources with different deadlines and payment timescales can create a level of exposure which is difficult for providers to manage. These issues need to be fully understood by applicants before bidding for funding. They will also need to ensure that they have undertaken a risk assessment to determine whether timescales for delivery are achievable and that their procurement processes are compliant.

3 Experienced and well-resourced project managers to coordinate and manage the ERDF process are essential to make the most effective use of ERDF for future large-scale housing energy improvements.

4 Energy measures are expensive and continued grant funding is essential in areas where housing is low value, limiting the amount of finance that can be borrowed against it. The Housing Associations interviewed highlighted that people who are fuel poor will take the majority of the savings as increased comfort. They are therefore likely to use less energy in the first place than the scheme predicts and so will not make the savings that are needed to make the Green Deal work. Some also take the view that their tenants should not be paying 7% interest on energy efficiency measures, which is the interest rate they would be paying through their energy bill, for the Green Deal loan.

5 ECO is the most important funding source in the short term and the Housing Associations are working hard to attract as much of this as possible.

6 The Housing Associations routinely use their own funds for improvements to their properties: by combining these with additional sources of funding such as ERDF or ECO, they can invest in enhanced energy efficiency and renewables, maximising the improvements that can be made in one intervention and enabling them to trial new technologies or approaches on different property types.

7 Some LEPs may be working on a Green Deal Strategy for their local areas, but Green Deal loans on their own are unlikely to be a useful finance mechanism for Housing Providers, although they may be used in conjunction with other funds in certain circumstances.

8 LEP areas that have an understanding of what types of housing will qualify for ECO and EU funding, and have developed investment-ready packages of energy measures will be best placed to negotiate good deals with the energy companies and future ERDF support.

9 Peaks and troughs in demand caused by funding schemes coming to an end before follow on schemes are available, reduce confidence in the market and limit expansion of companies in the supply chain.

SUMMARY AND RECOMMENDATIONS

These four projects have provided a massive learning experience for the Housing Associations, contractors and other organisations involved. They have also delivered benefits in terms of jobs created, skills developed, energy and CO₂ savings and the capacity to deliver further schemes.

In the short term, ECO will be able to support the installation of further energy efficiency improvements in both social and privately-owned housing. However, the opportunity to attract further EU funding should not be missed. At the same time the difficulties faced by these four projects should not be ignored and the lessons should be incorporated into the design of future funding bids and programmes.

In order to ensure that the local benefits of housing improvements are maximised, and local areas are able to attract as much.

SUMMARY AND RECOMMENDATIONS

1 Make housing energy efficiency a priority in investment plans: LEP areas that have an understanding of what types of housing will qualify for ECO and EU funding, and have developed investment-ready packages of energy measures will be best placed to negotiate good ECO deals with the energy companies and future ERDF support.

2 Insulation delivers the most cost effective energy savings and also supports the largest number of jobs. Future projects should include insulation of hard-to-treat properties as a key priority and not simply focus on innovative technologies.

3 Ensure residents and community-wide engagement / communication is a core part of any project relating to energy efficiency and renewable energy in housing.

4 Ensure procurement frameworks and contracts contain clauses to support the use of local labour and the development of local skills.

5 Support or facilitate the development of partnerships to attract future investment in housing energy improvements.

6 Support the sharing of lessons learnt by the partners and project co-ordinators involved in these four ERDF projects.

7 Support the development of more robust methods of capturing data on job creation and CO₂ savings.

8 Ensure that project developers fully understand funding requirements before bidding and undertake a risk assessment to ensure timescales are achievable and procurement processes are compliant.



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About ESTA

The Environmental Sustainability Technical Assistance (ESTA) project is funded by the Environment Agency (EA) and ERDF to support the five North West LEP areas to embed environmental sustainability into their economic development priorities and work streams; it runs from April 2012 to December 2014.

For more information visit

www.enworks.com/ESTA-intro



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