

Somerset West and Taunton Council

Executive – 16 November 2022

Low Carbon Retrofit Strategy and Delivery Plan

This matter is the responsibility of Executive Councillor Francesca Smith, Portfolio Holder for Housing

Report Author: Chris Brown, Assistant Director Development & Regeneration

1 Executive Summary / Purpose of the Report

- 1.1 Somerset West and Taunton Council (SWT) declared a climate change emergency in 2019 committing the local authority to achieving carbon neutrality ahead of the Government's 2050 requirement.
- 1.2 As a social landlord the Council must comply with a requirement for its c5700 homes to achieve EPC C or better by 2030 and zero carbon by 2050.
- 1.3 The strategy sets out the baseline position of the Council's housing stock and sets ambitious targets which will progressively help SWT achieve zero carbon for its homes.
- 1.4 The Strategy identifies a significant number of risks which need to be navigated over the next two decades to achieve milestones and ultimately zero carbon.
- 1.5 A comprehensive delivery plan accompanies the strategy which outlines key principles to deliver the strategy. The delivery plan also confirms the funding available 2022-2029 to make the first significant steps towards achieving 2030, 2040 and 2050 targets.
- 1.6 The strategy places significant emphases on placing tenants at the heart of zero carbon and creating pathways to zero carbon for homes.
- 1.7 Officers have considered the finding of the Community Scrutiny's Retrofit Working Group and this strategy has many synergies with the view proposed by members.

2 Recommendations

That the Executive Committee recommends to Full Council the following report recommendations:-

-Full Council approve the Low Carbon Retrofit Strategy and Delivery Plan. The delivery of the strategy will need to be managed within the annual budget setting process, including the Medium Term Financial Plan and 30-Year Business Plan, to ensure the overall affordability of the schemes being proposed each year.

-The Portfolio Holder for Housing and the Director of Homes and Communities to progress the steps identified in the delivery plan and to promote the approach with Somerset County Council colleagues

3 Risk Assessment

3.1 Below are the main risks relating to the proposal:

Risk	Score out of 25 based on probability x impact	Mitigation
Unaffordable costs placed on HRA business plan.	12 (4 x 3)	There are 8 risks in the risk assessment which are under this theme. The risk assessment and delivery plan offers mitigations to minimise additional unaffordable costs placed on the HRA business plan including alignment of decent homes and retrofit programmes and maximising grant opportunities
Failure to collect appropriate data.	8 (4 x 2)	There are 2 risks in the risk assessment which are under this theme. The risk assessment and delivery plan offers mitigations to ensure decisions are based on good quality data including greater use of the PAS 2035 quality assurance approach, open housing software and pathways to zero carbon based on archetype studies.
Failure to engage tenants	15 (5 x 3)	There are 3 risks in the risk assessment which are under this theme. The risk assessment and delivery plan offers mitigations to ensure tenants are at the heart of zero carbon. The approach will include more personalised approaches to engage tenants before, during and after capital works and improved procedures when delivering capital programmes directly or through sub-contractors. The mitigations also propose greater engagement with leaseholder.
Procurement and capital delivery	8 (2x4)	The economy is very challenging and this has seen significant inflation including building cost inflation. The council has also experienced the increasing risk averse nature of contractors and a more selective approach when tendering. SWT need to generate certainty for contractors and continuity of work. The strategy and delivery plan identifies some opportunities to mitigate the procurement challenges.
Failure to achieve targets	12 (3x4)	There are 3 risks in the risk assessment which are under this theme. The risk assessment and delivery plan offers mitigations to maximise the opportunity to achieve targets. The target most at risk is the services ability to reduce heat demand to 50kWh/m2/yr for all homes. Failure to achieve this ambitious level of heat demand will place more pressure on customers fuel costs as homes move from fossil fuel (gas) to electric heat. The main mitigations are additional yet uncoded fabric measures and / or additional onsite renewable heat and power. The strategy also highlights the need to conduct option appraisals on the worst performing stock t risk of missing the target.
External Risk Factors	10 (2x5)	There are 2 risks in the risk assessment which are under this theme. The risk assessment and delivery plan offers

Risk	Score out of 25 based on probability x impact	Mitigation
		mitigations which provide the council with greater control in relation to achieving target. These include placing more emphases on low heat demand rather than SAP/ EPCs as a measure to achieve zero carbon.

4 Background and full details of the report

- 4.1 SWT In 2019 SWT declared a climate change emergency. Since 2019 SWT has been working with other Somerset Councils on a Climate Resilience plan (CDCM plan) and the Somerset Climate Change Emergency Strategy to help the County and District combat climate change and reduce carbon (CO₂) emissions. Housing has a critical role in helping the council respond to the climate change emergency. To tackle the climate crisis, the UK government has legislated that the UK will reach net zero carbon emissions by 2050, meaning the UK will be putting no more carbon into the air than it is taking out. Homes account for about 14% of the UKs CO₂.
- 4.2 The Council's housing stock is a small percentage of the District's stock however it generates a significant amount of CO₂. SWT homes account for 9,144tCo₂ pa which is an average of 1.7tCO₂ per annum per property. SWT homes accounts for approximately one third of the CO₂ generated from SWT assets or activity. This amount of CO₂ excludes tenants goods and appliances which are difficult to measure and influence.
- 4.3 The UK and the world is experiencing unprecedented fuel price inflation and uncertainty. The District will see thousands of households experiencing fuel poverty for the first time during 2022 and a dramatic cost of living crisis is emerging. In the short term this strategy encourages energy saving advice and sign-posting tenants to further information sources to help manage energy costs. While these activities are useful they are unlikely to make a significant impact on the rapidly rising energy costs to customers. The council can make a huge impact as landlord in the medium and long term through an investment strategy which reduces the heat demand required by the Council's homes though fabric measures . This approach could see by 2040 over c60%-70% less fuel required to heat council homes.
- 4.4 The five main goals of the strategy and delivery plan are;
- a. Tenants at the heart of zero carbon
 - b. All SWT homes to achieve EPC C by 2030 (c1850 homes) or have an alternative investment option identified. Our current estimation is c300 homes could miss the target.
 - c. Aim to reduce heat demand on average from 135kWh/m²/yr. to 50kWh/m²/yr. by 2040 through a 'fabric first' approach. This is a very ambitious target and many homes may require additional investment which will increase the cost of zero carbon significantly above the £135m or require more disinvestment options.
 - d. Replace fossil fuel in SWT homes with electric based heat and power by 2050 at a pace to ensure affordable energy for tenants and in line with available funds. This does not prevent replacing fossil fuel with electric heat and power immediately where their heat demand is sufficiently low and funding is available.

- e. The investment remains affordable within the constraints of the Housing Revenue Account's annual, medium term and thirty year financial plans.
- 4.5 The strategy will progress a fabric first approach prioritising insulation and the reduction of heat demand over fuel switch from gas to electricity. Fuel switch away from gas will gain greater momentum once homes achieve a good level of insulation. It is likely
- 4.6 The costs of achieving zero carbon is estimated at c£135m over 28 years. This is based on today's prices. The strategy and delivery plan recognise that zero carbon is only affordable to the landlord under its current business plan if it adopts new approaches, including;
- a. Align Decent Homes Standard capital improvements with retrofit investment
 - b. Maximise grant and subsidy
 - c. Place tenants at the heart of zero carbon
 - d. Ensure good data influences decisions
 - e. Embrace a no regrets approach (this includes; correct specification of works for each individual property, improving ventilation and avoiding cold bridging and damp, progressive investment steps, selective demolition and disposal where targets cannot be achieved)

5 Links to Corporate Strategy

- 5.1 In 2019, the Council declared a climate emergency and committed to working towards achieving carbon neutrality and climate resilience by 2030.
- 5.2 Maximising affordable housing remains a Corporate objective. Retaining and improving existing stock supports this objective.

6 Finance / Resource Implications

- 6.1 Finance Officers have not undertaken any due diligence on the financial content of this report. The high-level estimated cost analysis of this strategy, which has been undertaken by the service, excludes any additional investment should customers require decanting, pre works and early replacement of components outside the decent homes lifetime lifecycles.
- 6.2 The delivery plan proposes a number of schemes over the next 10 years and these are currently contained within the proposed HRAs 10-Year Capital Programme and 30-Year Business Plan assumptions from 2022/23. The delivery plan has highlighted a number of grant opportunities 2023-2026 which are as yet unconfirmed and therefore at risk of not being achieved.
- 6.3 This is a significantly ambitious delivery plan within the current economic climate where there will be a real affordability challenge that could be aggravated if there is a divergence between rent increases and the cost inflation, as well as the cost of financing the capital programme placing further pressure on the business plan.
- 6.4 The delivery of this strategy will be highly dependent on external grant funding to make this affordable to deliver. Additional resource will be required to manage the administration and compliance of the terms and conditions of the grant(s).

- 6.5 The delivery of the strategy will need to be managed within the annual budget setting process, including the Medium Term Financial Plan and 30-Year Business Plan, to ensure the overall affordability of the schemes being proposed each year. This may require the annual review of the delivery plan to be flexed to meet key financial performance indicators e.g. interest rate cover. The risk here would be that EPC C is not met by 2030 which means that those properties will not be lettable and will lose the business rental income.
- 6.6 Members are not being asked to commit resources to the strategy and delivery plan through this report but to consider investment within the annual HRA budget request.

Unitary Council Financial Implications and S24 Direction Implications

- 6.7 This report does not require SWT to obtain consent of Somerset County Council's (SCC) executive in relation to the strategy. A number of the investment lines identified in the delivery plan have already received support through the council budget setting in or before February 2022. S24 consent would be required should any new contracts in excess of £1,000,000 be required prior to a unitary council in April 2023.
- 6.8 In terms of ongoing implications, the strategy and delivery plan will continue across the years and onwards under the new unitary authority. Continued management and oversight of the strategy and delivery plan will therefore continue far beyond vesting day. The Council's housing stock and all of the ongoing assets, liabilities, costs and income, and rights and obligations will transfer to the unitary on 1 April. The new council will be required to maintain a Housing Revenue Account for this service, as SWT does currently.

7 Legal Implications

- 7.1 No legal issues to report.

8 Climate and Sustainability Implications

- 8.1 In 2019, the Council declared a climate emergency and committed to working towards achieving carbon neutrality and climate resilience by 2030.
- 8.2 This strategy and delivery plan will provide the guidance for officers to delivery carbon reduction measures and ultimately zero carbon.

9 Equality and Diversity Implications

- 9.1 The strategy and delivery approach will support customers experiencing or at risk of experiencing fuel poverty in the medium and long term by a fabric first approach aims at reducing heat demand (fuel usage) by c60%-70%. The strategy also suggests additional measures such as onsite renewable heat and power where properties do not reduce heat demand sufficiently to allow fuel switch to take place without financial burden. The strategy proposes a review of processes when delivering capital programmes to better support tenants and especially vulnerable tenants.

10 Social Value Implications

- 10.1 The capital programme will introduce practical measures to capture social value during investment in decent homes and low carbon retrofit programmes.

11 Health and Wellbeing Implications

- 11.1 The right home environment is the foundation from which we can build healthy and fulfilling lives. Housing affects our wellbeing, risk of disease and demands on health and care services. We need warm, safe and secure homes to help us to lead healthy, independent lives and to recover from illness. The strategy and targets proposed will improve the quality of homes and the health quality of our customers. Affordable warmth and good ventilation are two benefits which the strategy emphasises.

12 Asset Management Implications

- 12.1 The HRAs portfolio will improve through the adoption of the strategy and delivery plan. There are positive benefits such as greater investment in homes and pursuing a 'no regrets' approach as well as negative impacts for example some properties will require extra investment which may not be value for money. The strategy and delivery plan recognise that some properties may have costs which cannot be justified, and demolition or sale required. It is assumed these instances will be limited and only after full option appraisals are conducted.

13 Consultation Implications (if any)

- 13.1 Consultation has taken place and is ongoing with tenants especially through the low carbon retrofit working group. There has been support from the tenants working group who have emphasised the need to ensure better and more personalised communication with tenants before during and after capital works.
- 13.2 Tenants have also emphasised the need for consistency in delivering works to customer's homes whether directly delivered by SWT staff or subcontractors. The strategy and delivery plan contain a number of recommendations which will be progressed by the service.

14 Scrutiny/Executive Comments / Recommendation(s)

- 14.1 Community Scrutiny Committee supported the recommendation of the report.
- 14.2 The Scrutiny Committee was informed that the baseline for heat demand in the strategy would be changed prior to presenting to the Executive Committee as additional surveys have been analysed.
- 14.3 In response to questions raised by the committee the strategy has been refreshed to be more specific on the year (2035) that SWT will no longer replace gas boilers with new gas boilers and will switch fuel to electric. This date aligns with the decent homes investment cycle for boilers but will still be subject to properties having achieved a

suitably low heat demand. The delivery plan has amended the KPI section to confirm the service will collect and monitor as a KPI the number of homes using fossil fuels.

Democratic Path:

- Full Council – 6th December 2022

Reporting Frequency: Once Only

List of Appendices

Appendix 1	Delivery Plan
Appendix 2	Architype Studies
Appendix 3	Risk Assessment
Appendix 4	Equality Impact Assessment

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