STROUD DISTRICT COUNCIL

AGENDA ITEM NO

HOUSING COMMITTEE

8 DECEMBER 2020

9

Report Title	**COUNCIL HOUSING - COMMUNITY ENERGY RETROFIT**
Purpose of Report	To seek committee endorsement for proposed investment via a community energy partnership to deliver a low carbon retrofit pilot project focused on independent living homes.
Decision(s)	**The Committee RESOLVES to:** **a) Endorse the Community Energy Retrofit Pilot, and** **b) Note that feasibility and pilot will progress through a collaborative planning and management process overseen by the Strategic Director of Communities in consultation with relevant officers and the Chair of the Committee.**
Consultation and Feedback	The concept has been reviewed by panels of technical and community energy experts from the charitable trust Power to Change in order that Gloucestershire Community Energy Cooperative (GCEC - the lead partner) could secure grant funding for this proposal. Other consultation has been between the carbon neutral team; tenant services team, finance team and GCEC as well as with Recovery Board and Housing Renewal Panel. The cross council consultation has achieved broad agreement that to pilot approaches in this way is an important part of acting up on our commitments, acquiring experience and learning to inform future plans and, most significantly, securing community engagement with low carbon improvements for the domestic sector. Since the project is still finalising the feasibility study, engagement beyond council teams has not been appropriate but is planned in the near future as tenant agreement with plans will be required.
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Options	None considered – if the pilot does not proceed then any needs at the properties will be addressed in line with tenant services wider delivery plan.
Background Papers	None

Appendices	Appendix 1 - Project Model Appendix 2 - Clarifications On Project Model Assumptions			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	Yes	Yes	Yes

1. INTRODUCTION / BACKGROUND

1.1 A Community Energy Project is a recognised means of tackling energy issues through collective action to reduce, purchase, manage and generate energy. These projects often tackle challenging issues around energy and have an emphasis on local engagement through social enterprise models that bring benefit to the local community.

The Gloucestershire Energy Co-Operative (GCEC) is an established community energy organisation, legally constituted as a Community Interest Company (CIC - asset locked) and registered with Financial Services Authority. Previous successful projects include 'City Works' where photovoltaic panels provide the third sector organisation tenants with low carbon, cost effective electricity in the city of Gloucester.

1.2 Last year, an approach to the council from Gloucestershire Community Energy Co-Operative (GCEC) who offered the opportunity to pursue funding that could deliver a low carbon project on council owned housing through a partnership founded upon the principles of Community Energy. Now funding has been realised and modelling completed that illustrates how, using revenues from the generation and grid services, a pilot installation project is possible.

1.3 The project is a pioneering one, requiring new ways of working in council and community and deviating from our traditional approaches to both delivering and financing retrofit at scale. The model business case for the project is tied to timescales from grant funders and the final period for registering this iteration of Renewable Heat Incentive RHI (March 2021). Member approval of this activity is therefore required via this committee in order to validate these innovations and allow the project to progress through the required timeline.

2. COMMUNITY ENERGY RETROFIT PROPOSAL

2.1 The proposal is to focus on 7 independent living bungalows, currently heated with storage heaters with a view to: remove the electric storage heaters**;** install Photovoltaics (PV) for onsite electrical generation; install batteries for storing electricity generated; install a Heat Pump in each property that draws on a shared ground loop system (requiring a small grassed area around the properties).

The Heat Pump is electrically powered via PV and the battery. Heat pump technology is eligible for RHI payments that complement the PV generations revenues from Smart Export Guarantee and are topped up by payments for the services the batteries supply to the grid (helping to regulate demand by responsive release of energy to the grid). These payments drive a business case for GCEC investors realising a share offer that, combined with the grant secured from Next Gen will repay the capital released by GCEC investors over a 20-year period (in line with the RHI payments).

2.2 The project has value across a breadth of issues:

- Social: The works will improve the homes of current and future tenants providing heating and hot water systems with much improved functionality. The community energy process democratises energy since generation is on site and in community control. This work opens the potential for full engagement, establishing replicable demonstrators on housing and illustrating how technology can work for and, bring benefits to, householders. The community share offer is a further engagement tool that will bring wider benefit and a further angle for engaging the public in low carbon energy.
- Economic: Since Heat pump technology is extremely efficient, comparably tenants can expect to save around 50% of their current annual energy costs (circa £850). Local investors in the share offer can expect an annual return of around 3% on their investment. The council could also invest in shares however, it is to be noted that this proposal does not offer a competitive outlay for the council in terms of cost because: as a pilot it will not benefit from economies of scale and; although using a shared loop system keeps costs low, capital monies can generally be sourced at lower rates of interest to the council. Nonetheless, financial colleagues feel this can be accommodated in the HRA and internal consultations have revealed consensus that, in this case, the impacts on issues across the board are what drive the agenda.
- Environmental: The draft 2030 Strategy in keeping with current economic debate recognises 'The Retrofit Challenge' as a key priority. This project clearly delivers on that challenge and since the development work is complete, the partnership in place and, some funding secured it is a project 'shovel ready' with potential for bringing visibility to the issue and some of its solutions at a local level. The innovation in combing the technologies of PV; battery and, heat pump will realise impressive carbon savings of around 60% per property giving this project a respectful cost per tonne of carbon saved.

2.3 At the time of writing the project costs are based on modelled data and work is in progress to evolve these into a business case, working within COVID restraints, with tenant services data team and contractors. The modelling and a detailed description of assumptions are within the appendices of this report and provide a well-considered illustration of costs and returns. The capital measures are paid for by GCEC and are protected for the council under the 'asset locked' basis of their legal status as a CIC. At the end of the 20-year repayment model those 'assets' will revert to SDC (working with independent living housing also reduces potential impacts in this area since there is no 'right to buy'). The council is required to pay GCEC an annual fee for maintenance of the systems, which over 20 years with interest is currently modelled at a total cost of £93k for all 7 properties.

2.4 Currently officers are evolving the model into full feasibility. Whilst HRA is deemed to have scope to support the capital works, it is expected that final figures on the business case will be subject to change but resource from the Carbon Neutral team and budget is already identified to support the engagement works.

2.5 The work is in keeping with recovery strategy work streams for environment, economy and housing in its potential to: provide housing that is more affordable to maintain at a healthy temperature and by, doing this in a low carbon manner, through developments that bolster retrofit related economies and support demand for these. As a result, recovery funds are considered a potential support to the work and governance via the Recovery Board deemed appropriate since this brings together SLT in a way that can support the ongoing monitoring and decision making in the project.

3. CONCLUSION

3.1 Whilst the project does not offer a financially competitive way to deliver retrofit on these properties it does offer a cost effective route for a project of 'pilot scale'. This is achieved through innovation in technology combination that maximises the revenue generation potential of the scheme and is bolstered by grant funding and public investment. The project holds both significant strategic and carbon saving potential and offers an opportunity to be one of a very small minority of councils active in Community Energy projects. The project also offers significant potential in terms of community engagement which is considered of prime importance for the achievement of both recovery and 2030 ambitions.

3.2 It is recommended that the committee endorse this activity and the approach to ongoing decision making through advanced feasibility and delivery as described in recommendation (b).

4. IMPLICATIONS

4.1 Financial Implications

This project would have an annual contribution of £3.7k, rising with inflation each year. OAs identified in paragraph 2.3, over the 20 year scheme the total amount payable is expected to be £93k for the seven properties, or £13k per property. This cost could change as the project goes through the feasibility stage. As no contributions are expected to be sought from the tenants benefiting from lower energy costs, this would need to be subsidised by the HRA. It would be possible to fund this pilot project within the current long term position of the HRA.

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4.2 Legal Implications

There are no specific legal implications arising from the recommendations in this report. However, as the pilot plan is developed, there will be a need for legal advice in relation to the different elements of the project.

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4.3 Equality Implications

At this point in time, the report is seeking authority to take the project through a full viability assessment prior to taking an implementation decision. EQIA must be considered as part of project planning if viable and delivered via the governance procedures recommended. At this point EQIA should consider tenants both as residents of pilot properties and council tenants generally and, specifically consider, disability and age as protected characteristics.

4.4 Environmental Implications

The following sets out details of significant implications identified by officers: Failure to endorse the proposal and/or support the process outlined in Decisions (b) could risk failure to deliver the planned retrofit since it depends upon taking advantage of the funding and RHI revenue timescales imposed upon it. This could be seen as a failure to acknowledge the 'emergency' declared by not taking presented opportunities to act on climate, ecology and recovery emergencies.