

Wiltshire Council

Cabinet

3 November 2020

Subject: Housing revenue account business plan and revised capital programme

Cabinet Member: Cllr Richard Clewer Deputy Leader of the Council and Cabinet Member for Corporate Services, Heritage, Arts, Tourism, Housing and Communities

Key Decision: Key

Executive Summary

This report seeks consideration of a revision of the HRA business plan based on a capital programme that seeks to address the climate emergency. The proposed capital programme will support carbon zero development of new council housing where the Council is in control of development and a programme of investment of circa £ 50 m over the next 10 years so as to improve the energy performance of the Council's existing housing stock such that all units will achieve an Energy performance rating of at least B.

The report responds to the global warming and climate emergency task group recommendations.

Proposal(s)

Cabinet is asked to agree:

1. that the Council house new build programme will aim to deliver carbon zero new build where the Council is in control of development
2. the revised Council house build programme 2020 – 203/32 at an estimated cost of £ 195m
3. that the Council housing investment programme should aim to achieve energy performance rating of B for all its existing housing stock and
4. the revised Council house investment programme 2020 – 2031/32 totalling £ 289m

Reason for Proposal(s)

The proposals will significantly improve the energy efficiency of the Council's housing stock not only responding to the Council's climate emergency

commitment but delivering homes that are cheaper to run and thus healthier to live in.

Terence Herbert
Chief Executive

Wiltshire Council

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Purpose of Report

1. The purpose of this report is to seek consideration of a revised capital programme for both the Council's new build council house programme and also the investment into the Council's existing housing stock. The proposals will respond to the Global warming and climate emergency task group recommendations and if agreed will result in a revised Housing revenue account business plan

Relevance to the Council's Business Plan


2. The proposals will directly contribute to all three priorities in the Business Plan:
 - growing the economy
 - creating strong communities and
 - protecting the vulnerable

Background

3. The following table shows the proposed council house build programme contained in the 30 year HRA business plan with the total cost of the programme estimated to be £ 195 million.

| Scheme Year | CHBP Ph | | CHBP Ph | | CHBP Ph | | CHBP Ph | | CHBP Ph | | Total |
|----------------|-------------------------|--------------------|-----------------------|--------------------|--------------------|------------------------|--------------------|---------------------|-------------------------|------|-------|
| | CHBP Ph 1- 2, rented | 3.1-3.2, rented | CHBP Ph 1- 3.2, SO | 3.3-3.4, rented | 3.5-3.6, rented | CHBP Ph 3.3-3.6, SO | 3.7-3.8, rented | 3.9-3.10, rented | CHBP Ph 3.7-3.10, SO | | |
| 2019.20 | 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19 | |
| 2020.21 | 23 | 6 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 31 | |
| 2021.22 | 5 | 26 | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 44 | |
| 2022.23 | 0 | 69 | 25 | 6 | 0 | 0 | 0 | 0 | 0 | 100 | |
| 2023.24 | 0 | 40 | 20 | 37 | 0 | 10 | 0 | 0 | 0 | 107 | |
| 2024.25 | 0 | 0 | 0 | 57 | 6 | 32 | 0 | 0 | 0 | 95 | |
| 2025.26 | 0 | 0 | 0 | 41 | 29 | 29 | 0 | 0 | 0 | 99 | |
| 2026.27 | 0 | 0 | 0 | 0 | 64 | 29 | 6 | 0 | 0 | 99 | |
| 2027.28 | 0 | 0 | 0 | 0 | 41 | 19 | 29 | 0 | 10 | 99 | |
| 2028.29 | 0 | 0 | 0 | 0 | 0 | 0 | 64 | 6 | 29 | 99 | |
| 2029.30 | 0 | 0 | 0 | 0 | 0 | 0 | 41 | 35 | 29 | 105 | |
| 2030.31 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 68 | 29 | 97 | |
| 2031.32 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 38 | 19 | 57 | |
| TOTAL | 47 | 141 | 60 | 141 | 140 | 119 | 140 | 147 | 116 | 1051 | |

4. Where the Council is in control of development (i.e. not purchasing units provided by a developer in order to comply with an affordable housing obligation) it is the intention that the units will be at least zero carbon. The following graphic shows the elements that will be sought to achieve carbon zero and how that is different from other models,



| Legacy | Low energy | Passivhaus | Zero Carbon | Carbon negative |
|---|---|---|---|--|
| Traditional build | Traditional build | Passivhaus standard build | Passivhaus standard as minimum | Passivhaus standard as minimum |
| Older style house | Current | Planned | Potential | Aspirational |
| Poor insulation | Good insulation | Very high levels of insulation | Insulation + generation of electricity and hot water | Insulation + extensive generation of electricity and hot water |
| Single glazed | Double glazed | Triple glazed | Triple glazed | Triple glazed |
| High heating, lighting and hot water bills | Significantly lower heating, lighting and hot water bills | Potential for no heating bills and low lighting and hot water bills | Very low bills offset by generation | Very low bills more than offset by generation ie generating more than is used |
| Older style appliances with high energy use | Modern appliances with low energy use | Modern appliances with low energy use | Modern appliance with low energy use run on generated electricity and/or carbon offsets | Modern appliance with low energy use run on generated electricity |
| High Carbon | Low carbon | Very low carbon | Net NIL carbon | Net NEGATIVE carbon |

5. The Council House new build programme intends to procure through the South West Procurement Alliance Framework to engage Rollalong Offsite Construction to work with Wiltshire Council to deliver 20 new affordable homes. This will form a pilot over 3 sites, enabling the ability to fully test the Modern Method of Construction (MMC) product. The steel frame based design, will deliver a carbon zero product for our customers, taking a fabric first approach to maximise firstly the building envelope itself and then looking at complementing technologies to support the first all-electric homes.
6. Whilst the council house new build programme will deliver carbon zero homes it is also necessary to address the efficiency of the Council's existing housing stock. This will not only reduce the carbon generated from the running of those homes it will reduce the costs of heating and running the homes providing potential health benefits for the Council's customers many of who may be on low or modest incomes. The HRA business plan has been remodelled over the 30 year period based on 2019/20 out turn and revised estimated costs. In addition £ 20m of capital allocation has been removed where provision had been made for works which were not a priority. The following table shows the revised finance allocation to deliver a £ 50m climate change programme.

| Type of spend | Total programme | Revised total | Net |
|---------------------------------|-----------------|---------------|--------------|
| | Previous model | | Movement |
| | £m | £m | £m |
| External Works Programme | 85.07 | 85.07 | -0.00 |
| Internal Works Programme | 94.03 | 94.03 | 0.00 |
| Environmental Works Programme | 30.49 | 30.49 | -0.00 |
| Energy Works Programme | 8.28 | 8.28 | -0.00 |
| Climate Change works | 0.00 | 50.00 | 50.00 |
| Other (inc. Housing Management) | 41.08 | 21.45 | -19.63 |
| CAPITAL TOTAL | 258.94 | 289.31 | 30.37 |

7. The estimated EPC rating of the Council's current housing stock is shown in the table below:

| Energy performance certificate rating | Estimated number of properties | Percentage |
|---------------------------------------|--------------------------------|------------|
| A/B | 222 | 4% |
| C | 3074 | 58% |
| D | 1816 | 34% |
| E | 154 | 3% |
| F | 32 | 0.5% |
| total | 5,298 | |

8. The climate change work will aim to undertake work to customers' homes so that over a 10 year period all the Council's housing stock will achieve an EPC B rating. The programme will commence in April 2021.
9. To achieve an EPC B rating properties will receive the highest levels of loft insulation, and wall insulation which is achievable. Some properties with suspended timber floors will require floor insulation. Windows with A++ rating will be fitted. Energy efficient light bulbs will be fitted as standard. The best form of non-fossil fuel heating and hot water solution, which depending on varying factors will be either Air Source Heat Pumps or high heat retention Night Storage Heaters, both systems should be combined with the installation of efficient unvented hot water cylinders. The Council will also consider other technology that can be combined to enhance these solutions and further reduce customers energy bills, such as Photo Voltaic(PV) panels on roofs, battery storage, energy harvesting and the like. These will be tailored to suit different properties and EPC requirements.
10. It is intended to engage with architects and technical advisors (such as the South West Energy Hub SWEH) to draw-up a list of works that will form a 'menu building upgrades' that will add the most EPC points and provide the thermal comfort with reduced fuel bills for our customers. It is intended to pilot the approach by refurbishing two properties as exemplars having one as an all electric and one as Air source Heat Pump and PV. If this opportunity is realised, then the incoming customers could act as Energy champions to promote low energy homes.

11. The programme will aim:

- To achieve EPC B or better, including achieving carbon neutrality where possible.
- A significant reduction in the carbon emissions associated with heating the housing stock.
- A significant reduction in carbon emissions associated with electricity consumption in general.
- A reduction in the annual utility cost for each household
- A raising of environmental awareness and improved environmental behaviours from all tenants
- The phasing out of gas as a heating fuel.

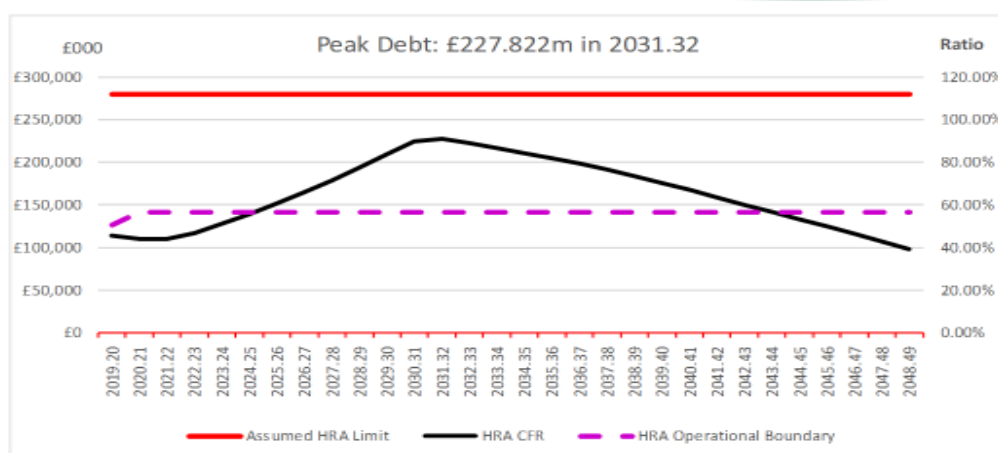
12. Accurately quantifying the carbon savings and potential reduction in energy bills is extremely challenging in the domestic environment. There is no data for the current energy consumption across our customers as the council does not pay their energy bills. Whatever the current EPC rating, customers' behaviour is a key factor in determining consumption e.g. what temperature is set on the central heating, whether the property is occupied during the day, how many electrical devices are in regular use and so on.

13. However, using average domestic carbon emissions data and average household energy costs, it is forecast that the total programme could deliver a reduction in carbon emissions of between 15,000 and 20,000 tonnes per annum, and residents could benefit from savings on energy bills up to £ 500-600 per annum, depending on their behaviour patterns and consumption levels.

14. The revised programme will lead to revised capital allocations each year compared to the current profile. The Council will pursue funding opportunities that may help finance the proposed works to mitigate the investment requirement from the Housing revenue account.

15. The Council's Housing revenue account business plan has been revised based on the above programmes. The graph below shows the debt position of the HRA business plan over the 30 year period,

Metrics



16. The debt position in 204/49 is estimated to be £ 99m, below the starting position in 2020/21 despite the inclusion of the climate change programme and new build council house programme. Debt peaks in 2031/32 at £ 227m.

Overview and Scrutiny Engagement

17. This report responds to the Global warming and climate emergency task group recommendations as set out in the report to the 29th September Overview and management scrutiny committee in relation to the Council's housing stock.

18. The Council's Housing board has received reports and helped shape the proposals contained within this report.

Safeguarding Implications

19. There are no safeguarding implications at this stage

Public Health Implications

20. The improvement in EPC rating of the Council's housing stock and development of carbon zero homes will address issues of fuel poverty for customers.

Procurement Implications

21. All procurement associated with the programmes will take place within the Council's procurement and commercial strategy.

Equalities Impact of the Proposal

22. There are no Equalities Impacts arising at this stage

Environmental and Climate Change Considerations

23. The proposals contained in this report directly respond to the Global warming and climate emergency task group recommendations to reduce the carbon footprint of the Council's housing stock. This building programme will help to develop the market for sustainable construction and domestic retrofitting in the county which along with the government's Green Homes Grant scheme for private sector housing will stimulate a green recovery.

Risks that may arise if the proposed decision and related work is not taken

24. If the proposed programmes are not implemented the carbon generated from the Council's housing stock will not be mitigated and customers will face increasingly higher energy bills risking them falling into fuel poverty.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

25. The cost of the programme will require constant management to ensure that it can be accommodated within the HRA business plan. As has been shown above

the inclusion of the programmes in the HRA business plan still delivers a prudent plan with debt reducing over the 30 year period.

Financial Implications

26. The revised 30-year HRA business plan includes a capital maintenance program of £289m which includes climate change works of £50m. £20m works deemed non-essential have been removed from the program meaning that the revised plan has increased by a net total of £30m.
27. Spend on the climate change works was originally modelled over a 13-year period. Reducing the timeframe down to 10 years indicates a £0.5m lower closing debt position.
28. Current modelling indicates that HRA debt will peak at £227.8m in 2031/32 and will close at £99m at the end of the program in 2048/49 which is lower than debt level at the beginning of the program which was £113.9m.
29. Actual costs of the program will be monitored and evaluated by officers over time and the business model updated accordingly.
30. The assumptions that have been incorporated into the model mean that it is prudent and robust.

Legal Implications

31. There are no legal implications with regard to the proposals in respect of the Council new build programme.
32. With regard to the proposed works to the Council's current housing stock, whilst the local authority has a statutory power of management of its housing stock, the landlord's (Wiltshire Council's) right to carry out the programme of improvements to the Council's existing tenanted properties (excluding any former right to buy flats held on a long leasehold) is subject to a statutory duty consult on matters of housing management, including with respect to any new programme of improvement of dwelling-houses let under secure tenancies, where tenants or a class of tenants are likely to be substantially affected by those improvements (or other related matters of housing management).
33. It should be noted that where substantial improvements are made to a dwelling-house let under a secure tenancy, where the dwelling is subsequently purchased under the right to buy, the works may reduce the maximum amount to which a tenant may be entitled in respect of statutory discount for a period of 10 years following the date of completion of the works. Whilst that may allow the Council to recover some of the costs of the works via its Right to Buy receipts, the reduction of discount will have implications for tenants aspiring to purchase their properties by increasing the purchase price and therefore affecting the availability of a mortgage.
34. The Council's standard form of introductory or statutory secure tenancy reserves the Council a right of entry to carry out maintenance and repair, or to carry out works for which the Council has a statutory obligation, however there is no

general right of entry to effect general improvements. Accordingly, if improvements cannot be carried out by agreement with the tenant of an individual dwelling-house, the Housing Act 1985 provides a qualified ground for possession in order to carry out those works provided it is reasonable and suitable alternative (temporary) accommodation is available (with respect to the ongoing Covid-19 challenges, the minimum notice period for possession on this ground is increased to 6 months until at least 31 March 2021). Alternatively, the Council may be able to use the statutory procedure in the Housing Act 1985 to vary the tenancy to allow a right to carry out improvements on social, economic or environmental grounds and/or which are for the benefit of all or a class of tenants generally.

35. Legal Services will liaise with the Director for Housing and Commercial Development with regard to obtaining such consents and/or orders as shall be necessary to enable the proposed works to be carried out to the Council's existing stock where there are existing statutory secure tenancies (or introductory tenancies).

Workforce Implications

36. There are no workforce implications .

Options considered

Continue with existing new build and investment programmes

37. The existing programmes did not address the recommendations of the Global warming and climate emergency task group and moreover would not have delivered energy efficient homes for the Council's customers. It is for that reason this option was not continued.

Conclusions

38. The inclusion of revised new build and investment programmes will enable the Council to respond to the Climate emergency agenda within the financial constraints of the 30 year Housing revenue Account business plan .

Simon Hendey – Director of Housing and Commercial Development

Report Author: Simon Hendey, Director of Housing and commercial development
Email simon.hendey@wiltshire.gov.uk

Date of report 9 October 2020