

Household Energy Upgrades Fund (social housing) – New South Wales

FEDERATION FUNDING AGREEMENT – ENVIRONMENT

Table 1: Formalities and operation of schedule																														
Parties	Commonwealth New South Wales (NSW)																													
Duration	This Schedule is expected to expire on 30 June 2027 or on completion of the end of term evaluation, including data, evaluation and reporting contributions from NSW.																													
Purpose	This Schedule will support the delivery of a range of energy performance upgrades to existing households in public and community social housing under the Household Energy Upgrades Fund (social housing) initiative (the Initiative). These upgrades will contribute to the reduction of energy bills, energy consumption, and/or increased thermal comfort for social housing tenants and properties. In entering into this Agreement, the Commonwealth and NSW will partner to provide additional benefits for social housing tenants, above and beyond existing NSW programs.																													
Estimated financial contributions	The Commonwealth will provide total financial contribution of up to \$87.5 million to NSW with a matched co-contribution in respect of this Schedule. <table><tr><td>Table 1 (\$ million)</td><td>2023-24</td><td>2024-25</td><td>2025-26</td><td>2026-27</td><td>Total</td></tr><tr><td>Estimated total budget</td><td>13.25</td><td>60.59</td><td>50.09</td><td>51.07</td><td>175.0</td></tr><tr><td>Less estimated National Partnership Payments</td><td>3.65</td><td>22.76</td><td>30.46</td><td>30.63</td><td>87.5</td></tr><tr><td>Balance of non-Commonwealth contributions</td><td>9.60</td><td>37.83</td><td>19.63</td><td>20.44</td><td>87.5</td></tr></table>						Table 1 (\$ million)	2023-24	2024-25	2025-26	2026-27	Total	Estimated total budget	13.25	60.59	50.09	51.07	175.0	Less estimated National Partnership Payments	3.65	22.76	30.46	30.63	87.5	Balance of non-Commonwealth contributions	9.60	37.83	19.63	20.44	87.5
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Additional terms	The Commonwealth will provide 50% of total costs incurred by NSW up to the total amount in Table 1. Commonwealth funding will be used for capital expenditure only and must not be used for administrative costs. Program Plan																													

	The Program Plan will outline how NSW will implement energy performance upgrades to approximately 24,000 existing social housing properties. The Program Plan will be used as part of the assessment process when reviewing progress against the Performance Milestones under this Agreement. The Program Plan will be reviewed, and updated where required, by NSW, in consultation with the Commonwealth, on a yearly basis. Evaluation The Commonwealth will evaluate the effectiveness of the Initiative and this Schedule in delivering energy upgrades to social housing. The Commonwealth will conduct a mid-point evaluation in 2025 and an end of term evaluation in 2027. NSW will cooperate reasonably with the Commonwealth, including providing data and/or NSW program evaluation insights.
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Performance milestones	Report due	Payment
Milestone 1a: Program Plan to enable NSW to successfully deliver on energy performance upgrades to social housing. - Program Plan, developed in consultation with, and to the satisfaction of, the Commonwealth, and conforming to parameters set out in Appendix A, containing: - Implementation details, such as timelines, projected budget and expected outcomes (including number of properties expected to be impacted within each reporting period). - High level detail on advanced works undertaken prior to this Agreement with satisfactory evidence of additionality of existing programs. - Risk Management Plan - Tenant Engagement Plan - Evaluation and Data Plan, aligned to the Commonwealth guidance on evaluation and data for this Initiative.	10 days after signing this Agreement	Up to \$0.91m
Milestone 1b: Interim Progress Report on works prior to the commencement of this Agreement as aligned with agreed and accepted Program Plan under Milestone 1a Summary of all committed and completed activities under this Agreement, as outlined in the Program Plan, for the period up to commencement of the agreement. This could include: - Evidence of procurements underway (for example contracts established, request for quotes) - Progress of formal arrangements with program stakeholders where applicable, for example local Aboriginal Corporations and contractors - Evidence of pilot projects underway or advance work undertaken, where negotiated in advance. - Committed and successfully delivered activities, aligned to the Commonwealth guidance on evaluation and data for this Initiative. At a minimum, this must include: - the number of social housing property upgrades completed or committed, further divided by project stream or phase and type of housing (for example, public, community and/or First Nations) - types and costs of energy performance upgrades installed in social housing properties - any products or deliverables due within this reporting period, agreed to under the Evaluation and Data Plan. - Evidence of NSW co-contribution made to date and within reporting period, including alignment with projected budget as outlined in the Program Plan.	31/05/2024	50% of costs for delivery of eligible activities up to \$2.74m
Milestone 2: Annual Progress Report for the period from commencement of this Agreement to 30 June 2024 Satisfactory progress against the Program Plan demonstrated through an Annual Progress Report, to the satisfaction of the Commonwealth, containing:	30/08/2024	50% of costs for delivery of eligible activities up to \$11.38m

• Summary of committed activities from commencement of the agreement to 30 September 2024. • Summary of completed activities up to 30 June 2024 • Evaluation findings or progress, for example estimation of the impacts of the energy performance upgrades (decreased energy consumption, decreased energy bills and/or increased thermal comfort of occupants). • Updated Program Plan, developed in consultation with, and to the satisfaction of, the Commonwealth. The Program Plan should reflect any changes to implementation, including changes in the work program, major delays or issues to-date. • Audit and inspection compliance reporting, including number of upgrades inspected, pass/fail rates and rectification notices issued. • Evidence of NSW co-contribution made to date and within reporting period, including alignment with projected budget as outlined in the Program Plan.		
Milestone 3: Interim Progress Report for the period 1 July 2024 to 31 December 2024. Satisfactory progress against the Program Plan demonstrated through an Interim Progress Report, to the satisfaction of the Commonwealth, containing: • Summary of all committed and completed activities for this reporting period including: ○ Committed and successfully delivered activities, aligned to the Commonwealth guidance on evaluation and data for this Initiative. At a minimum, this must include: ▪ the number of social housing property upgrades completed, further divided by project stream or phase and type of housing (for example, public, community and/or First Nations) ▪ types and costs of energy performance upgrades installed in social housing properties ▪ any products or deliverables due within this reporting period, agreed to under the Evaluation and Data Plan. ○ Progress of all activities tracked against the Program Plan, including any mitigation strategies where activities are deviating from the Program Plan. • Evidence of NSW co-contribution made to date and within reporting period, including alignment with projected budget as outlined in the Program Plan.	28/02/2025	50% of costs for delivery of eligible activities up to \$22.76m, less any payments made in Milestone 2
Milestone 4: Annual Progress Report for the period 1 January 2025 to 30 June 2025. Satisfactory progress against the Program Plan demonstrated through an Annual Progress Report, to the satisfaction of the Commonwealth, containing: • Summary of all committed and completed activities for this reporting period including: ○ Committed and successfully delivered activities, aligned to the Commonwealth guidance on evaluation and data for this Initiative. At a minimum, this must include:	29/08/2025	50% of costs for delivery of eligible activities up to \$15.25m

▪ the number of social housing property upgrades completed, further divided by project stream or phase and type of housing (for example, public, community and/or First Nations) ▪ types and costs of energy performance upgrades installed in social housing properties ▪ any products or deliverables due within this reporting period, agreed to under the Evaluation and Data Plan. ○ Evaluation findings or progress, for example estimation of the impacts of the energy performance upgrades (decreased energy consumption, decreased energy bills and/or increased thermal comfort of occupants). • Updated Program Plan, developed in consultation with, and to the satisfaction of, the Commonwealth. The Program Plan should reflect any changes to implementation, including changes in the work program, major delays or issues to-date. • Data reporting for the mid-point evaluation, aligned to the Commonwealth guidance on evaluation and data for this Initiative. • Audit and inspection compliance reporting, including number of upgrades inspected, pass/fail rates and rectification notices issued. • Evidence of NSW co-contribution made to date and within reporting period, including alignment with projected budget as outlined in the Program Plan.		
Milestone 5: Interim Progress Report for the period 1 July 2025 to 31 December 2025. Satisfactory progress against the Program Plan demonstrated through an Interim Progress Report, to the satisfaction of the Commonwealth, containing: • Summary of all committed and completed activities for this reporting period including: ○ Committed and successfully delivered activities, aligned to the Commonwealth guidance on evaluation and data for this Initiative. At a minimum, this must include: ▪ the number of social housing property upgrades completed, further divided by project stream or phase and type of housing (for example, public, community and/or First Nations) ▪ types and costs of energy performance upgrades installed in social housing properties. ▪ any products or deliverables due within this reporting period, agreed to under the Evaluation and Data Plan. ○ Progress of all activities tracked against the Program Plan, including any mitigation strategies where activities are deviating from the Program Plan. • Evidence of NSW co-contribution made to date and within reporting period, including alignment with projected budget as outlined in the Program Plan.	27/02/2026	50% of costs for delivery of eligible activities up to \$30.46m, less any payments made in Milestone 4

Milestone 6: Annual Progress Report for the period 1 January 2026 to 30 June 2026. Satisfactory progress against the Program Plan demonstrated through an Annual Progress Report, to the satisfaction of the Commonwealth, containing: - Summary of all committed and completed activities for this reporting period including: - Committed and successfully delivered activities, aligned to the Commonwealth guidance on evaluation and data for this Initiative. At a minimum, this must include: - the number of social housing property upgrades completed, further divided by project stream or phase and type of housing (for example, public, community and/or First Nations) - types and costs of energy performance upgrades installed in social housing properties - any products or deliverables due within this reporting period, agreed to under the Evaluation and Data Plan. - Evaluation findings or progress, for example estimation of the impacts of the energy performance upgrades (decreased energy consumption, decreased energy bills and/or increased thermal comfort of occupants). - Updated Program Plan, developed in consultation with, and to the satisfaction of, the Commonwealth. The Program Plan should reflect any changes to implementation, including changes in the work program, major delays or issues to-date. - Audit and inspection compliance reporting, including number of upgrades inspected, pass/fail rates and rectification notices issued. - Evidence of NSW co-contribution made to date and within reporting period, including alignment with projected budget as outlined in the Program Plan.	31/08/2026	50% of costs for delivery of eligible activities up to \$15.32m
Milestone 7: Final Report for the period of this Agreement. - Summary of all committed and completed activities for the reporting period 1 July 2026 to 31 March 2027, aligned to the Commonwealth guidance on evaluation and data for this Initiative. At a minimum, this must include: - the number of social housing property upgrades committed and completed, further divided by type of housing (for example, public, community and/or First Nations) - types and costs of energy performance upgrades installed in social housing properties - any products or deliverables due within this reporting period, agreed to under the Evaluation and Data Plan. - Summary of the activities delivered and outcomes achieved over the period of this Agreement to the satisfaction of the Commonwealth. At a minimum, this summary will contain: - Total number of social housing property upgrades committed and completed, further divided by type of housing (for example, public, community and/or First Nations).	31/03/2027	50% of costs for delivery of eligible activities up to \$30.63m, less any payments made in Milestone 6

○ Types and costs of energy performance upgrades installed in social housing properties. ○ Evaluation findings, including outcomes of all activities. For example, estimation of the impacts of the energy performance upgrades (decreased energy consumption, decreased energy bills and/or increased thermal comfort of occupants). ○ Data reporting for the end of term evaluation, aligned to the Commonwealth guidance on evaluation and data for this Initiative. ○ Audit and inspection compliance reporting, including number of upgrades inspected, pass/fail rates and rectification notices issued. ○ Committed activities for the remainder of this Agreement.		
● Total NSW co-contribution made for the period of this Agreement.		

The Parties have confirmed their commitment to this schedule as follows:

Signed for and on behalf of the Commonwealth of Australia by



Senator the Honourable Jenny McAllister MP
Assistant Minister for Climate Change and Energy

3 / 5 / 2024

Signed for and on behalf of the State of New South Wales by



The Honourable (Penny) Penelope Gail Sharpe MLC
Minister for Energy

16 / 5 / 2024

Appendix A: Key parameters

The policy objectives of the Initiative are:

- Work in partnership with states and territories to avoid duplication and to provide clear additional benefits for social housing tenants, including those in both public and community housing sectors, above and beyond existing or announced state and territory programs.
- Contribute to the reduction of energy bills for vulnerable social housing tenants who face barriers to upgrades, including financial, information and housing tenure related barriers.
- Contribute to increased thermal comfort for social housing tenants, with associated quality of life and health benefits.
- Promote broader positive contributions to reducing Australia's emissions and improving energy performance social licence.

Key Design Principles

The 10 design principles for the Initiative will guide the states and territories' program design.

1. **Energy bill reduction and affordability:** target investment to catalyse uptake of energy performance upgrades that reduce energy bills for consumers.
2. **Impact:** support energy upgrades for social housing tenants who face barriers (e.g. financial, information and housing tenure related barriers) and increase thermal comfort for tenants, with associated quality of life and health benefits.
3. **Support energy system reliability:** the Initiative targets reduction in energy use, easing pressure and supporting reliability of the energy system.
4. **Contribute to Australia's emissions reduction targets:** support Australia meeting its emission reduction targets of 43 percent by 2030 and Net-Zero emissions by 2050. The Initiative will target investment to catalyse uptake of energy performance upgrades that reduce household emissions and safeguard against impacts of a changing climate.
5. **A partnership approach:** designed in partnership with states and territories and in consultation with delivery partners and key stakeholders. The Initiative will seek to align with existing Commonwealth and state and territory programs and processes, avoid duplication and require evidence of additionality to policies and program already underway.
6. **Leveraging Commonwealth investment:** to maximise the Commonwealth investment, projects will be prioritised that demonstrate that investment through the Initiative will provide significant benefits above and beyond existing or announced state and territory programs.
7. **Risk management by design:** safety in implementation will be secured through design with delivery partners and careful planning and sequencing of measures; with an emphasis on incorporating safety, training or competency requirements, accreditation, audit and inspection (including compliance with work codes and certifications) arrangements into program design.
8. **Catalysing business capacity and skills:** stimulate business and skills capacity to deliver retrofits for electrification and energy efficiency upgrades in households. Consideration should be given to employment and business opportunities to optimise the benefits for women, First Nations Australians, and other under-represented cohorts.
9. **Inclusive:** Consultation with cohorts that are prone to energy hardship and over-represented in social housing, such as First Nations Australians, women and people with a disability will be required to ensure diverse needs for energy performance are met.
10. **Social Licence:** Building confidence in communities that the energy transition can deliver direct benefits.

Design Parameters

The design parameters set the boundaries for state and territory co-investment proposals.

Co-investment	Co-funding must be in the form of funding for specific measures aligned with the intent of the Initiative, or an expansion of an existing program whereby the extension is aligned with the intent and design parameters of the Initiative. Projects receiving other sources of Commonwealth funding will not be considered as contributing to a jurisdiction's co-investment amount. Co-investment from the community housing sector, and industry, is also of interest.
Program delivery types	The program delivery type will vary by jurisdiction and may take a phased approach, including one, or a combination, of the following: Seed funding and/or pilot Undertake a pilot program for up to 18 months to trial and identify a practical pathway to larger scale implementation of upgrades. The timeframes and scope of the pilot must be defined and must deliver upgrades as an outcome. Pilot programs must commence prior to 31 December 2024. Expansion of an existing program Build on an existing program (including previous pilots). Jurisdictions must be able to demonstrate the additional element(s) above and beyond the scope of the existing program (e.g. expanded scale or scope of upgrades, number of households, new regions or new cohorts). New program Establish new programs to roll out upgrades to social housing. Interventions must be targeted at cohorts and technologies that meet the intent of the Initiative and be tailored to the needs of the jurisdiction's unique housing stock requirements (including climate zones, remote and or regional considerations).
Target cohort	The Initiative will deliver energy and cost saving benefits to people residing in social housing. Social housing is government subsidised short and long-term rental housing. In Australia in recent decades, it has mainly been available to people on very low incomes, and who often have experienced homelessness, family violence or have other complex needs.¹ This includes public housing, state owned and managed Indigenous housing, community housing and Indigenous community housing.
Energy efficiency upgrade types	Energy performance upgrades aim to reduce energy use and costs while improving the thermal comfort benefits of a household. The scope of energy performance upgrades cover renewable energy (e.g. solar PV and batteries), thermal shell (e.g. draught proofing, high performance glazing, insulation, external window shading) and or appliances upgrades including electrification (e.g. hot water systems, split cycle aircon, cooktops and ovens).

	Upgrades to communal spaces are within scope if all tenants using the communal space are social housing tenants and jurisdictions can measure the benefit of the upgrade to the social housing tenants. Flexibility is built into the design to account for differences in home types and regions. Jurisdictions will develop their own prioritisation processes for upgrades, tailored to different housing characteristics within each jurisdiction (e.g. age of housing stock, climate zone, equity of distribution). The Initiative is not designed to support general maintenance activities, however co-investments may leverage existing maintenance schedules to roll out the energy upgrades. Consideration will be given to maintenance as a direct consequence of enabling the energy upgrade (e.g. roof upgrades to enable installation of solar), however the majority of the funding per dwelling must be used on the energy upgrade itself.
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Variations to parameters

Variations to the parameters outlined above constitute a variation to this Agreement, and will be agreed by Commonwealth and State Ministers.