Housing and Environment Scrutiny Commission

MINUTES of the OPEN section of the Housing and Environment Scrutiny Commission held on Monday 17 December 2018 at 7.15 pm at Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

PRESENT:
Councillor Helen Dennis (Chair)
Councillor Graham Neale
Councillor Sunny Lambe
Councillor Hamish McCallum
Councillor Margy Newens
Councillor Ian Wingfield

OTHER MEMBERS PRESENT:
Cllr Richard Livingston Environment, Cabinet member for Transport Management and Air Quality
Cllr Leo Pollak Social Regeneration, Cabinet member for Great Estates and New Council Homes

OFFICER SUPPORT:
Martin Kovats , Community Projects Manager
Ian Young, Departmental Finance Manager
Louise Turff, Homeownership Services Manager, Finance and Governance
Michael O'Driscoll, Contract Manager, Lifts & electrical.
Tom Vosper, Strategic Project Manager, district heating lead
Julie Timbrell, scrutiny project manager

1. APOLOGIES

Cllr Paul Fleming, Cris Claridge and Ina Negoita sent apologies. Ina sent a deputy to contribute to the roundtable discussion on behalf of the Homeowners Council.

2. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT.

There were none.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS.

Councillor Margy Newens declared she was a shareholder in SE24.

4. MINUTES

Minutes from 17 October 2018 were agreed. The follow up actions will be requested in advance of the next meeting.

5. SOUTHWARK'S SUSTAINABILITY PLANS

The chair introduced the session by referring to the council plan commitment to: “support the creation of community led sustainable energy projects on estates to help residents reduce their energy bills” and the Commissions role in contributing to policy development.

A member asked about the GLA initiative to set up an energy company and the possible benefits of economies of scale. The GLA sent a short briefing, however this did not touch on this. More information will be sort on this.

Stuart Robinson-Marshall, Head of Sustainability & Business Development, Environment & Leisure presented on Southwark Council’s environmental sustainability plans, with reference to the briefing paper circulated in advance. This is working towards the borough being carbon neutral by 2050 and the council by 2025.

6. COMMUNITY ENERGY: COUNCIL PLAN AND COMMUNITY PILOTS

Martin Kovats, Community Projects Manager, Housing and Modernisation provided a briefing which gave an overview of the three pilots, which are in development to take forward the council plan commitment. The chair invited him to present and he introduced the council’s work on community energy by saying the council has a large housing stock with considerable opportunities for generating community energy. The management of this is centralised, however the council is committed to maximising community engagement.

Frequently community energy focuses on solar; however the other opportunity is district heating and most of the estates currently utilise this in some form, with hot water pumped in. There is currently a review of this. As this is still in the early stages it will be a while before this will report back on opportunities.

Currently the council has low technical capacity to evaluate the viability of solar projects; the pilots aim to increase this. There is already a large solar array on Four Squares, which the council is evaluating.

The Community Projects Manager referred to the briefing that outlined the three pilots: Haddonhall; Juniper House, and Brenchley Gardens. He explained that the pilots are

working in very different ways. Brenchley Gardens is investigating a variety of community energy initiatives. Haddonhall is working with South East London Community Energy Company (SELCE) and has recently received a grant to do a feasibility study. Juniper House TRAs intention is to install a solar array using existing capital of £30,000 from the previous housing cooperative which ran the estate.

Juniper House has had the most engagement with officers. This has focused on trying to resolve how to share the financial benefits of installing solar panels with all Juniper House residents equitably. Juniper House TRA's aspiration is for the solar energy to be used to power the communal energy needs of the estate and for this to lead to reduced leasehold and rent charges. However this is problematic as although tenants and leaseholders/ homeowners receive a separately itemised bill for communal energy, the calculations are done differently. For leaseholder/home owners this is done based on the estate, but tenant's charges are aggregated across the borough.

The pilots are currently being evaluated by BRE Group. They have also been asked to advise the council on suitable criteria to evaluate future projects.

RESOLVED

Officers will provide the evaluation of Four Squares solar project when ready.

7. COMMUNITY ENERGY PILOTS

The chair invited Dr Giovanna Speciale; Chief Executive Officer of South East London Community Energy (SELCE) to provide an overview of community led energy models with input from Afsheen Kabir Rashid, Repowering London and SE24.

Dr Giovanna Speciale explained that community energy companies like SELCE, SE24 and Repowering London are social enterprises, usually powered by volunteers, most of whom want a socially just transition to a low carbon economy, powered by renewable energy, where people in fuel poverty are helped to reduce their bills. SE24 is the most local company and almost solely volunteer run, whereas SELCE and Repowering London have been operating longer, employ workers and operate across South East London and the capital respectively.

SE24 explained that they have primarily worked locally in the charitable sector, with churches and community centres, however new funding means they will also be working with social housing associations.

Community Energy companies use a similar model, which usually use solar in a suitable location, often in partnership with local residents and stakeholders, such as the Haddonhall TMO. Once feasibility has been established the next step is to raise investment funds by a stock offer to buy equity. Local residents are encouraged to invest. The resulting capital enables the purchase of solar panels. Once installed these provide a revenue stream through energy sold to the site at a cheaper rate and electricity sold to the grid, making use of feed in tariffs. This generates enough money to pay both a dividend to stock owners, at a small social rate of return, and a surplus that is reinvested back into the local community.

SELCE have installed 7 solar arrays across seven schools in Greenwich; each school will reduce carbon by 300,000 metric tons over the lifetime plus save the individual schools

£300,000 each. In addition create a pool of £100,000 is being raised, which is being used to reduced the energy bills of people in fuel poverty.

The model saves carbon and energy. It is also a 'win win' business model: it is self financing, local residents make a small social rate of return, it lowers energy and carbon, and it works to alleviate fuel poverty. Critically it creates community engagement, and creates 'buy in' for other social and environmental initiatives. Previous projects have run energy cafes, worked with low income parents to reduce energy consumption and save money, and help gain funds for grants to carry out insulation for individuals – for example loft insulation and new boilers for low income homeowners.

The surplus generated is now less with lower Feed in Tariffs (FiT); and will decrease further when these end in April 2019. This will mean that the sale of electricity to the site will need go up; although savings will still be significant – for example a £200 per year saving on service charges will make a big difference to people living on the bread line. It is also likely that more attention will need to be given to the technical analysis of the site to maximise the return.

The Community Energy companies said that they are on a race to install and register as it is possible that current sites under deliberation (such as Haddonhall and Juniper House) will be allowed to pre registrar, and make use of the current preferential Feed in Tariffs, if the project is completed by the end of 2019.

Afsheen Kabir Rashid, Repowering London, added that Community Energy usually utilises solar energy as this is a tangible benefit and one of the best forms of green energy in the city, however the environmental and social outcomes go beyond this. Tackling fuel poverty is a key outcome. The other benefit is the inclusivity and community ownership generated via the cooperative model; which allows an equal voice to anybody with a share to decide how the community energy, and associated surplus, is controlled, managed and utilised. The local residents decide how the community benefit will be used. The solar kit is a hook to get people involved in the other issues that are needed to transition and create an energy system that works for people.

Haddonhall TMO explained that the local residents were keen to use solar however they did not have the technical expertise so they asked SELCE to do an initial evaluation. The TMO have recently been awarded a grant from the GLA to do a technical mapping of the site to assess its feasibility. The initiative will be working on both installing solar and also reducing residents energy costs via an energy café providing advice over a tea and cake.

Juniper House Rob Kenyon, Secretary, Juniper House TRA explained that the TRA has the capital available to invest in an array of solar. This is money set aside for this purpose from the former housing cooperative. The challenge is sharing the benefits with residents equitably; this has proved to be a stumbling block over the last two years. Although all residents (both council tenant and leaseholders) receive an itemised bill with communal energy consumption, this is calculated differently: leaseholders are charged for the energy consumed on the particular estate, whereas tenant charges are an aggregate of all estates. This means that while the council can potentially reduce the leaseholders' bills to take account of savings provided by use of solar energy generated and used at Juniper House, its current billing arrangements would not allow the same saving to be passed onto council tenants.

The TRA Secretary said that unless tenants are treated the same as leaseholders it is hard to see how this initiative will move forward as the TRA need an equitable outcome;

this is both a stipulation on the capital being a made available for this project and also a tangible benefit is needed to get buy in from local residents. He also emphasised the importance of a culture of partnership work across the board with tenants and council to work on initiatives such as this. His primary aim is to get clarity on this so the scheme can go ahead. He said this will be an issue for other initiatives. The other challenge is raising the capital – Juniper House has this, however other schemes will not. Martin Hughes, another representative from Juniper House, explained he has a technical background and he was confident that this is a viable project and advised pre-registration.

Brenchley Gardens has 95 homes about equally split between leaseholders and tenants. It is financially strong with high levels of tenant participation. The homes are located on large area of communal land. There are challenges; the homes are thin walled brick and hard to heat – there is fuel poverty. The estate has installed communal windows to reduce energy costs. They are looking at a number of different options:

- Roof Solar Panels;
- Green Roofs;
- Solar Powered Lighting
- Insulation to Blocks of Flats
- Composting (from flats)

They are keen to work with the council to reduce carbon consumption and save energy bills and gave assurances that they would a strong and reliable partner.

Cllr Leo Pollack commented that the council plan has a specific commitment and capital plan policy to enable community energy to be realised by residents to reduce energy bills. The wording was chosen to overcome some of the hurdles and technical problems that have hindered projects in the past. He said he was aware of the challenges regarding sharing the benefits equitably at Juniper House. He was encouraged by Brenchley Gardens wider look at energy and the Haddonhall scheme. He encouraged the pre-registration for FiT, and undertook that members would lobby government to allow this to happen.

He commented that the issues around service charges at Juniper House have wider implications for other estates schemes like this, and the existing protocols and the underlying principles would need to be assessed. This is complicated but not insurmountable; and the council will be looking at policy changes that are needed to deliver the saving to residents' energy bills that the council plan is committed to delivering. He suggested that Ian Young, Departmental Finance Manager comment at some stage on the policy and practical issues.

A Commission member on the planning committee commented that it is concerning that new developments coming to planning committee are not meeting carbon standards and having to offset. This includes council buildings. Getting new buildings right, as well as addressing legacy issues, is important; otherwise the council will not meet the 2025 or 2050 target. The legacy challenges are already large so the council ought to be getting it right on new developments. The cabinet member agreed this needs addressing and went on to comment that the standards for council buildings are high and there is currently a planned revisit of new build housing standards to raise these even higher and even towards passive house. It was noted that council is setting up our own construction company and this will provide an opportunity to improve our carbon and sustainability performance.

RESOLVED

Write to Cllr Jonson Situ regarding concerns about carbon performance of regeneration schemes generally, and new council buildings, in particular; to understand more about the issues and what is being done to tackle these.

8. REPOWERING LONDON

Afsheen Kabir Rashid, Chief Operating Officer, referred to the paper that Repowering London provided; 'Making Community Energy in Southwark'.

She explained that Repowering London started in Brixton where they pioneered the financial model; at this point she was working within the council as a sustainability officer and Lambeth was positioning itself as a cooperative council. In those days most solar schemes were in rural areas; so this was both an early urban scheme and also the first scheme on a social housing estate.

The early schemes raised capital through a community share offer; many of the people who brought the first shares were not expecting to see their money again, but wanted to make this happen. However it was a success and a year on many were surprised to see a cheque in the post. The model was based in Brixton and focused on ensuring that those residents who did not have the means to invest would see the benefits.

Most initial schemes used little of the electricity on site as there is only a limited amount that can be consumed in the day by the communal areas when solar power is being generated. The schemes were selling most of the electricity back to the grid as the local consumption was restricted to the communal areas and demand was limited. At the same time residents were paying 13p per unit of electricity, however the scheme was generating only 4p by selling to the grid. This seemed a flaw in the model; however to supply cheap energy directly to residents you have to be registered as an energy supplier and there are various regulations governing this. Repowering therefore had to think carefully about how to generate benefit on the estate to residents directly. The project engaged with residents to ask them by knocking on doors and holding events. A ring fenced community fund was created to enable local investment. The early models created a surplus to generate this: the costs were met; returns to investors were capped, and the extra enabled the creation of funds which were then spent on resident priorities.

Having both a cooperative in place locally, and a community pot of money, has provided additional leverage. This has enabled a number of schemes chosen by residents to be realised that combine alleviating poverty with reducing carbon. Energy Cafes work to reduce fuel poverty. A current scheme is working with 55 young people via an internship and mentoring programme which trains young people at risk of exclusion in community energy. This is an accredited programme, which came out of a demand from local parents on estates to provide something for young people.

Each year it gets tougher to make theses schemes as the FiT has decreased, alongside a lack of national support and uncertainty. However London does now have a supportive Mayor which is helping and feasibility studies are being funded. Repowering London are looking to pre-register a number of schemes for FiT.

Afsheen was asked if Community Energy projects would be viable post FiT and she

responded that that they would through a combination of share offers, selling to the grid, grants and carbon offset funds. Currently the focus is largely on utilising sites where they can generate more electricity to sell on site so there has been an increased focus on leisure centres, schools and community centres. Some roofs are not suitable; we know what these are through experience. The price of solar installation is also coming down. The model will emerge post FiT as the market will respond.

Repowering London also has three trails looking at local electricity supply models. These are particularly focused on providing solar energy directly to residents in multiple occupancy communal housing; so this relates to the council commitment to reduce resident energy bills through community energy. The pilots are working with different partners; cooperative energy; EDF, and Verve, a technical partner looking at blockchain and peer to peer. These are all very technical and confidential at the moment. Repowering's aim is to safeguard the needs of residents and to attempt to provide solar energy directly and cheaply to residents. Two were part of sandbox trails which gives some flexibility with regulations; these are being scrutinised by Ofcom. Repowering hope that these trails can be utilised once the testing is finished, however no one silver bullet has emerged yet. She finished by urging people not to hold back as the asset will generate electricity and money. Keeping momentum is important; the solutions will emerge.

9. ROUNDTABLE

Members of the Commission, officers, community representatives, and stakeholders discussed how Community Energy could be best taken forward in Southwark. Sustainable Energy 24 (SE24) contributed to this item and provided a paper. The Mayor of London's office sent apologies and provided a comment on behalf of Shirley Rodrigues, Deputy Mayor for Environment and Energy; also attached.

SE24 reinforced the point made by Repowering London that there will be emerging business models post FiT, and that different sources such as grants will come into play. They noted that carbon offsets are a particular opportunity that is often underused by London boroughs; this is an area worth looking at.

SE24 recommended the council consider the benefits solar could bring from other parts of the borough estate; e.g. primary schools. Schools can use solar generation as a way of changing behaviour. Community energy and solar generation provides an opportunity to educate children who then influence their families. Extending the scope of this programme to education could have a real impact on future generations. Schools may be able to pre-register for FiT, as well as community groups.

A member queried which residents would benefit from the community benefit funds generated by Repowering London solar schemes. Repowering London explained that the benefit would go to the residents on the estate with the solar arrays. This could be a way of sharing the benefits with residents, given the challenges of directly reducing bills to council tenants.

The Juniper House secretary emphasised the important of sharing the cash benefit directly and equally with estate residents. He said schemes like this offer an opportunity to provide validation for social housing. To date residents have worked hard on this with little guarantee that there will be a direct benefit. The council has the capacity to employ solar at economies of scale. He said that people want to focus on their own lives as they have a

deficit of leisure and family time, and the trick is to ensure that residents are involved in ways they enjoy and are good at, not to make them bureaucrats.

The chair invited officers to respond to the issue of sharing the benefit directly through reductions to bills. Officers explained that tenants would benefit to a small extent under existing policy as the savings from communal electricity costs would be shared across the borough. His said the policy to share communal costs was introduced as part of rent restructuring in 2003, in response to government policy. That does not mean to say the council cannot change this policy, however he said that while it would benefit places with planned schemes it would also be to the detriment of other social housing tenants.

There are different categories of communal costs e.g. ground maintenance, lighting , door entry etc., however it is difficult to extract a particular estate service potentially benefiting from solar (e.g. lifts) as it will always be somewhat reliant on the grid during the night, so subject to the pooling policy.

The chair asked community energy representatives if this dilemma had been solved in other schemes across the country, and if local authorities have been able to directly reduce the bills of people who are involved in schemes. Representatives said they are unaware of this, unless the scheme was a direct energy supplier. This is the challenge that Repowering Energy also faced in council housing estates where commonly the communal costs are socialised across the borough. The challenge of sharing the benefit with tenants was a driver in developing community funds. Housing associations do share the cash benefits directly with both tenants and leaseholders.

A TMO representative commented that savings to communal electricity from solar would benefit all residents indirectly by increasing the estate coffers.

A cabinet member asked officers if the current policy to pool communal costs could be changed via an amendment to the policy and what would be the challenges, difficulties, impact on the budget, and potential objections from other tenants. Officers advised it could be conceived as inequitable by other tenants who would lose out. If cabinet decided to make those changes it would go into the overall account and not effect the council budget overall, however it would mean a variation to the charges to estate communal areas. Juniper House commented that once one scheme has got going other community energy projects would join thereby reducing the overall bills of more and more social housing tenants. A Commission member commented that as a council tenant he supported the current pooling arrangement and sharing the costs and benefit across the council as he thought this was more equitable and a principle of social housing.

A tenant asked if solar installations could reduce the electricity bills in individual estate homes, not just the communal bills, as this would provide more direct benefit to tenants and leaseholders in the line with the council's aspiration to utilise community energy to reduce residents' bills.

A roundtable participant commented that the real savings in carbon would come from combined heat and power schemes, district heating, energy reduction schemes, as well as developing solar.

Officers were asked why these three pilots were chosen. Officers said that each is using a different approach so this enables testing of different models, addressing the technical challenges and understanding the potential benefits. They also all have a strong TRA or TMO who expressed an interest so there is existing community enthusiasm and buy in.

The council has commissioned a feasibility study of each site which will report by the end of February.

Pre-registration to benefit from the FiT was discussed. Groups who are a legal entity and have an Energy Performance Certificate will probably be able to pre-register by 31 March 2019. It may be possible to piggy back with a community energy group.

Concern was raised about the viability of solar with the end of FiT and the importance of lobbying government for this to continue.

A participant said often the most direct way of reducing energy is actually through insulation, and through LED lighting. The savings from the installing solar on estates could be redirected towards this.

Haddonhall said that their estate is already well insulated so they were looking at other ways of reducing their carbon footprint.

There are eco funds from the GLA and the government which will pay for metering and other initiatives. This reopened last year. The council can apply for this. There are also large finance schemes, with very small interest repayments, and communal heating funds from government/ Mayors office. These are huge schemes that are available and a big opportunity for the commission to champion and monitor. There are also communal heating systems that combine heat and power that are one of the most efficient methods of saving money and carbon.

The maintenance of solar installations was discussed. Community Energy representatives that said a maintenance contract is drawn up lasting 20 year, this is a long legal document and includes maintenance and other eventualities such as taking down the solar panels once to replace roofs.

The post FiT business model was discussed, and if solar schemes would be viable when FiT ends. SELCE gave a quick run through of the emerging models: one is 'energy local where users club together. Solar panels and the associated technology is developing, particularly the storage of energy, which is reducing the cost of installation and the potential to sell to the national grid at peak time generating preferential rates. Diverting benefits from solar into insulation and other energy reduction methods is a significant part of the current community energy model. The schemes also currently make use of the eco funds available, which are targeted at owner occupiers. Community energy representatives were confident that a new business model will emerge.

SELCE, SE24 and Repowering London invited the Commission to visit projects and see how initiatives like energy cafes benefit residents.

10. WORKPLAN

This was not covered.