



Department for
Energy Security
& Net Zero

Home Upgrade Grant: Phase 2

Updated Delivery Guidance for Local
Authorities



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Guidance Overview

Phase 2 of the Home Upgrade Grant (HUG 2) has been reviewed to identify changes to scheme design that would unlock more delivery without negatively impacting on scheme outcomes. This updated delivery guidance for grant recipients provides clarity on what these iterations will mean for the second year of HUG 2 delivery, it also provides further guidance on the implications of the 18-month transition period for PAS 2035/2030:2019, ending March 2025.

This section provides an overview of the key headlines of the updated policy. It supersedes previous guidance on the topics set out in table 1 but is not a replacement for the full guidance.

Table 1: Update Guidance Overview

Section	Overview
Eligibility: Household income	The gross household income threshold will increase to £36,000 from 2 nd April 2024.
Updated cost caps and flex	<p>The HUG 2 cost cap structure has been simplified for year two of the scheme by combining the energy efficiency cost cap for flats and mid-terrace homes and the clean heat cost cap archetype banding. These new cost caps will apply from 2nd April 2024.</p> <p>From 2nd April 2024, DESNZ will also permit projects to temporarily exceed the cost caps by up to 20% (on average) - however, projects must average costs down to within the cost caps by scheme closure or pay back the difference.</p>
Measure cost benchmarks	To provide more transparency with the process and to enable grant recipients to anticipate where measures may exceed acceptable levels in advance, the Department will share the methodology and benchmarks with grant recipients that agree to sign a Non-Disclosure Agreement.
Eligible measure grading	From 2 nd April 2024, high retention storage heaters have been regraded to grade B, from grade C, for electrically heated off gas grid flats, where the installation of an ASHP is not technically feasible and/or 3 rd party permissions cannot be obtained. High retention storage heaters will remain grade C in all other circumstances.
Updated PAS standards	Installers need to be TrustMark registered and certified to the relevant install standard for the measure (e.g., PAS2030 and/or MCS) to be able to install all eligible measures under the Home Upgrade Grant. Local Authorities and installers should familiarise themselves with implications of the 18-month transition period for PAS 2035/2030:2019, ending March 2025.

Key Dates

Please note dates below are subject to change, at the discretion of DESNZ.

Table 2: Key Scheme Dates

Project Milestone	Provisional Date
Policy changes come into effect and will be live on the Automatic Batch System	2nd April 2024
Final batches submitted	31 st December 2024
HUG 2 scheme end	31 st March 2025
Grant recipients provide final reports	30 April 2025

1. Introduction

1.1 Introduction

DESNZ is publishing this updated HUG 2 Delivery Guidance document to update and supplement [the Delivery Guidance document](#), published April 2023 and the [Home Upgrade Grant Phase 2: Guidance for Local Authorities](#), published in September 2022. The initial guidance published in 2022 opened the invitation to local authorities to apply for Home Upgrade Grant 2 (HUG 2) and the delivery guidance published in April 2023 provided supplementary guidance to grant recipients with information on aspects of the scheme processes.

HUG 2 has been reviewed to identify changes to scheme design with an expectation that it would unlock more delivery while aligning with scheme outcomes. This document sets out updates to HUG 2 policy and guidance for the second year of HUG 2 delivery and focuses on: cost caps and flex; measure grading for high retention storage heaters; and household income eligibility thresholds.

These changes will come into effect from 2nd of April 2024. Any batches and homes that are approved before this date will be treated under previous policy guidance.

In addition to HUG 2 delivery updates, this guidance provides an update on updated PAS standards.

1.2 Enquiries and FAQs

This delivery guidance document sets out all relevant detail about delivering HUG 2 which we encourage grant recipients to read in full before seeking clarifications from DESNZ.

We would also encourage all grant recipients to utilise the [Home Upgrade Hub](#) as a source of information and support (HomeUpgradeHub.org.uk). Any enquiries should be directed to HUG2.Help@arup.com.

2. Eligibility: Household income

2.1 Household Income Threshold Increase

The gross household income eligibility threshold for HUG 2 has been updated to be £36,000 (previously £31,000) for year 2 of the scheme. This change is based on updated statistics which account for wage and housing cost inflation since the threshold was originally set, and ensures tax is accounted for.

DESNZ will continue to accept alternative methodologies, such as the After Housing Cost (AHC) Equivalisation Factor, to demonstrate that a low-income household is likely to be in fuel poverty, where the grant recipient provides clear evidence of the appropriateness of their methodology in their application. Further guidance on the AHC Equivalisation Factor can be found in our [original guidance](#).

3. Updated Cost Caps and Flex

3.1 Updated Cost Caps

The HUG 2 cost caps have been designed to ensure the average spend per home offers good value for money. The current HUG 2 caps were intended to be a better indicator of retrofit costs than HUG 1 caps which were based on EPCs.

To continue to support delivery and provide good value for money on the average spend per home, the cost cap structure has been adapted for year 2 of the scheme to merge the energy efficiency cost caps for flat and mid-terrace homes and for all clean heat archetypes.

These new cost caps will apply from 2nd April 2024. Headroom¹, which is built up in previously approved batches, for Energy Efficiency and Low Carbon Heating measures will be recalculated against the new cost caps based on previous batches approved up to, and including, 1st April.

Table 3: New HUG 2 cost caps

NB: The landlord contribution remains the same proportion; landlords must contribute at least 33% towards the cost of upgrades for PRS properties and at least 50% towards the cost of upgrades for social housing properties.

Archetype	Energy efficiency cost cap		Clean Heat cost cap
	Cavity wall	Solid Wall	
Flat	£8k	£15k	£14k
Mid-terrace			
End of terrace/semi/detached	£12k	£24k	

3.2 Using the Automatic Batch System with new Cost Caps

Cost caps will still be averaged out across the project, and where sufficient cost cap headroom has been built up in previously approved batches, an individual batch can exceed the threshold where the project is still below the cumulative limit overall.

To implement 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. Any available headroom should be used before the temporary cost cap flex (see section 2.3 below) is utilised. Further information on these changes is detailed below:

- **Energy Efficiency:** The cost cap for energy efficiency measures has been combined for flats and mid-terraces for year 2 of the scheme. This means that for energy efficiency

¹ Headroom is where LAs are able to create funding by spending below the cost caps; the underspend is then available for subsequent batches. LAs will be able to make use of any underspend from the Energy Efficiency cost cap or Low Carbon Heating cost cap to cover the costs of a more expensive measure. Spending can be averaged across homes that are within the same cost cap bracket e.g. underspending on a LCH cost cap will make funding available for a subsequent batch with a LCH cost cap.

measures the cost cap will be £8k for cavity walled and £15k for solid walled flats and mid-terrace homes. Where costs are below the cost cap headroom can be built up. 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.

- Low Carbon Heat: The Low Carbon Heat £14k cost cap will apply to all archetypes (except park homes) on the ABS for year 2 of the scheme. 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 across them.
- In the ABS grant recipients will need to enter a row for each property type when submitting a batch, despite the combined cost caps for flats and mid-terraces and low carbon heat measures. Our delivery partner will provide support on the updated ABS system so that grant recipients are confident to use the system.

3.3 Temporary Cost Cap Flex

From 2nd April 2024, we will allow batches to exceed the cost caps by up to 20% (on average) for the second year of delivery. However, grant recipients must bring the average back down to within the caps by scheme end.

Table 4: Maximum temporary cost cap flex

Archetype	Energy Efficiency cost cap				Clean Heat cost cap	
	Cavity wall cap	Cavity wall cap flex	Solid Wall cap	Solid wall cap flex	Clean Heat cap	Clean Heat cap flex
Flat	£8k	£9.6k	£15k	£18k	£14k	£16.8k
Mid-terrace						
End of terrace/ semi/ detached	£12k	£14.4k	£24k	£28.8k		

Grant recipients are responsible for ensuring cost caps are met on average by scheme closure and will need to pay any difference at scheme closure. The 20% temporary cost cap flex will apply to the archetype, and wall type cost cap at a project level. The 20% flex is based on funds received from the grant, rather than the landlord or social housing contribution.

Our delivery partner will help monitor and work with projects to understand plans to achieve the caps by scheme end. Additionally, DESNZ will maintain contact with Delivery Partner throughout delivery and provide guidance on process for end of scheme overspend.

The department will review the position of grant recipients against the cost caps at the mid-year (September) to identify if corrective action is likely to be required to drive averages down. Grant recipients must average their costs down to the cost cap and will need to pay any difference at scheme closure.

Delivery of all projects funded under HUG 2 must be completed by 31 March 2025 and therefore grant recipients should only submit batch applications that they are confident can be fully averaged down by the deadline. The final deadline for submitting batches is 31 December 2024, ahead of the delivery window closing on 31 March 2025.

4. Measure Cost Benchmarks

4.1 Increased Transparency of Benchmarks

The measure cost benchmarks are designed to ensure reasonable spending of public money. Previously, DESNZ have not shared these benchmarks as this is commercially sensitive information. However, to enable grant recipients to anticipate where measures may exceed expected levels in advance, the Department has agreed to share the upper bounds of the measure cost benchmarks with grant recipients that sign a Non-Disclosure Agreement (NDA).

The measure cost benchmarks are assessed on a cumulative basis. This means it is possible for a batch to be automatically approved with measures that exceed the upper bounds of the measure cost benchmarks, providing that on average the project is delivering within them. Where the projects exceed the upper bounds of the measure cost benchmarks on average our delivery partner will seek further information from the project and decisions will be reached on a case-by-case basis.

4.2 Fraud prevention

These benchmarks are commercially sensitive information and grant recipients that sign the NDA must not share them – including with their contractors/supply chain. They are being shared under NDA with grant recipients to provide more transparency to help anticipate costs and any impacts on batches before submitting them. Grant recipients will be obligated to meet the necessary confidentiality obligation set out in the NDA. In signing the document, they will be agreeing to fulfilling the obligations.

We encourage grant recipients to adopt a proactive, structured and targeted approach to managing the risk of fraud/error. It is mandated in the MoU that grant recipients provide monthly reports of current and emerging fraud risks. Grant recipients will have provided a Fraud Management Plan (FMP) at the Delivery Assurance Check. We encourage grant recipients to reflect on any changes that will need to be made and updates to their FMPs in light of this change to identify, manage and limit fraud/error risk associated with the delivery of the scheme.

5. Eligible measure grading

5.1 High Retention Storage Heaters (updated grading)

From 2nd April 2024 high retention storage heaters (HRSB) will be re-graded from measure Grade C to Grade B for electrically heated off gas grid flats, where Air Source Heat Pumps aren't feasible and/or 3rd party permissions can't be obtained. This will apply to batches submitted from 2nd April 2024 and cannot be applied retrospectively.

This change is designed to support increased delivery to electrically heated flats, which have the most limited range of options for upgrades available to them. In electrically heated flats, storage heaters can provide significant bill savings in most cases however, in a very limited number of cases, some electrically heated homes would see a bill increase when upgrading to a high retention storage heater. It is therefore essential that households receive bill impact advice before agreeing to the measure.

While HRSB will remain Grade C in all other circumstances, regrading HRSB for electrically heated flats could support HRSB being installed in other circumstances by reducing the number that need to count within the Grade C threshold.

From 2nd April 2024, grant recipients will have the option of recording HRSB on the ABS as Grade B or C depending on its context (much like the existing arrangements for double glazing). Any HRSB that is previously funded, submitted, or approved before this date will remain a grade C measure. On the ABS when submitting a HRSB as Grade B grant recipients must provide evidence that the flat is electrically heated.

5.2 Eligible measures

HUG 2 cost caps have been split into two distinct categories: energy efficiency measures and low carbon heat. The below table has been updated and shows the breakdown of measures by the type of measure they fall under, as well as the measure grading. The update to the eligible measures table from previous guidance is the regrading of high retention storage heaters in some circumstances.

Measure Grade	Energy Efficiency Measure	Low Carbon Heat Measure
A	Loft Insulation	Air Source Heat Pump
	Cavity Wall Insulation	Ground Source heat Pump
	Solid/External Wall Insulation	Communal Heat Networks
	Internal Wall Insulation	Shared Ground Loops
	Flat Roof Insulation	Wet Central Heating
	Room-in-roof Insulation	
	Draughtproofing	
	Hot Water Cylinder Insulation	
	Hot Water Cylinder Thermostat	

	Digital/Smart Controls	
	Heating Controls	
	Park Home Insulation	
	Battery Storage (only eligible when complimenting Solar PV) ²	
	Solar PV	
B	Low Energy Lighting	High Temperature Heat Pumps
	Underfloor Insulation	Low Carbon District heating
	Double Glazing (only when required to compliment External Wall Insulation to comply with PAS2035 standards)	High Retention Storage Heaters* (only when installed in electrically heated flats unable to receive an ASHP)
C	Solar Thermal	Biomass Room Heater with Boiler
	Double glazing (only when not required to compliment External Wall Insulation to comply with PAS2035 standards)	Biomass
		Direct Electric Heaters
		High Retention Storage Heaters (when not installed in electrically heated flats)

² This is only true from the point that RdSAP 10 is live.

6. Updated PAS standards

6.1 Updated PAS standards

PAS 2035 is a specification, with guidance, covering all the elements involved in the energy retrofitting of existing homes and PAS 2030 specifies requirements for installing energy efficiency measures in existing homes.

The PAS 2035/2030 documents undergo a regular revision process. Regular revision of the document will ensure the standards continue to reflect best practice in the energy efficiency industry in addition to ensuring that installations under the standards are done to the highest industry standard.

The latest revision to the PAS 2035/2030 documents, PAS 2035/2030:2023, was published in September 2023. Clauses have been included to facilitate scale retrofit, whole dwelling retrofit, the role of the retrofit coordinator and the production of an airtightness strategy for projects. PAS 2035/2030:2023 introduces several other changes, which are summarised at the start of the document. The document is freely available to download at the [British Standards Institute \(BSI\)'s webstore](#).

Installers of energy efficiency measures for the Home Upgrade Grant will need to be TrustMark registered and certified to the relevant install standard for the measure (PAS 2030 or MCS).

6.2 PAS timelines

Following discussions between DESNZ, BSI, the UK Accreditation Service (UKAS) and TrustMark, as well as consideration of industry's comments in response to BSI's public consultation on PAS 2035/2030:2023, a transition period of 18 months was initiated following publication of the documents to allow time for industry to adopt changes to the PAS 2035/2030 documents.

This transition period will end on 30 March 2025, after which BSI will withdraw the previous versions and retrofit projects must be carried out in accordance with 2023 version.

Phase 2 of the Home Upgrade Grant began delivery in April 2023 and will run until 31st March 2025. Any HUG2 funded work complying with PAS 2035/2030:2019 must be completed by 30 March 2025, and lodged in TrustMark's data portal before no more than twenty working days thereafter. Where providers anticipate work on a property will continue beyond this, we would strongly advise use of PAS 2035/2030:2023 to avoid disruption related to the withdrawal of PAS 2035/2030:2019.

Retrofit installers with questions regarding their PAS 2030 certification should contact their certification bodies who will be able to advise further.

This publication is available from: www.gov.uk/government/publications/home-upgrade-grant-phase-2

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