

# HUG 2 Policy Review FAQs

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The HUG 2 Team would like to take the time to thank all the Local Authorities and Consortia who attended our Policy update meeting on the 16/02/24.

## Policy Summary

The current policy exists to ensure upgrades to properties support our objectives to:

1. Ensure that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band C, by 2030 and
2. Contribute to Net Zero targets.

Cost caps, measure grading, and value for money checks exist to ensure the scheme maintains value for money, as well as ensures as many homes as possible can be treated with existing budget.

We have identified five changes to support GR project leads accelerate delivery under the scheme without negatively impacting on scheme outcomes. These are:

1. **Income threshold:** updated household income threshold
2. **High retention storage heaters:** adjustments to measure grading in certain circumstances
3. **Cost caps:** simplification
4. **Flexibility:** introducing an allowance to temporarily exceed cost caps providing they are met on average by scheme end
5. **VfM measure cost benchmarks:** increasing transparency

## Income Threshold FAQs

### Is £36K net or gross income?

£36,000 is a gross household income threshold.

**Has the after-housing costs methodology been reviewed to include service charge, ground rent and council tax?**

The methodology for calculating the £36k income threshold has remained the same. The After Housing Costs Equivalisation tables have also remained the same. Housing costs include mortgage costs and rent costs.

**Which benefits can be disregarded from the household income calculations?**

Benefits that can be disregarded from the income calculation are Personal Independence Payments, Disability Living Allowance and Attendance Allowance. Qualifying for any means-tested benefit would make a household automatically eligible to receive an upgrade through HUG 2.

**Can the new £36k income threshold be promoted now before submitted the batches on 2<sup>nd</sup> April?**

Yes, we encourage you to ready your pipeline so you can be ready when the policy takes place. The Consumer Advice and Information service will also be updated to reflect the new income threshold for HUG 2 by 2<sup>nd</sup> April.

**What if a local authority has a higher income threshold confirmed with DESNZ, is there a proportionate increase offered due to extremely high living costs?**

Proportionate increases will not be given to Grant Recipients (GRs) that have already agreed a higher income threshold. If GRs have a previously agreed income threshold that is higher than £36,000 it can be retained

**Does the HUG 2 Policy team know if the income threshold for ECO Flex is going to be aligned with £36k to simplify cross referral?**

The ECO 4 scheme will run until 31<sup>st</sup> March 2026, and the income threshold will be retained at £31,000 for ECO 4 throughout the scheme. We are not able to confirm whether the income threshold increase will apply to future waves of ECO after the end of ECO4. The change to HUG 2 policy on income threshold has been made independently of ECO.

## High Retention Storage Heaters (HRSB) FAQs

**Will HRSB stay at Grade C for all other property types/circumstances?**

Yes. HRSB will remain at grade C for all other property types. The regrading applies to electrically heated off gas grid flats, where the installation of an ASHP is not technically feasible and/or 3rd party permissions cannot be obtained.

**How can we best support smaller houses that cannot facilitate an ASHP?**

We would expect a retrofit coordinator to recommend measures that are viable in the medium-term improvement plan.

Where low temperature heat pumps are unsuitable for the dwelling, we expect, in order of priority, connection to low-carbon heat networks (if appropriate for the stock applied with), high temperature hydronic heat pumps, air to air heat pumps, high retention electric storage heaters with at least 0.8+ SAP responsiveness (in

electrically heated flats and small dwellings only), or solid biomass to be considered when determining the next best option for deliverability, value for money, affordability, sustainability, and air quality.

There is also a separate energy efficiency cost cap that is available for other types of measures such as insulation and solar PV which can support smaller homes.

**Can mid terrace properties be included in upgrade to Grade B for storage heaters? As mid terrace properties often can't have a ASHP installed.**

HRSH will remain a Grade C measure in all circumstances other than for electrically heated flats which cannot receive an ASHP for HUG2.

The change we are making will reduce the number of HRSH that are included in Grade C providing more room within the Grade C threshold to install HRSH in other property types where required. There is also a separate energy efficiency cost cap that is available for other types of measures such as insulation and solar PV.

**Why have the policy changes focussed on flats?**

Previous feedback from GRs had indicated that flats were one of the major blockers to delivery, and these properties have the most limited range of measure options available to them. This change will also reduce the number of HRSH that are included in Grade C providing more room within the Grade C threshold to install HRSH in other property types where required.

**Automatic Batch System (ABS) FAQs**

**Why are the policy changes “expected” to go live on the 2<sup>nd</sup> of April? Could the changes to the ABS go live before the 2nd of April?**

Our delivery partners that oversee the ABS are working towards launching the changes to the ABS and CAI platform on the 2nd of April. If this date is moved forward or delayed, then this will be communicated via SPOCs.

We encourage GRs to ready their pipelines to be able to submit batches of homes contingent of the changes as soon as the updates have gone live on the ABS.

**Will the ABS be down at the end of March for the amendments to happen?**

The ABS will continue to be available for batch submissions as usual up to and including 2<sup>nd</sup> April- batches of homes that are not contingent on the policy changes being implemented should continue to be submitted.

**With the LCH £14k cost cap applying to all archetypes (except Park homes) on the ABS, will GRs now have to enter the combined total number of properties, or will they still enter a row for each property archetype?**

The ABS will be updated so that the average cost cap will apply to all archetypes for Low Carbon Heat and costs will be averaged, however GRs will still need to enter a row for each property type. The DP will provide support on the updated ABS system so that GRs are confident to use the system.

## **How will Grant Recipients be supported to use the ABS?**

SPOCs will be available to support each GR to ensure that they are able to use the updated ABS system. Training resources on the ABS changes will be made available and drop-in sessions will be planned for GRs to provide any further support.

## **Can the measure mix tracking be shared with GRs?**

Unfortunately, at this time measure mix tracking cannot be shared at a GR recipient level. At a scheme level the data on number of measures installed is publicly available in the HUG 2 statistics release.

## **Does this mean delivery completion won't happen in April 2024 then? As getting batch approvals has taken in some instances weeks therefore if we cannot submit batches for year 2 in March, April completion won't happen.**

Batches of homes that are dependent on the policy changes can be submitted from 2<sup>nd</sup> April. Batches that do not need the policy changes can continue to be submitted as normal.

Batches should be responded to by the DESNZ delivery partner Arup within 24 hours, apart from escalations that need to be escalated to DESNZ to approve or reject which can require more time.

## **Cost Caps and Flexibility to Exceed FAQ**

### **What will happen to the headroom for EE flats and mid-terrace properties when the caps are combined? Can headroom from either archetype be used?**

The cost cap for energy efficiency measures will be combined for flats and mid-terraces, so for energy efficiency measures the cost cap will be £8k for cavity and £15k for solid wall homes, for both flats and mid-terrace homes. The headroom for flats and mid-terrace homes with the same wall type can be shared, and the costs can be averaged when submitted in the same batch.

### **How do GRs report on dropout data, e.g, EPC data inaccuracy for non-eligible (off programme) properties?**

GRs should keep their own record of properties that have dropped out as this data is not currently requested in the monthly reporting template.

Costs for properties that have dropped out of the scheme (e.g. ineligible EPC) should be absorbed into A&A costs as these are costs towards works intended for the scheme.

### **Could the Department consider unlocking the restriction of use of headroom on Energy Efficiency Measures across archetypes?**

We are not intending to make further changes to the cost caps within HUG 2, however we will consider the feedback for the design of future schemes.

### **What's the point in building head room if we can't use it?**

Where sufficient cost cap headroom has been built up in previously approved batches an individual batch can exceed the threshold where there the project is still below the cumulative limit overall. On implementation of the changes to the cost caps, headroom will be available to be shared between Flats and Mid-terrace properties according to their wall type, and across all archetypes for Low Carbon Heating.

### **How many LAs in the South East have been able to get any measures through that are cavity, within the £8k cost cap?**

274 cavity wall homes have been approved in the South-East to-date within the £8k cost cap.

### **Could flexibility be added into HUG 2 and can homes be assessed on a case-by-case basis?**

The cost caps apply to homes on a cumulative average basis. This means that it is possible for a project to spend more on an individual home than the cost caps would allow provided that on average across all homes the project is delivering are within them.

### **Cost caps for clean heat still make it difficult to cover the cost of some clean heat measures, particularly in larger properties. Can the LCH cost cap be increased?**

The change to the LCH cost cap means that projects will be able to average LCH costs across all archetypes– this will support more expensive properties to be supported providing the project on average meets the cost cap at scheme end.

We are also introducing flexibility to exceed the cost cap on average by up to 20% temporarily providing projects bring costs down to achieve the cost cap on average by scheme end.

### **What is the benefit of exceeding cost caps by up to 20%?**

The benefit of providing flexibility to temporarily exceed the cost caps is that it will support delivery by allowing GRs to manage their delivery pipelines and spend on more expensive properties without needing to build up headroom on cheaper homes first - providing they can bring their average down by scheme end.

### **It is no coincidence that the cost of EWI and ASHP etc are close to the cost cap?**

The cost caps were designed to pinpoint the optimum funding level to ensure that a high proportion of homes can be treated within the agreed cost cap.

### **How can solid wall properties be supported in HUG 2?**

HUG 2 provides up to £24k for energy efficiency measures and £14k funding for low carbon heat measures in solid wall homes depending on the archetype.

## Value For Money FAQs

### **Are you not being naive in thinking that financial information will not get back to contractors?**

By sharing the cost information under non-disclosure agreements it should not be shared further. GRs should abide by the requirements of the Non Disclosure Agreement ('NDA') and they should not divulge this information to any third party, such as delivery partners and contractors.

GRs must abide by principles set out in Managing Public Money. The standards expected of all public services are honesty, impartiality, openness, accountability, accuracy, fairness, integrity, transparency, objectivity and reliability. All should be carried out in the spirit of, as well as to the letter of the law, in the public interest, to high ethical standards and achieving value for money.

Any breaches of the NDA will be managed under the terms of the NDA.

### **Were data sets for the value for money benchmarks based on costing prior to Brexit, Covid and other recent factors?**

No, the data sets were based on data from financial year 2021/2022, and inflated using the Bank of England's inflation forecast for 2022/23. These were the latest data sets at the time.

## Administration and Ancillary (A&A) FAQs

### **Will LA's get more A&A funding to change all their marketing materials?**

Additional A&A will not be allocated due to this policy update.

### **At scheme end, if GRs are still over the cost cap or indeed on the 15% cap on A&A, will they be required to find that funding from LA budgets?**

We expect Grant Recipients to manage their costs effectively, where LAs can already see an imbalance in the 15% A&A we would expect them to reassess their costs in order to get to the 15%. The MoU states "The Authority reserves the right to amend the Grant Recipient's Admin and Ancillary funding in line with any change that affects the overall capital value of the Grant". Grant Recipients will keep their Admin and Ancillary costs at, or below 15% of the total HUG 2 funding provided by the Authority.

If the overall capital spend of the grant is reduced, we would expect to see the value of the A&A to similarly reduce to maintain costs at 15% or below.

### **Will A&A be a % of GR actual Year 1 capital spend?**

The A&A cap is set at 15% over the course of both financial years. We will not clawback at the end of year 1 of the scheme, the 15% A&A is across the lifetime of the scheme. GRs can carry over admin spend from Year 1 to Year 2.

### **Does this not equate to an almost unworkably high financial risk for local authorities?**

In line with previous schemes such as Sustainable Warmth, grant recipients should make every effort to comply with the A&A restrictions. The department would like to receive feedback where difficulties are arising to support design of future schemes but for HUG2 the current position remains at 15% A&A.

### **Where should hot water tanks/cylinders be submitted? Can they be considered a non-measure capital spend?**

Capital costs that do not relate to a specific measure but relate to the entire house, can be recorded as 'additional' capital. In most circumstances we would expect hot water cylinders to be assigned to a measure cost (i.e. within wet central heating or heat pump costs) or as A&A cost if your measure costs are too high.

- Administrative costs are costs such as resource, administration, reporting, data, search costs.
- Ancillary costs include loft clearance, piping, radiators, old boiler removal, insulation removal where not covered by guarantees/insurance from previous install.
- Additional capital costs are capital costs that do not relate to a specific measure but relate to the entire house, and can be recorded as 'additional' capital. (e.g. Survey costs, PAS on-site compliance costs, and SAP/ EPC assessments etc.)

## Mid Point Review FAQs

### **If we are submitting a Change Request today, should GRs still submit a Mid-Point review?**

We are implementing a change freeze whilst the Mid-Point review process takes places. Therefore, the priority for all GRs should be completing the Mid-Point Review process to re-baseline for the remainder of the scheme, all change requests outside of the mid-point review will be paused until after the review is completed, by which point the change request should no longer be valid.

### **Can the format for the midpoint review be shared?**

SPOCs should have provided you with a change request form for the Mid Point Review. This form is similar to the current Change Request form.

### **Should dates for the MPR be delayed due to the postponed policy announcement?**

The timelines of the MPR have shifted in line with the date of the policy session. We would have expected Grant Recipients to already be thinking about their Year 2 delivery and any amendments needed for end of Year 1.

## Delivery FAQs

### **What happens if there is a delay to works?**

Any homes worked on past 31st March 2024 will be classed as homes completed in Year 2 of the scheme.

**What is a 'completed application' for the end of Year 1 - by the end of March we need upgrades to be completed on site, can you confirm if we need Trustmark and/or EPC documentation by that date or if not, by when?**

Trustmark and/or EPC documentation is not required by the end of Year 1, only works on the home are required to be complete by 31 March.

The Lead LA must ensure a TrustMark PAS2035 Project is created by the retrofit team in the TrustMark Data Warehouse and closes each TrustMark PAS2035 Project created as part of that batch within 6 weeks of work being completed in the Household. Therefore, works on the home are to be completed by 31<sup>st</sup> March, with TrustMark lodgement following 6 weeks later.

It is critically important that lodgement data is submitted within 6 weeks of installation and that this data matches exactly with the information contained in the lodgement certificate, to avoid data matching issues. The improvements in lodgement data quality seen in Sustainable Warmth need to be maintained in to HUG2. The Department can only pay for measures that we can evidence are lodged.

**Will Year 1 funding be transitioned into Year 2?**

Where funding provided for FY1 remains unspent at 31 March 2024 we will not automatically be asking you to repay this, instead will expect you to use this funding to cover the cost of activity in FY2. We will be using information provided from you as part of the mid-point review to understand your funding requirements for FY2 and ensure you have the funding you require.

**How does the Delivery Partner use HUG 2 guidance?**

The DP are expected to follow all guidance from the department on their management of the scheme. Any variations to this will have been communicated from the department directly.

[General FAQs](#)

**When do the policy changes launch?**

All changes to policy and the Automatic Batch System are expected be made on 2nd April.

**What other clean heat measures are eligible for this scheme?**

We expect that GRs will focus on low temperature heat pumps as the lead low carbon heat technology. In homes where low temperature heat pumps are unsuitable for the dwelling, we expect, in order of priority, connection to low-carbon heat networks (if appropriate for the stock applied with), high temperature hydronic heat pumps, air to air heat pumps, high retention electric storage heaters with at least 0.8+ SAP responsiveness (in electrically heated flats and small dwellings only), or



solid biomass to be considered when determining the next best option for deliverability, value for money, affordability, sustainability, and air quality

Further to this we do accept others, the eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve the energy performance of homes. However, heating systems fuelled by fossil fuels are not eligible.

### **Could DESNZ fund a national campaign to help support the scheme in terms of exposure and help to build trust?**

The UK Government is currently running a communications campaign for the energy efficiency funding on offer including the Boiler Upgrade Scheme; Energy Company Obligation and Great British Insulation Scheme called 'Welcome Home to Energy Efficiency' <https://energy-efficient-home.campaign.gov.uk/>. Customers can access the "Help to Heat" schemes, such as HUG, through this route <https://www.gov.uk/government/collections/find-energy-grants-for-you-home-help-to-heat>.

### **Is the UK Government running TV adverts on HUG 2?**

The UK Government is currently running a communications campaign for the energy efficiency funding on offer including the Boiler Upgrade Scheme; Energy Company Obligation and Great British Insulation Scheme. Customers can access the "Help to Heat" schemes, such as HUG, through this route, however the scheme is not mentioned explicitly by name.

### **Does the contribution for Private Landlords remain the same?**

No change has been made to the contribution requirements for Private Rented Sector homes, or for Social Housing.

### **Why is the HUG 2 scheme complicated?**

Cost caps, measure grading, and value for money checks exist as mechanisms to ensure the scheme maintains value for money, by providing bill savings and carbon savings to homes at a reasonable cost to meet the scheme's objectives to deliver progress towards the statutory fuel poverty target and improve as many fuel-poor homes as is reasonably practical.

### **What is the definition of off Gas grid properties? And can these properties have a cooker and gas fire?**

If gas is not the primary heating source, then the home is eligible (provided all other eligibility criteria are met) e.g. if they heat their home through storage heaters or have electric/oil heating, etc.

If gas is what the resident primarily uses for heating, the home would not be eligible.

A gas cooker/gas fire when this is not the primary heating source of the home does not necessarily make a household ineligible. The primary heating source should be reflected on the home's EPC. If you need further clarification on a specific case

please contact the delivery partner, who will escalate to DESNZ if the answer is unclear.

**Where in the guidance does it say GRs can do other measures and not just those on the eligible measures list?**

Page 71 of the Delivery Guidance for Local Authorities. “Eligible Measures – This means any energy efficiency and low carbon heating measures compatible with the latest RdSAP that will help improve EPC band D, E, F, or G rated homes. Heating systems fuelled by fossil fuels are not eligible.”

**Is there any change to park home restrictions?**

There is no change to park home restrictions.

**Has any LA decided to withdraw from Year 2?**

No LA has decided to withdraw from Year 2 of the Scheme.

**How can we uplift properties to EPC C under HUG 2?**

The improvement of household EPC to band C is an aspiration and not mandatory under the scheme. DESNZ expects where possible EPC band F-G homes to be upgraded to at least band D, and D-E homes to band C. Where a home does not reach the expected EPC level, LAs should evidence that a fabric first and value for money approach has been taken.

**Can you turn the batch notification for approval and rejection back on?**

There are automated notifications from the ABS system for when batches are submitted or reassigned. Users should still receive notifications when batches are reassigned to them. Users can turn off notifications themselves. There is no current notification on approval, and so we have taken this as feedback for potential future ABS development.

**When we have already signed an MOU, why do we have to re-validate the same questions in the batch system?**

Further to our most recent policy changes the HUG 2 team continues to review other areas that can be improved within the ABS. We have heard the feedback regarding the requirement to approve terms of agreement for each batch application, streamlining the terms will be incorporated into future work to improve the ABS.

**GRs have experienced issues with intermediaries and third parties as part of the scheme. How can the Department address this?**

We continue to work collaboratively with our delivery agent and delivery partner to ensure effective delivery of the scheme. The Delivery Partner and Delivery Agent's contracts require them to meet Service Level Agreements to ensure the standard of delivery is maintained throughout the scheme. The department meets regularly with our delivery agent to assess delivery against these SLA's and discuss feedback received from GR's

**How will the funding for new schemes be protected with government change?**

Any changes to government policy will be communicated clearly with Grant Recipients.

**Can you not see from the batches approved roughly how much money each scheme has used?**

Batches approved and capital actually spent are different metrics. The difference being that money not spent would currently sit with Grant Recipients, therefore the Department needs to have clarity on this for reporting purposes.

**Why have the issues around UKPN delays not been resolved?**

UK Power Networks (UKPN) are an independent commercial organisation and we would encourage local authorities to directly reach out to UKPN.

**Can an allowance be made to claim more than just the 20% additional funding for FY2 where GRs can demonstrate homes signed up and capacity to deliver?**

Where situations like this arise, please contact the Delivery Agent for a discussion. As the MoU states, if delivery performance is in line or exceeding delivery forecasts and there is funding available the Department will consider.

**Can you make allowance for FY2 works to start as soon as batch approved but be invoiced from April 2024 to allow for works to progress and avoid a bottleneck of work for installers.**

Where a batch has been approved, works can commence. Any works commenced before batch approval is at the GR's risk.