

<b>Item No.</b> 9.	<b>Classification:</b> Open	<b>Date:</b> 29 October 2019	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Response to Housing & Environment Commission's Community Energy Scrutiny Review Report	
<b>Ward(s) or groups affected:</b>		All wards	
<b>Cabinet Member:</b>		Councillor Kieron Williams, Housing Management and Modernisation and Councillor Richard Livingstone, Environment, Transport and the Climate Emergency	

**FOREWORD - COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR ENVIRONMENT, TRANSPORT MANAGEMENT AND AIR QUALITY AND COUNCILLOR KIERON WILLIAMS, CABINET MEMBER FOR HOUSING MANAGEMENT AND MODERNISATION**

In the council's 2018 Fairer Future Promises, it made a commitment to support the creation of community led sustainable energy projects on estates to help residents reduce their energy bills. In December, the Housing and Environment Scrutiny Commission met with council officers, community energy organisations and local residents groups to consider how to take this forward and subsequently produced a number of recommendations for the council to progress to achieve the commitment. This report considers the outcomes of this work by the Commission and the council's declaration of the Climate Emergency.

Whilst this report recognises the challenges in developing sustainable energy projects on our estates, it maps out how the council will move forward on this through establishing partnerships to support Tenant Managed Organisations and estates engaging through the council's Great Estates programme to provide renewable energy on our estates, as well as exploring how this could also be provided through the council's offices and schools.

The report also describes how the council will engage with London-wide initiatives, such as Octopus Energy and the London Homes Energy Efficiency Programme to reduce our residents' energy bills.

This work will play a crucial role in informing a number of the workstreams described in the Developing a Climate Strategy for Southwark report elsewhere on this meeting's agenda.

**RECOMMENDATION(S)**

1. To note the responses to the recommendations made by the Housing & Environment Scrutiny Commission.
2. To proceed with the development of the corporate decarbonisation strategy to provide the framework for promoting community-led renewable energy initiatives.

## **BACKGROUND INFORMATION**

3. Following the 2018 elections, the council adopted the commitment to “support the creation of community led sustainable energy projects on estates to help residents reduce their energy bills”. As the Scrutiny Commission report notes, ‘the commitment was carefully crafted to promote community energy projects, in particular, to support the Council’s ambition to decarbonise’.
4. In December 2018, the Housing & Environment Scrutiny Commission held a Roundtable meeting with officers, resident groups and community energy organisations. Subsequently, the council commissioned the Buildings Research Establishment (BRE) to undertake a feasibility study of 3 resident-led renewable energy projects on council estates (Juniper House, Haddonhall TMO, Brenchley Gardens TMO). The study was reported back to the Commission and is the subject of recommendations below.
5. In March 2019, the Council Assembly declared a climate change emergency and called on the cabinet to ‘do all it can to make the borough carbon neutral by 2030’. The proposed Carbon Reduction Strategy will provide the framework for addressing the estate based renewables commitment. The council can draw on resources and expertise through the GLA to plan and deliver decarbonisation and renewable energy goals.

## **KEY ISSUES FOR CONSIDERATION**

6. Southwark currently spends around £14m a year on gas and electricity through our LASER contract. This covers our operational buildings, street lighting and communal areas on our housing sites. We are a board member of the London Energy Partnership (LEP) which works across London boroughs and with the Metropolitan Police Service, NHS and TfL to coordinate energy procurement, achieve value for money and promote sustainability. The council is also working with our contracted suppliers to install smart meters across the entire portfolio to ensure accuracy of billing to help shape the portfolio and make savings where possible.
7. Sites included in our energy contracts are currently saving 38% on gas prices (operational), 41% on gas prices (housing), and 17% on electricity prices (housing) and 11% on electricity prices (operational) compared to individual procurements. We have achieved a carbon reduction of 37% in the last 10 years by consolidating buildings, improved energy management, increasing renewables and capital investments. We are introducing LED lighting for our street lights, and will shortly be replacing the lighting at the Tooley Street office with LEDs which will yield a 75% reduction in consumption, which equates to £110K saving and a 572 tonne CO2 reduction per year.
8. We are currently procuring a new energy contract through the LEP with the aim of further maximising our use of renewables up to 100% as part of our long term carbon reduction strategy.
9. The Housing & Environment Scrutiny report noted that many different teams within the council have sustainability policies that are being brought together and that there are a number of renewable energy generation technologies that might apply on housing estates. Of these, solar is by far the most popular for community development. However, dramatic reductions in subsidy have increased the relative cost of arrays.

10. The Commission considered the 3 community-led solar pilot projects, the BRE feasibility report and different financing and ownership models, including the potential of community benefit energy companies as council partners. The report also discussed a number of energy supply models that could enable the council to meet its commitment to reduce resident energy bills.

### **Policy implications**

11. The Commission made six recommendations, which are set out below along with corresponding actions.

***Recommendation 1:*** *Scope out the possibility for Southwark to develop a SPV and/ or local electricity supply model to support solar and other renewable energy projects, including Combined Heat and Power. Explore the feasibility of engagement in London-wide initiatives through the GLA including through its 'License Lite' supply arrangement.*

12. We are currently developing an overarching borough wide strategy in order to make Southwark Carbon Neutral by 2030. The use of SPVs, local renewables and other sources of CHP and energy recovery will be central to this delivery. The council will actively explore all options to decarbonise and reduce residents' bills through the management of its assets, working with residents, schools and other partners, as well as by building constructive relationships with private, public and community sector organisations that can help us meet the 2030 target.
13. From the end of this year, Southwark residents will be able to sign up to London Power, a new, fair-priced, green energy company, available exclusively to Londoners, established by the GLA in partnership with Octopus Energy. The scheme will allow consumers to have a 12-month fixed tariff for electricity and gas, which will always be within the cheapest 10% of comparable tariffs available in the market. All energy will be from 100% renewable sources and all profits from the scheme will go to the GLA to be used for community projects.

***Recommendation 2:*** *Encourage TMOs and TRAs to explore community energy through the Great Estates programme, in partnership with local Community Energy community benefit companies. This could also directly link with the development and roll-out of electric vehicle charging points.*

14. There is likely to be considerable interest from estate based community groups for renewable energy projects. Such initiatives have additional benefits such as community cohesion and raising climate awareness. An initial call for interest in 2018 produced positive responses from more than 20 TRAs. The council is currently looking to acquire the capacity to undertake renewable energy audits with residents.
15. The Great Estates programme provides a useful framework for community-led renewable energy projects that can be included and developed within individual Estate Action Plans (EAPs). However, of the 388 responses to the initial call for ideas, only 2 mentioned possible solar projects. Currently 20 proposed Great Estates projects are being shortlisted to select those to go forward in the first round to develop EAPs. The Great Estates Board will then consider how community renewable energy initiatives can be included in EAPs.

16. Subject to capacity, the council can undertake community energy audits on all or some of the selected GE projects and develop a process for this that can be applied across the housing stock. More broadly, the council is also able to carry out a desktop survey of the housing stock to identify those blocks with potential for solar generation and taking into account planned major works that could affect solar projects.
17. One of the pilot projects assessed by BRE involved Haddonhall TMO and SELCE. Partnership with an established community benefit energy provider would reduce financial risk and the burden of project planning on the council, while also adding community engagement capacity. The council would still need to have the expertise to evaluate proposals, which would have to conform to planned maintenance schedules. The council would also need to be satisfied with the contractual terms of arrangements that typically last for two decades. Community benefit schemes tend to be shareholder based and might not lead to any reduction in communal electricity costs, so the council would also need to be satisfied that schemes produce an acceptable level of community benefit.
18. Around one-third of the council's homes are supplied by ageing district heating systems, the renewal of which provides a major opportunity to invest in efficient and sustainable replacement. The council is in the process of producing a Heat Network Strategy which will guide investment within the framework of the corporate decarbonisation strategy.
19. Given the complexity, variables and long-term commitment involved and following the development of a corporate decarbonisation strategy, the council can initiate a process of discussion with community benefit energy companies about the parameters for partnership, which can include looking at a range of methods and technologies to achieve strategic goals.
20. To support the take up on electric vehicles for those with no off street parking, the council has a programme of installing charging points within lamp posts within walking distance of people's homes. The new London Plan requires that all residential car parking spaces provide infrastructure for electric or Ultra-Low Emission vehicles and that at least 20 per cent of spaces should have active charging facilities, with passive provision for all remaining spaces. Consideration of the charging infrastructure of electric vehicles can be included in EAPs as part of the Great Estates Programme.

***Recommendation 3: Join the Mayor of London's 'London Homes Energy Efficiency Programme' [LHEEP] and use this to plan energy efficiency on estates and assist project planning the best time to fit renewables, where feasible.***

21. The London Homes Energy Efficiency Programme began in 2018, replacing the RE:NEW programme. This £3.6m fund will run for three years as part of reducing carbon emissions from London homes by over 90% by 2050. LHEEP provides high level technical advice for 'deep retrofit' initiatives on existing homes. It can also support the procurement of specialists and help with the financing of projects.
22. The council is considering purchasing the Carbon Reduction Options for Housing Managers (CROHM) software, a stock assessment tool for large-scale landlords for designing and implementing strategic retrofit programmes for their housing stock. In addition, the £500m Mayor's Energy Efficiency Fund provides flexible and competitive finance to enable, accelerate or enhance viable low carbon

projects across London, which could be used by the council (or partners) to deliver either energy efficiency or renewable energy generation schemes.

23. The support, tools and finance available through these schemes come at a cost for which there is currently no budget. Any decision to engage with them needs to be taken within the context of the council's wider decarbonisation strategy and associated resources.

***Recommendation 4:*** *In relation to the existing pilot projects, we would encourage the Council to recognize some of the limitations of the BRE studies, and factor in emerging models such as that being proposed by SELCE with Haddonhall. The enthusiasm and desire from residents to make all three projects work must be built upon.*

24. The BRE study focused on the technical and financial aspects of solar proposals on 3 estates. The study provided detailed data about communal energy consumption, the potential power that could be generated and associated income. The report found that in each pilot the amount of savings to the communal energy bill together with anticipated income derived from electricity generation would unlikely cover the capital cost of installations over a twenty year period, even without taking into account the cost of installation and planned maintenance to roofs. The report considered other options, such as switching communal lighting to LEDs, as more cost effective.
25. BRE did not examine capital financing options and the Haddonhall/SELCE project was not at a sufficiently advanced state to assess value/cost to the council. Neither did the report seek to quantify non technical and financial variables, such as community cohesion, behavioral change and increased awareness of climate change that community-led renewable energy projects could deliver.
26. To decide on proposals for solar or similar projects, the council needs to be able to evaluate data against criteria to assess cost and benefit. The BRE feasibility study provides guidance on what criteria and data, which need to be adapted to Southwark's circumstances, including taking into account non financial criteria.
27. Currently, the council does not yet have the technical expertise or capacity to develop an in-house evaluation process and apply this to the three pilots or future projects. The development of an effective process not only requires investment in tools and skills, but also integration into the corporate decarbonisation strategy, a paper on which is going to Cabinet shortly. At present, the council can assess resident-led proposals in terms of compatibility with the QHIP schedule (relating to roofs) and can also, where appropriate, plan decarbonisation actions, such as LED installation, as part of planning major works projects or Estate Action Plans.

***Recommendation 5:*** *Work with other parts of the borough estate, particularly schools, to support the development of Community Energy solar projects, recognising that this support may require a commitment of resources.*

#### Offices

28. Corporate Facilities Management have looked at the potential for installation within the corporate properties and Tooley Street, Queens Road 1 and 2 and Peckham Library all appear suitable for the installation of solar panels. To date the only location being actively pursued is Tooley Street where a scheme to

replace thermal solar panels with electricity generating ones (Gateway 1 report drafted).

29. Similar feasibility studies can be carried out for other buildings, including installation costs, estimates of energy savings and likely pay back period. Works would be procured by a formal tender process.

#### Schools

30. Of the borough's 75 primary schools, 34 are Community Schools and 4 Foundation Schools. The remaining schools are a mix of Academies, Voluntary aided or Free Schools and not under the general control of the council. Some schools already have solar panels on their buildings, particularly those that have been rebuilt in recent years. The school estate is a mix of building styles and each one would need to be assessed to determine the suitability of solar panels. Headteachers and governors would need to be incentivised to agree to the installation of the systems and helped with ongoing maintenance.
31. In some of the schools where we have installed renewable energy systems, we have had meter read outs showing how much CO<sup>2</sup> has been saved and what the energy use of the school is and this can be used as an education resource. All new schemes going forward they will have to meet the new London Plan level of minimum 35% CO<sup>2</sup> reduction and solar panels could be installed in these situations as part of the solution along with air source heat pumps as the primary heat generation.
32. The legal position of an independent company using the roof space of a primary school for generating income would need be reviewed by the council's legal advisors and a check made with the Department for Education to ensure that this does not breach any school regulations or legislation. The responsibility for the upkeep of the array and the maintenance of the structure supporting the array would also need to be explored to ensure that the schools (and the council) did not carry a commercial risk on this.

***Recommendation 6: Ensure that the planning process is rigorous in its promotion of carbon-neutral schemes and that the Council's own developments, in particular, are best in class in relation to energy efficiency. Look at the opportunities provided by any resulting carbon offsets, particularly resulting from regeneration schemes, to invest in community energy.***

33. In accordance with national, regional and local planning policies, all major development is required to reduce carbon emissions by at least 35% on a 2013 baseline. Since 2016, all homes built as part of major developments are required to be zero carbon. Where this can't be achieved, the council takes a payment in-lieu. This 'carbon off-set' is secured by S106 legal agreement and allocated to carbon reduction projects in the borough.
34. The priority is for new developments to be zero carbon, however, it is recognised that this can be very costly to developers and would therefore negatively impact their other obligations, such as provision of affordable homes. A payment in lieu is generally more efficient, both socio-economically and environmentally. The carbon off-set payment is calculated as £60 /tonne over 30 years (i.e. £1800/tonne) and follows the recommendations of both the Mayor and Central Government.

35. There is currently over £600,000 in the carbon off-set fund and the first identified project has been the upgrade of internal lighting, to super efficient LEDs, in the communal areas of council housing estates.
36. In addition to the above, the council's own developments must align with the London Plan's energy hierarchy and Southwark Core Strategy. Strategy Policy 13 covers the technical details, such as construction, but on-site mitigation measures include photovoltaic panels, high efficient gas boilers, mechanical ventilation and heat recovery and LED lighting.
37. The planning department are in the process of adopting the New Southwark Plan policy document, but will also be reviewing all supplementary guidance. In the autumn, there will be a draft strategy, outlining the planning department's influence on the climate emergency.

### **Community impact statement**

38. The council is committed to exploring all available opportunities to reduce its carbon footprint, as well as residents' energy bills, by ensuring that the housing stock and associated services are affordable, reliable and sustainable. The council will work with residents and their organisations to raise awareness of climate change and to mobilise communities to identify what will work best on their estates.

### **Resource implications**

39. There are no resource implications arising from this paper. Resourcing needs and allocations for promoting community-led renewable energy will be developed within the framework of the council's proposed decarbonisation strategy

### **Legal implications**

40. There are no significant legal implications arising from the recommendations in this report

### **Financial implications**

41. There are no financial implications arising directly as a result of this report.

### **Consultation**

42. The responses to the Commission's recommendations were produced following consultation with teams across the council including: Sustainability & Business Development, Asset Management, New Homes, Resident Involvement, Place & Wellbeing, Planning, Communities

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Law and Democracy**

43. Although there are no significant legal implications arising from the recommendations in this report, during development of the strategy, legal and governance issues should be identified and addressed in consultation with the Director of Law and Democracy and her staff.

## Strategic Director of Finance and Governance

44. Any future implications will be contained in existing programmes and any new costs will be incorporated within the council's forward looking policy and resources strategy that makes provision for the approval of revenue and capital budgets. This process will also need to take account of funding considerations.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Cabinet Minutes 18 June 2019 Item 10		
<b>Web link:</b> <a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=6413&amp;Ver=4">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=6413&amp;Ver=4</a>		
Community Energy scrutiny review report	Chief Executives, Strategy & Partnerships	Shelley Burke, 020 7525 7344
<b>Web link:</b> <a href="http://moderngov.southwark.gov.uk/documents/s83196/Community%20Energy%20scrutiny%20review.pdf">http://moderngov.southwark.gov.uk/documents/s83196/Community%20Energy%20scrutiny%20review.pdf</a>		

## APPENDICES

No.	Title
None	

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Kieron Williams, Housing Management & Modernisation, Councillor Richard Livingstone, Environment, Transport and the Climate Emergency	
<b>Lead Officer</b>	Caroline Bruce, Strategic Director of Environment and Leisure	
<b>Report Author</b>	Martin Kovats, Community Projects Manager	
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<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
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