

BARNESLEY METROPOLITAN BOROUGH COUNCIL

**REPORT OF: EXECUTIVE DIRECTOR OF GROWTH & SUSTAINABILITY AND
CHIEF EXECUTIVE OF BERNESLAI HOMES**

TITLE: EPC C RETROFIT KICKSTART PROGRAMME

REPORT TO:	CABINET
Date of Meeting	14 June 2023
Cabinet Member Portfolio	Regeneration and Culture
Key Decision	Yes
Public or Private	Public

1. Purpose of report

The purpose of the report is to inform Cabinet of, and seek approval for, the agreed approach by BMBC and Berneslai Homes for the EPC C retrofit kickstart programme to be delivered through the Property Repairs and Improvement Partnership contract (PRIP). Serving as a pilot in 2023/24, the planned approach will provide the opportunity to test the proposed delivery model; ensuring that it can be scaled up to enable an efficient and value for money delivery route (within planned programmes), going forward. The report will also detail the approach to ensuring that the data that is held on our assets is robust, up to date and includes all condition and energy performance information to accurately inform the Retrofit Plan for all stock to meet EPC C or above by 2030 (targeting those properties with the lowest SAP rating as a priority).

Council Plan priority

Healthy, Growing, Learning & Sustainable Barnsley

Recommendations

That Cabinet: -

- 1. Approves the £500k EPC C Kickstart programme to be delivered via the PRIP contract during 2023/24.**
- 2. Notes the programme of planned condition and energy performance surveys to be undertaken across stock on an accelerated basis up to March 2024. These surveys will be used by Berneslai Homes to produce a robust asset data strategy which will inform the wider Retrofit Programme from 2024-2030 and produce an overlying wider asset management strategy.**

2. INTRODUCTION

- 2.1 As a landlord of 18,000 properties, the Council, and our managing agent, Berneslai Homes, has a key role in reducing carbon emissions from housing to protect future generations and help limit the effects of climate change.
- 2.2 The Council has set an ambition for the borough to be net zero carbon by 2045, or earlier if possible. With residential dwellings making up almost a 1/3 of the borough's emissions, it is essential that the council and its partners do all we can to build energy efficient and low carbon homes and ensure that our existing stock is as energy efficient as possible. To do this, we must be proactive in reducing fuel poverty and creating healthy and energy efficient homes for our tenants to live in. The Government has set a target for social housing providers to attain a minimum rating of Energy Performance Certificate (EPC) C for homes by 2035 (2030 for 'fuel poor' households); with the Council seeking to achieve EPC C across all its stock by 2030.

Current Position & Strategy:

- 2.3 Berneslai Homes developed a 5-year Sustainability Strategy and roadmap for energy decarbonisation in late 2022 that provides details on how they, as an organisation, will be positioned to deliver programmes which improve the energy performance of the council's housing stock in line with the Council's strategic priorities and government targets (Appendix B). The development of a costed retrofit programme is also key ask of Berneslai Homes in the Annual Business Plan 2023/24. To better understand the stock profile, Berneslai Homes commissioned Savills to undertake an appraisal of our housing stock during 2022/23 to understand the scale of programme required to retrofit all property types to both EPC C and net zero carbon (where this was possible). The Savills report concluded that it could cost an estimated £60m to bring all council homes to EPC C by 2030. To bring the homes to net zero carbon by 2045 this was calculated to cost circa £630M with an average cost per property of £28k. It should be noted that these estimates are based on modelled data.
- 2.4 Currently, around 13,000 of the total housing stock is estimated to have a rating of EPC D or below and will require some form of retrofit to achieve EPC C or above. However, it is envisaged that around 5000 of these properties may require minimal works ONLY.
- 2.5 The table below shows current Energy Performance of the Council Housing Stock based on the Savills modelled appraisal.

Energy Performance Certificate (EPC) Band	Number of properties per band
A	38
B	205
C	5,145
D or below	12,612
Total	18,000

Asset Data Approach:

- 2.6 To ensure that we have the most up to date data on stock condition and energy performance, housing condition and EPC surveys have been commissioned across stock on an accelerated basis; with condition surveys being completed/updated on all stock by March 2024 and up to date EPCs produced for all properties without an up-to-date rating within the same timeframe. This data, alongside a review of the delivery of the pilot programme, will then be used to inform a robust rolling programme of retrofit activity from March 2024 (within an asset data strategy) and enable the Council and Berneslai Homes to lever in additional external funding, as required.
- 2.7 The Council's approach to retrofit is to move as many properties as possible to EPC C starting with those with the lowest SAP ratings first and taking a "fabric first" approach, retrofitting properties through the installation of energy efficiency measures i.e., cavity wall, external wall, loft and underfloor insulation. These measures will improve the thermal performance of the property, minimising carbon emissions and energy usage for the customer. In turn, this should mean lower energy bills. Low carbon heating technology, to replace conventional gas systems, will be considered for installation, but only when a property has been insulated effectively to support the technology to work efficiently within the customer's home. This staged approach will provide assurance that we are working to decrease the risk of moving customers into fuel poverty via the installation of renewable technology which is more dependent on electricity use. Delivering works within existing planned programmes will ensure that works are delivered holistically, reducing disruption to tenants, and delivering works in a coordinated, efficient and value for money manner within existing contractual arrangements, wherever possible.

Retrofit Programme 2023/24:

- 2.9 Given the work required to develop the asset data strategy during 2023/4, and the aspiration to deliver works locally, it is proposed that a pilot Retrofit Programme is delivered during 2023/24 within the PRIP contract; alongside an existing decent homes programme in Wombwell. The pilot, which will consist of a mix of property types (c.20-30 homes), will enable our contractors to develop robust pricing schedules and delivery programmes and will enable the training and development of their own staff in delivering retrofit works to the Government's PAS30 and PAS35 standards. The £500k pilot will be evaluated, post completion, and will inform the delivery mechanism and budget profiling for wider programme delivery from 2024 onwards. Whilst Wates will be the principal contractor in delivering the pilot, there will be shared learning and upskilling opportunities for both contractors. The evaluation of the pilot will include a review of financial costs, the impact and efficiencies of delivering works within the existing PRIP contract and wider staff and customer experience feedback.

3. PROPOSAL AND JUSTIFICATION

- 3.1 It is proposed that the pilot retrofit programme 2023/24, and approach to the development of the wider asset data strategy, is supported. As referenced in 2.7, it is the preferred approach to deliver retrofit works within existing programmes and contracts to generate efficiencies in delivery and to minimize disruption to tenants, wherever possible. However, there are also significant opportunities for the council's

existing contractors to upskill existing staff and to grow opportunities to support additional training and employment via a direct delivery approach. The review of the pilot will assess whether these efficiencies can be effectively achieved within the current contractual arrangements, or whether further options will need to be considered for 'scaled up' delivery over 2024-2030.

- 3.2 Experience in delivering current retrofit programmes within the private sector (via Local Authority Delivery LAD and other funds) has identified significant challenges in relation to retrofit programme delivery within our region. There is an urgent need for market development to provide a contractor and supplier base in South Yorkshire, with the lack of local suppliers and suitably qualified labour impacting on the council's ability to fully utilise existing funding streams as well as it being a barrier to future expansion. In house delivery, would ensure consistency of resources for delivery, reduce procurement timeframes and associated costs, and see the benefits of a 'green economy' retained locally.
- 3.3 Delivering decency and retrofit works together, should also generate efficiencies in delivery, given that the specifications for decent homes have several components such as windows, doors, insulation, boilers, and ventilation which are included on the retrofit pathway requirement of homes. Progressing retrofit on these properties using the PAS 2030/35 standards will deliver an approach that maximises the pursuit of retrofit and decency cohesively. The PAS 2035 specification is the overarching document in the retrofit standards frameworks. It details how to carry out quality energy retrofit of domestic buildings, alongside best practice for implementing energy efficiency measures.
- 3.4 The pilot will be subject to testing at various stages of the process to prove the efficiency and effectiveness of the exercise. There is a requirement for ensuring costs are equitably representative with previous retrofit tenders, there are high productivity levels and that specific outputs (SAP ratings) have been achieved. A lesson's learnt report will be provided to cabinet alongside the detailed asset data strategy which will set out the costed programme and preferred delivery approach for retrofit delivery post 2024.

4. CONSIDERATION OF ALTERNATIVE APPROACHES

- 4.1 An alternative approach is to tender an EPC C retrofit programme outside the PRIP contractual arrangement. This has been the case for other energy efficiency and retrofit grant funded schemes previously, where the Councils dynamic purchasing system (DPS) has been used to source a suitable contractor for said works. The DPS or an open procurement exercise remains a practical option if required in the future. However, in taking this approach, the council reduces its opportunities to trial the co-ordination of retrofit and other planned works within the current contractual arrangements (PRIP 2021-31) and control of other social and economic benefits linked to direct delivery. Given the requirement to develop a robust asset data strategy, any procurement during 2023/24 would also need to be limited to smaller geographic programmes which would be unlikely to result in large scale contractor interest (given the scale of other contracts across the country) or hugely competitive pricing. Following the pilot, a robust options appraisal will be undertaken to determine the most appropriate delivery mechanism for the wider programme of works, going forward. At this point, the Council will have a robust asset strategy to inform the extent of its retrofit programme and required measures.

IMPLICATIONS OF THE DECISION

5. FINANCIAL IMPLICATIONS

- 5.1 Consultations have taken place with representatives of the Director of Finance (S151 Officer).
- 5.2 This report requests cabinet approval to commence a Retro Fit Delivery Pilot and to inform cabinet how Berneslai Homes intend to develop a asset management strategy to deliver a retro fit programme combined within the Barnsley Homes Standard programme.
- 5.3 An initial pilot of £0.5M is proposed within the Councils HRA PRIP contract. It is envisaged that delivery within the terms of the contract will be the best value for money delivery option in the current market.
- 5.4 £0.5M funding for the initial pilot is included within the HRA 2023/24 approved budget to finance capital expenditure on EPC C Retrofit. Expenditure is to be managed within the approved budget.
- 5.5 Berneslai Homes do not currently hold the required PAS30/35 accreditation at this point in time so the pilot will be delivered by the PRIP contract partner Wates Living Plc to the value of £0.5M.
- 5.6 Subject to Berneslai Homes gaining the required accreditation in 2024/25 it is envisaged that the viability of extending the pilot into year 2 will be explored.
- 5.7 The PRIP contract terms will be reviewed with partners to negotiate specific rates within contractual terms and conditions to allow the delivery of a retrofit programme to the required standards. At this point in time no rates have been agreed however the project works will be scalable to ensure they are delivered within the allocated resources.
- 5.8 The learning gained from the pilot in terms of contract management, procurement and front-line delivery will provide a platform for developing strategy, linking into the MTFs and a programme to roll out across the councils stock
- 5.9 Berneslai Homes are currently accelerating the condition surveys of the council's stock to achieve 100% coverage by March 2024, which is to be financed by the approved 2023/24 HRA budget. Currently Berneslai Homes only hold data on 30% of the current stock. This improved data will improve the business planning process and align the capital programme budgets towards frontline delivery plans. The increased data combined with the investment into the Repairs First IT system Asset management function will allow Berneslai homes and council staff to create a detailed model of a combined future delivery programme.
- 5.10 It is envisaged that a combination of detailed up to date stock data and a Net Present Value modelling function of archetypes within our stock will provide the information required to drive strategic investment decisions targeted to right areas of our stock.

- 5.11 The current operational focus and resources within the HRA Capital Replacement and Repairs programme is under review to ensure that repairs and maintenance is rebalanced across responsive to planned works; however, there are still some unknowns re: the new Decent Homes standard which could have a significant impact on finances and the 30-year business plan. Which will need to be considered when formulating future delivery plans incorporating any retrofit programme.
- 5.12 The financial implications are summarised in the attached Appendix A.

6. LEGAL IMPLICATIONS

- 6.1 There are direct legal implications for the Council/ BH arising from this work. The Council has a requirement to ensure that its properties meet the decent homes standard as a minimum, with the Government also setting a target for social housing providers to attain a minimum rating of Energy Performance Certificate (EPC) C for homes by 2035 (2030 for 'fuel poor' households). Compliance with decency is also included in the Regulator of Social Housing's Home Standards and is a key indicator in the Tenant Satisfaction Measures being implemented from April 2023.
- 6.2 The proposed kickstart works under PRIP contract are not directly a part of the original specification but clause 24.8 of the PRIP contract provides that tasks instructed under a Planned/Capital Improvement Works Order shall, amongst others, comprise (xiv) Decent Homes Capital Improvement Works (Capital). Decent Homes criteria issued by the government includes Criterion D which says that Decent Homes should provide a reasonable degree of thermal comfort. Further details in the guidance under this Criterion deals with cavity wall or loft insulation works and other energy conservation measures. That contractual ability can be used to achieve EPC C standard. Hence, the existing scope of PRIP contract may potentially be deemed to include the proposed kickstart work. However, it is recommended that results of the pilot works may carefully be scrutinised, benchmarked, and approved before any further works on the wider project.

7. EMPLOYEE IMPLICATIONS

- 7.1 As referenced, there is a clear need for green upskilling of staff and a transition required to deliver services effectively through the retrofit works programme. PAS 2030/35 approved training organisations have developed qualifications that equip people with the knowledge and skills to deliver retrofit excellence covering different roles involved in the retrofit process. Alongside the development of the wider retrofit plan, Berneslai Homes and partners will be required to develop a training programme which identifies how appropriate training and qualifications will be provided to ensure full compliance with PAS30/35 in line with the agreed delivery mechanisms, going forward. The pilot will serve as a training opportunity to upskill existing staff.

8. COMMUNICATIONS IMPLICATIONS

- 8.1 The Council and Berneslai Homes communication teams will work in partnership to communicate the outcomes of this report through their established channels.

- 8.2 Berneslai Homes has an obligation to provide choices, information and communication that is appropriate to the diverse needs of our customers. Dedicated Tenant Liaison Officer involvement on the retrofit programme provides the opportunity for customer communication and ongoing effective liaison and engagement at all stages of the journey.
- 8.3 The Tenant Voice Panel will be integral in working with officers to develop information packs to tenants which explain the retrofit works and the impact that they will have on improving the energy efficiency of their homes.

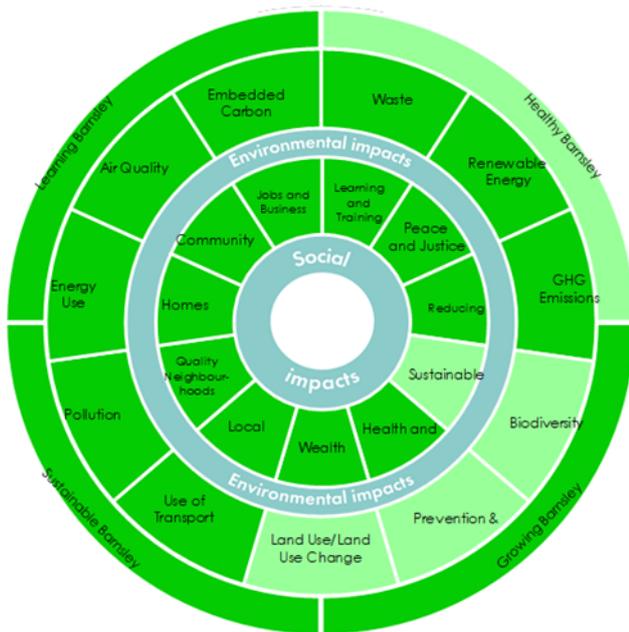
9. CONSULTATIONS

- 9.1 The Council and Berneslai Homes, through consultation with partners, have agreed a proposed approach for the delivery of the EPC C 'retrofit' kickstart plan in house. Delivery of the plan will be effectively monitored via a "Task and Finish Group" made up of key stakeholders involved in the project.
- 9.2 Consultation has been undertaken with Berneslai Homes customers via the tenant's voice panel (TVP). Customers views and feedback from the proposals presented were positive given the approach to improving the energy efficiency of homes within existing programme delivery. The TVP will be integral in the development of information packs and advice to tenants in relation to the retrofit works and the benefits that they will bring in relation to warmer homes, reduction in those households experiencing fuel poverty, reduced energy bills and health/well-being improvements.
- 9.3 Berneslai Homes Executive Management Team and board members have been briefed on the agreed approach to be implemented.

10. EQUALITY

- 10.1 The provision of a home that is warm, safe and comfortable is a fundamental requirement of the Decency standard, promotes good health and wellbeing and is a fundamental component of basic human rights. These works will form an essential part of ensuring that the housing stock meets these requirements. A Full Equality Impact Assessment has been completed for the wider Decency Programme.

11. SUSTAINABILITY



- 11.1 The management and maintenance of the Council’s 18,000 stock will need significant focus, investment, and strategic asset management if it is to increase the energy efficiency of homes to an average of SAP rating C or above by 2030. A key focus for the 2023/24 budget, BH Strategic Plan and Business Plan is to ensure that there is robust data to inform the retrofit plan, to embed retrofit works into the decency programme, going forward, and to ensure that the Council and Berneslai Homes are best placed to access funding.
- 11.2 In delivering investments via the agreed HRA Budgets, the Sustainability Wheel shows a strong positive impact on homes, communities and creating quality neighbourhoods in line with the priorities of B2030 and thus scores green on all areas. The Sustainability Wheel shows a positive impact from the development/retrofit of quality of housing, energy use, renewable energy production and reduction of fuel poverty. These can be linked the investment in existing stock via the installation of insulation, more efficient heating systems and renewable technologies – such as air source heat pumps and solar panels and batteries. Retrofit installation and building new homes does increase construction waste and pollution in the short-term; however, these should be offset by the reduction in the use of energy once completed and the reduction in emissions via renewable energy sources.
- 11.3 Finally, social housing providers have a real opportunity to develop retrofit programmes at significant scale to encourage local supply chains and training and development opportunities for green industry.
- 11.4 It should be noted that the programme includes the installation of new gas boilers. Whilst these systems will run more efficiently (saving tenants money on their heating bills) and emit less CO2 than the older systems that they are replacing, it is acknowledged that to achieve carbon zero targets we will need to move away from fossil fuel heating in the medium term. This will need to be a phased approach which considers the needs and views of tenants and considers the 30-year

business plan financial implications, future technology options and a full training programme for both staff and tenants.

12. LIST OF APPENDICES

Appendix A: Financial Implications

Appendix B: Berneslai Homes Sustainability Strategy

13. REPORT SIGN OFF

Financial consultation & sign off	Senior Financial Services officer consulted and date See Appendix A.
Legal consultation & sign off	<i>Legal Services officer consulted Irfan Sheikh, Solicitor 03/05/2023</i>

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Post: HOS Strategic Housing
Date: 03/04/2023