



## Report of the Cabinet Member for Homes, Energy & Service Transformation

Special Cabinet - 7 May 2020

### Swansea Bay City Deal - Homes as Power Stations Project Business Case Submission

<b>Purpose:</b>	To seek Cabinet approval of the Swansea Bay City Deal 'Homes as Power Stations' business case and subject to the approval of the Swansea Bay City Region Joint Committee, authorise its formal submission to the Portfolio Management Office in accordance with the City Deal Implementation Plan.
<b>Policy Framework:</b>	More Homes Strategy
<b>Consultation:</b>	Access to Services, Finance, Legal.
<b>Recommendation(s):</b>	It is recommended that:  1) Cabinet approve the Homes as Power Stations business case at Appendix 1 and subject to the approval of the Swansea Bay City Region Joint Committee authorise its formal submission to the Portfolio Management Office in accordance with the City Deal Implementation Plan to secure City Deal funding approval.  2) Delegated authority be granted to the Leader of the Council and the Chief Executive to approve any amendments to the business case following any comments made by UK/Welsh Governments or as may be required by the Joint Committee of the Swansea Bay City Deal.  3) Delegated authority is given to the Director of Place in consultation with the Chief Finance (S151 Officer) and the Leader and relevant Cabinet Member to enter into any grant agreements or associated documentation that might be necessary to draw down funding from the UK/Welsh Government or the Accountable Body of the Swansea Bay City Deal.
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## **1. Introduction**

- 1.1 The Homes as Power Stations (HAPS) programme is a pioneering programme to facilitate the adoption of energy efficiency in new build and retrofit homes across the region i.e. the HAPS approach. The aim of the programme is to demonstrate the viability and benefits of energy efficient homes, scaling up from a range of regional pilots including the two Swansea newbuild schemes at Parc Yr Helyg and Colliers Way Phase 2 and a whole house retrofit scheme at Craigcefnparc.
- 1.2 This will allow mainstreaming of the concept in the public and private sectors. The overarching aim of the programme and business plan is to 'prove' the HAPS concept within public sector led developments in terms of both new-build and retrofitting existing properties. This experience and knowledge will be used to inform future public sector developments across the South West Wales region, and indeed across Wales, and, having 'proved the concept' to target its use in private sector developments.
- 1.3 The City Deal funding will fund a programme team that will help to develop the regional supply chain, administer a regional financial incentives fund, and facilitate a comprehensive monitoring and evaluation programme. It will also undertake marketing / dissemination of the HAPS approach.

## **2. Background**

- 2.1 The Swansea Bay City Deal is a £1.3bn investment in eleven major projects across the Swansea Bay City Region which is made up of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.
- 2.2 The City Deal is being funded, subject to the approval of project business cases, by the UK Government, the Welsh Government, the public sector and the private sector.
- 2.3 City Deal projects are based on key themes of Economic Acceleration, Life Science and Well-being, Energy, and Smart Manufacturing. Each project will be supported by world class digital infrastructure and a Skills and Talent initiative that will give local people a pathway to access the jobs that will be created
- 2.4 'Homes as Power Stations' is one of the projects included in the City Deal Heads of Terms document. It is a regional project, led by Neath Port Talbot and will deliver across all four City Deal local authority areas. Allocation from the City Deal will be targeted across the 4 regional authorities

### **3. The Business Plan**

- 3.1 A business plan for the HAPS programme has been prepared and is enclosed at Appendix 1 for Cabinet's consideration, however a summary is included in the main body of this report.
- 3.2 The overarching aim of the programme and business plan is to 'prove' the HAPS concept within public sector led developments in terms of both new-build and retrofitting existing properties. This experience and knowledge will be used to inform future public sector developments across the South West Wales region, and indeed across Wales, and, having 'proved the concept' to target its use in private sector developments.
- 3.4 The City Deal funding will fund a programme team that will help to develop the regional supply chain, administer a regional financial incentives fund, and facilitate a comprehensive monitoring and evaluation programme. It will also undertake marketing / dissemination of the HAPS

#### **Investment objectives**

The investment objectives of the HAPS programme include:

- Future proofing over 10,000 properties in the region to increase affordable warmth and reduce fuel poverty;
- Improving health and wellbeing
- Develop standards and specifications which can be replicated
- Develop a skilled regional supply chain
- Coordinate energy efficiency in housing funding sources

#### **Outputs**

It is envisaged in the business plan that the following outputs will be obtained

- Jobs created – 19 construction jobs per £1m invested
- Skills / training opportunities created
- Carbon reduction targets
- Regional supply chain in the renewables sector

#### **Strategic alignment**

The Homes as Power Stations programme is aligned to key Welsh and UK Government strategies and policy direction including: Economic Action Plan; A

Low Carbon Wales; Well-being of Future Generations Act; National Development Framework Industrial Strategy.

The Homes as Power Stations programme is also aligned to a number of other City Deal projects including Skills and Talent initiative, Digital Infrastructure Project, Supporting Innovation and Low Carbon Growth as well as the Active Building Centre at Swansea University which is the UK centre of excellence for transforming construction.

### **Key milestones**

The following key milestones are set out in the Business Plan

#### *Year 1*

- To establish a programme team
- Procure an independent organisation to monitor and evaluate the programme
- Integrate existing and related project activity
- Agree targets for new build and retrofit developments

#### *Years 2 – 3*

- Continue facilitating the adoption of the HAPS approach for new build and retrofits
- Proving the HAPS concept by introducing a range of technologies in to new-build and existing residential properties, and monitoring and evaluating their impact on carbon reduction
- Developing private sector engagement by proving the HAPS concept in public sector led residential schemes to minimise risk.

#### *Year 4 – 5*

- Continue facilitating the adoption of the HAPS approach for new build and retrofits
- Proving the HAPS concept by introducing a range of technologies in to new-build and existing residential properties, and monitoring and evaluating their impact on carbon reduction
- Developing private sector engagement by proving the HAPS concept in public sector led residential schemes to minimise risk.
- Developing specifications and standards based on lessons learned through monitoring and evaluation to disseminate.

#### **4. Current and proposed regional activity**

4.1 There are a number of 'HAPS' – approach developments in progress and in the pipeline, including:

##### ***Carmarthenshire***

A new build 32 unit development in Burry Port using the Pentre Solar energy efficient model of construction. Maximising solar gain with a SAP level of 104 and an air tightness of 0.9m<sup>3</sup>/hr Passive house levels thermal insulation. The integrated PV panels will generate at least 7,000KwH of energy per year. Battery storage will store up to 150KwH of unused electricity per day. 80% of the space heating requirements of the homes will be supplied from solar energy.

##### ***Neath***

The HAPS pathfinder project at Hafod, Neath, is complete and tenants are due to move in. The technologies will now be evaluated by monitoring their use throughout the year by a range of different occupiers. This process will help to deliver cost effective energy efficient residential schemes

##### ***Pembrokeshire***

A number of planned council owned new build developments with designs to go beyond Part L of Building Regulations, in terms of energy efficiency with a requirement to achieve an EPC rating of A, including PV solar, over insulation, and battery storage.

##### ***Swansea***

59 homes designed as HAPS are planned in Swansea across 3 sites. 16 at Parc Yr Helyg in Birchgrove are due for completion in June, and a further 18 are underway at Colliers Way Phase 2. Planning has also been approved for a further 25 3 bedroom homes at Hill View Crescent in Clase. All these homes will have solar Photo Voltaic (PV) roofs, battery storage, Mechanical Ventilation Heat Recovery Systems (MVHRs) and Ground Source Heat Pumps (GSHPs). A retrofit demonstrator has also been developed in collaboration with the Welsh School of Architecture at Cardiff University. Six off mains gas bungalows, representing typical homes in Wales, have been fitted with external wall insulation, double glazed windows, loft insulation, GSHPs, PV solar roofs, battery storage and MVHRs. Before the work the bungalows were very expensive to heat, but have been transformed into highly energy efficient 'Homes as Power Stations' providing substantial energy savings for the residents, more comfortable homes and contributing to develop lessons learned, informing a wider debate around stock retro fitting challenges.

#### **5. Financial Implications**

5.1 The financial profile is detailed below. It should be noted that the costs are evidence-based projections and will be refined during programme delivery. The City Deal 'ask' is £15 million to fund:

- Programme Team
- Regional financial incentives fund

- Regional supply chain development fund
- Marketing / dissemination
- Monitoring and evaluation

5.2 Costs will be incurred by the lead authority NPT with funding drawn down from the regional office via the City Deal grant reimbursement arrangements. Terms and conditions of which will be approved by the Joint Committee of the Swansea Bay City Deal.

5.3 The project specific funding” is intended to be via a £1000 “grant” for each eligible HAPS property with any additional financial implications set out in any future project FPR 7 reports expenditure committed by Swansea Council will be subject to the usual reporting.

5.4 An indicative breakdown of payments is set out below:

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total
City Deal	£2,000,000	£4,000,000	£5,000,000	£3,750,000	£250,000	£15,000,000
Private	£23,075,000	£47,675,000	£73,050,000	£102,600,000	£129,500,000	£375,900,000
Other programmes	£6,425,000	£14,075,000	£22,200,000	£31,400,000	£40,500,000	£114,600,000
<b>Total</b>	<b>£31,500,000</b>	<b>£65,750,000</b>	<b>£100,250,000</b>	<b>£137,750,000</b>	<b>£170,250,000</b>	<b>£505,500,000</b>

- *Note these are estimated regional figures and not Swansea specific*

5.5 The scheme is significantly geared to private sector funding and to a lesser extent other funding streams. The City Deal element is modest but the conditionality is important as the city deal funding is for capital not revenue. The ability to legitimately capitalise all costs funded by the city deal will depend upon delivering physical assets which are of future value to the Council and partners. If they are not, then ultimately all costs will not be capitalisable and are a current or future charge to revenue for which the Council will need to directly fund from own resources (e.g. use of the revenue based Capital Equalisation Reserve, subject to sufficient balances available given interim and hoped temporary commitments to fund other projects, such as the Bay Studios Field Hospital) or continue to explore innovative ways with the Accountable Body (Carmarthenshire Council), Lead Body (Neath Port Talbot Council) and UK and Welsh Governments to apply alternative funding mechanisms flexibly. These are likely to be developed and agreed on a regional basis but applied locally as circumstances dictate.

## 6. Equality and Engagement Implications

6.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.

- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

- 6.2 An EIA Screening Form has been completed and a full EIA report is not required at this stage. Each site will need to be considered in detail once the development proposals are known. This will be subject to a further report.
- 6.3 Delivery of low carbon energy efficient homes is a good example of the 5 Ways of Working promoted by the Wellbeing of Future Generations (Wales) Act 2015 and will make a significant contribution to the 7 well-being goals. It is an example of collaborative working between the public and private sector in a sustainable way resulting in a long term partnership with the objectives of developing homes within the city for the benefit of future generations.
- 6.4 Increasing the supply of affordable housing will assist in the regeneration of areas, and stimulating economic growth, addressing issues such as poverty, inequality, jobs and skills which directly contributes to the council's obligations to act in a sustainable way pursuant to the WFGA.

## **7. Legal Implications**

- 7.1 The Joint Working Agreement between the participants of the Swansea Bay City Deal requires (at clause 12.3) all councils in whose area the project shall take place to approve the submission of the business case to the Joint Committee before it can ultimately be forwarded on to the UK and Welsh Government. Each participant council will be taking a report of this kind to their respective decision makers.
- 7.2 All external goods and services will be procured in line with Contract Procedure Rules and European procurement regulations as appropriate.
- 7.3 Any appropriation, acquisition and disposal in respect of HRA land will be done in accordance with the powers in the Housing Act 1985 and in accordance with the Constitution.
- 7.4 Any powers and works need to be carried out in line with the Well-being of Future Generations Act (Wales) 2015

### **Background Papers:**

None.

### **Appendices:**

Appendix 1 – Homes as Power Stations Business Case

Appendix 2 – EIA Screening Assessment