

23rd November 2020

Report of	Assistant Director of Place & Client	Author	Andrew Tyrrell 282390
Title	Climate Emergency Response: Housing Investment Programme Works		
Wards affected	All wards		

1. Executive Summary

- 1.1 This report seeks approval for a package of investment works specifically aiming to improve energy efficiency of affordable property within the Council's housing stock. This would be additional to the annual Housing Investment Programme (HIP) approved in January each year. As part of the Council's Covid Recovery Work, Cabinet have previously indicated a desire to support the local construction industry and bring forward more opportunities for employment. This programme of investment will provide more opportunity to contribute to that ongoing aim.
- 1.2 In addition, in July 2019 the Council became one of the first local authorities in the eastern region to declare a Climate Emergency. The move committed the Council to a series of sweeping measures to avert environmental breakdown, including becoming carbon neutral by 2030. To achieve carbon neutrality by 2030 some significant changes will be required and the work the Council undertook with the Carbon Trust has helped identify existing areas where the Council has high carbon emissions (and can make the biggest difference). Housing is in the top 3 carbon producing parts of Council activities/assets.
- 1.3 This report sets out an initial investment over the financial years 2021/22 and 2022/23 to be made within the Housing Revenue Account (HRA) that will seek to start improving the Council's housing stock and make properties more energy efficient, producing less carbon and making it cheaper for tenants to heat their homes. The proposed works herein would save an estimated 560.7 tonnes of CO₂ per year.
- 1.4 The affordability of the package of works builds on the HRA 30 year financial model considered by Cabinet in July 2020, which reflected the proposals to create 350 new affordable homes over five years and the reduction in the Public Sector Loans Board rates for new HRA borrowing earlier in the year had on the model. It is proposed that the overall financial impact of this additional spending is included as part of the HRA and HIP Budgets considered by Cabinet in January 2021.

2. Recommended Decision

- 2.1 To initially approve the additional budget estimate of £4.4m (actual cost subject to procurement) for "HIP Climate Emergency Response Works" in order to improve energy performance of existing affordable homes as outlined and that provision be included in the HRA and HIP annual budget reports to be considered by Cabinet in January.

- 2.2 To agree that the new HRA Asset Management Strategy and HRA Business Plan, due in 2021, should seek to include a continuing commitment towards energy efficiency works over a longer period of time.
- 2.3 To note that Colchester Borough Homes will manage the Climate Emergency Response HIP Package of Works.

3. Reason for Recommended Decision

- 3.1 These Climate Emergency Response Works will contribute to the Council's wider ambitions for carbon reduction. It aims to make properties more energy efficient, producing less carbon, and make it cheaper for tenants to heat their homes.
- 3.2 The Council's housing is better than most comparative stock both regionally and nationally, having an average "C" rating EPC. However, the Council housing stock is identified as the top producing carbon emitter within the Council. In the portfolio of homes, there are some older and poorer performing homes that can be improved to make a significant difference that will contribute towards the Council becoming carbon neutral by 2030, but more importantly improve the quality of life and affordability for tenants in those homes.
- 3.3 This package of works will also provide another opportunity to create more local employment and assist with the economic recovery of the town post Covid-19 by encouraging local contractors to bid and using social value within the tender process.
- 3.4 Ongoing work, including the planned review of the HRA Asset Management Strategy and the 30-year Business Plan that will take place throughout 2021, will build on the model of work through this initiative with improvements

4. Alternative Options

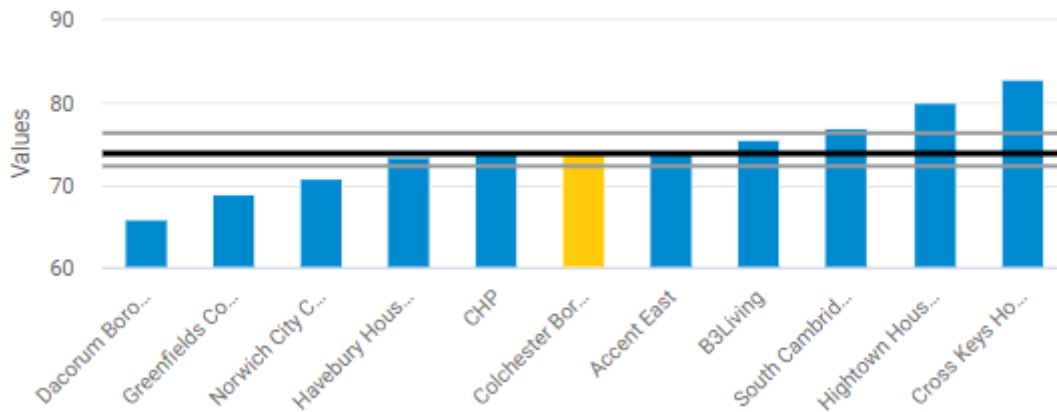
- 4.1 Do nothing: However, this would not take an opportunity to improve the current affordable homes, benefit tenants, contribute towards the Council's climate emergency declaration targets or help create local employment to aid economic recovery.
- 4.2 Increase existing planned HIP works instead of creating new works: Initially consideration was given to accelerating delivery of the coming four years Housing Investment Programme over the next two years. However, the long-term consequences of skewing the Council's cyclical investment programme and creating a peak of investment which would then reoccur into the future were considered too significant and would also not contribute towards the climate emergency response.
- 4.3 Undertake more works: However, this package has been created as additional investment, whereby it would be more sustainable and balanced to consider more works over a wider scale and longer term incorporated into the planned HRA Asset Management Strategy and Business Plan starting in 2021.

5. Background Information

- 5.1 The Housing Improvement Programme forms the cyclical investment in renewing component elements of properties such as kitchens, bathrooms, windows, doors and heating systems. Replacements are undertaken based on elemental lifecycles on a cyclical basis to ensure homes remain safe and decent. This proposed package of works does not form part of the 30-year capital investment programme and is therefore a positive addition to the investment of the housing stock.
- 5.2 The initial lockdown in Spring 2020 had a paralysing impact on the Housing Investment Programme as the construction industry essentially entirely stopped whilst Covid safe working practices were developed and approved for use. Procurement activity slowed during this time delaying delivery of the 20/21 programme. However, all the Council's contracts have now recommenced at pace and are seeking to recover as much lost time as possible.
- 5.3 The Council views its role in procuring goods and services as key to supporting the local construction economy. Suppliers generally view working for the Local Authority as being highly desirable and regularly offers support to local Small/Medium Enterprises (SMEs) to support them in bidding for contracts.
- 5.4 The Council also declared a Climate Emergency in 2019 and since then, has already been working with residents, businesses and neighbouring local authorities. Consequently, Colchester was ranked joint top performer in the Eastern Region and equally the third most climate-friendly area in England and Wales, by Friends of the Earth.
- 5.5 Although the works package will not reduce direct emissions from the Council's operations, it will reduce emissions from a key asset which is within the Council's ownership and therefore the housing stock is within the scope of the Council's carbon neutrality target in response to the Climate Emergency Declaration. The Carbon Trust identified the sheltered housing stock to be in the top 3 carbon producing assets of the Council, and the rest of the housing stock contributed to 46.6% of the Council's indirect carbon emissions. Therefore, investment will be needed to reduce carbon emissions from the housing stock and help the Council meet its 2030 carbon neutrality target. The overall works package (see 5.12) could represent an ongoing annual 560.7 tonnes carbon saving, which equates to the equivalent weight of 45 London Buses per year.
- 5.6 In terms of impacts, the Council housing stock has an average EPC Rating of C. This is already equal to, or higher than, most other Housing Associations and Councils in the region (based on 2018 date). It also compares favourably at a national level too when looking at SAP ratings. The starting point, which can be seen in the graphs below, is therefore better than it could be, but there remains scope for improvement.

2019/20

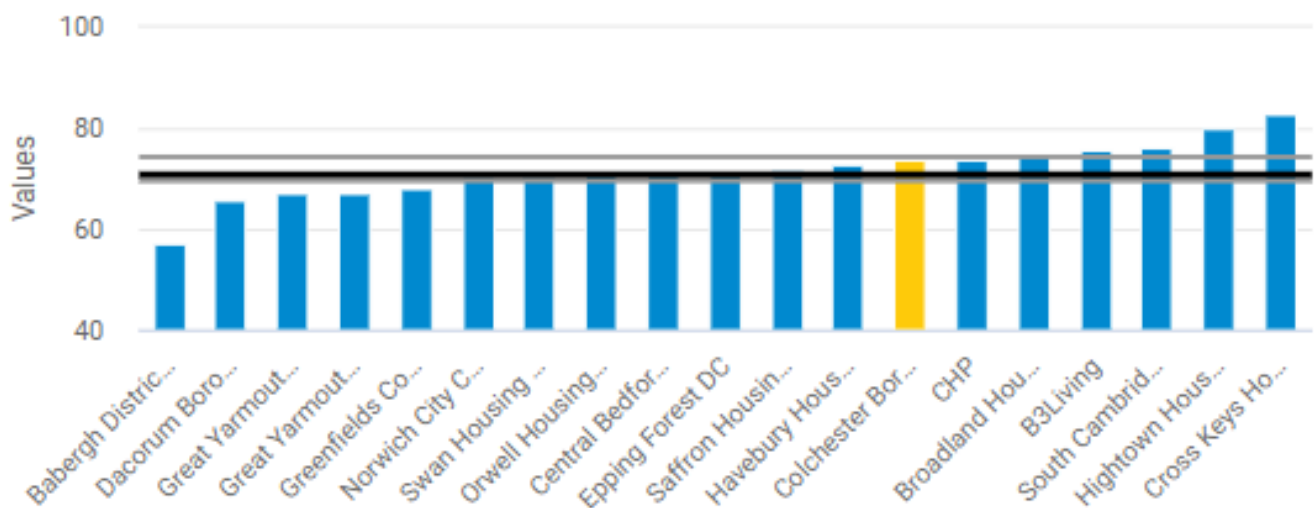
Average SAP rating



Colchester 74.0, Upper Quartile 76.3, Median 74.0, Lower Quartile 72.2

2018/19

Average SAP rating



Colchester 73.86, Upper Quartile 74.5, Median 71, Lower 69.3

- 5.7 For tenants of affordable homes, improving energy efficiency benefits them in terms of cost savings from day to day energy consumption and consequent bills. For example, upgrading a typical home in Colchester from an Energy Performance Certificate (EPC) “F” rating to an EPC “C” results in energy savings that typically range from £700-900 per year. This would make a significant difference to the lives of people living within poorer performing homes.
- 5.8 As another example, properties that would undergo the installation of external wall insulation should see a saving that is typically £120-£300 per year depending on the property size. Similarly, whilst savings on fuel bills range depending on the efficiency of the boiler already in place, where a boiler is replaced with a heat pump there is an average saving of approximately £200 per year for tenant heating costs per property. For the Council, this would also save between 1.5-2 tonnes of CO₂ per property simply because you are removing gas (which has higher emissions).

- 5.9 There are approximately 105 properties that will be improved from a “low” EPC rating (E, F, G) with an aim to bring them up to a B rating. It may be that some interventions achieve higher than that, and some achieve less than this, but the average of C should be met on all properties. In terms of CO₂ emission savings from the works, upgrading from an EPC “F” to EPC “C” would typically save 1.5 tonnes of CO₂ per house; so, 105 homes would save 157.5 tonnes of CO₂ as an estimate.
- 5.10 Boiler replacements would take place on approximately 400 additional properties in this period to benefit residents (see 5.12 for anticipated works package). In addition, there would be 1 sheltered housing scheme with a boiler replacement with a number of residents and individual households in those properties benefitting. Similarly, there would be a sheltered housing scheme with a roof replacement and extra Heat meters installed in some sheltered housing schemes. This could see improvement for 150-200 “households” within sheltered accommodation.
- 5.11 In addition to the benefits to residents, and the Council's carbon emissions, there will also be job creation. It is hard to predict this accurately as there is no comparable contract currently in operation for the Council and these works will be different to the annual (cyclical) HIP works contracts in nature and purpose. However, as a benchmark, the current heating renewals contract created or secured 10 jobs related to the delivery of the contract. The works programme would likely be delivered through a combination of expansion of existing contracts and some supplementary works contracts, therefore creating or securing several jobs (that is hard to quantify accurately at this early stage).
- 5.12 The works will be procured and aim to commence by April 2021 and conclude by March 2022. In terms of the social value impact, this is an evolving picture of what should be expected from bidding contractors, but the Council are hosting events commencing this winter to support Social Value Portal submissions and improve the local value from contracts further. The specific works to be undertaken will include:

General Stock

- Combatting fuel poverty – replacing working but inefficient storage heaters with a modern, efficient equivalent
- External Wall Insulation works (new installations)
- Cladding replacement works (already Asbestos clad flats)
- Climate Emergency works (105 sub band D EPC rated properties)
- Additional Boiler Replacement works - 400 currently “non-decent” on basis of age not condition

Sheltered Housing Stock

- Mary Frank House - heating replacement (taking gas boiler out & installing an Air Source Heat Pump)
- The Cannons - roof replacement (“Fabric First” approach - high levels of insulation)
- Installation of Heat Meter devices across all sheltered housing schemes (enabling tenants to accurately pay for actual fuel usage rather than pay a pooled service charge)
- Purchase Ground Source Heat Pump at Harrison Court, installed via a third party that now benefits from the Renewable Heat Incentive

- 5.13 This initial investment to be made within the Housing Revenue Account (HRA) will seek to start improving the Council's housing stock and make properties more energy efficient, producing less carbon, and becoming cheaper for tenants to heat their homes. It is proposed that the overall financial impact of this additional spending is included as part of the HRA and HIP Budgets considered by Cabinet in January 2021.

- 5.14 A bid is also being made for Social Housing Decarbonisation Fund grant from the Government. If successful, the works will be part-funded from this grant; however, not all of these works are grant eligible, so additional investment would still be required. The grant would provide approximately £500k towards some of the works, but even if the grant bid is not successful then the works will be undertaken using HRA funding, likely in the form of additional borrowing. This allows the programme of up to circa £4.4m to be progressed without delay.
- 5.15 These works will take place during the 2021/22 financial year, as an additional package added to the annual HIP works of around £6-7m per annum. However, the Council will also be starting a planned review of the current 30-year HRA Business Plan and Asset Management Strategy for the HRA. This work will continue through 2021 and inform the budget setting for 2022/23 onwards. This means that a sustained and planned, wider/longer term energy works package can be considered with those reviews and incorporated into the new Asset Management Strategy and Business Plan that will come into effect from April 2022.

6. Equality, Diversity and Human Rights implications

- 6.1 The works covered by this project aims to make properties more energy efficient, producing less carbon, and make it cheaper for tenants to heat their homes.
- 6.2 The Equality Impact Assessment for the Council's Asset Management Strategy is [here](#).

7. Strategic Plan References

- 7.1 Tackling the climate challenge and leading sustainability
- Reduce carbon emissions to help achieve a net zero Carbon footprint for Council Services by 2030
 - Environment and sustainability embedded within all Council decision making and the adaptation and recovery from Covid-19

Creating safe, healthy and active communities

- Support people to live in healthy homes that meet their needs

Delivering homes for people who need them

- Choice of priorities and goals.

8. Consultation

- 8.1 None.

9. Publicity Considerations

- 9.1 There would be engagement with tenants in advance of works to individual properties.
- 9.2 There are likely to be opportunities for positive coverage of the Council's commitment to increasing affordable housing supply and improving the environmental efficiency of council tenants' homes.

10. Financial implications

- 10.1 The budget for the Housing Investment Plan is approved by Cabinet in January of each year. Where there are opportunities to achieve savings in streamlining procurement exercises or broadening existing contract arrangements this will be taken advantage of reducing the Council's exposure to cost implications.
- 10.2 The affordability of this investment will be considered alongside the overall Housing Investment Programme and 30-year HRA financial model at Cabinet in January 2021.

11. Health, Wellbeing and Community Safety Implications

- 11.1 Maintaining and improving the Council's Housing Assets is generally considered to enhance and maintain the wellbeing of tenants, neighbours and contributes positively to the economic health of the Borough.

12. Health and Safety Implications

- 12.1 Each contract will be procured from contractors who provide suitable assurances regarding their ability to complete works in a safe manner.

13. Risk Management Implications

- 13.1 Any risks will be routinely considered as part of procurement and contracting arrangements.

14. Environmental and Sustainability Implications

- 14.1 These works are a specific response to the need to reduce carbon emissions and improve sustainability aspects of our affordable housing stock. See main report.
- 14.2 The Council is using the Social Value Portal to quantify and measure the Social Value of the contracts it procures. The Housing Investment Programme involves regular procurement and contract exercises and the projects included in this paper will be no different.