

Swansea Bay City Region Joint Committee – 11 June 2020

Homes as Power Stations Business Case

Purpose:

To consider feedback from the Economic Strategy Board on the Homes as Power Stations project and approve the formal submission of the five-case model business case to the UK Government and Welsh Government for approval.

To grant the project's Senior Responsible Owner (SRO) delegated powers to make any minor amendments to the business case as necessary to obtain that approval.

Policy Framework:

Swansea Bay City Deal (SBCD)

Consultation:

Carmarthenshire County Council
Neath Port Talbot County Borough Council
Pembrokeshire County Council
City and County of Swansea
Economic Strategy Board
Programme Board

Recommendation(s):

It is recommended that:

- 1) The Joint Committee approve the formal submission of the Homes as Power Stations five-case model business case to the UK and Welsh Government for approval.
- 2) The Joint Committee grants the project's Senior Responsible Owner (SRO) delegated powers to make any minor amendments to the business case as necessary to obtain that approval.

Report Author:

Nicola Pearce, Director of Environment & Regeneration, Neath Port Talbot CBC (Project SRO)

Finance Officer:

Chris Moore, SBCD S151 Officer

Legal Officer:

Tracey Meredith, SBCD Monitoring Officer

1. Introduction

The Homes as Power Stations (HAPS) project is a regional pioneering programme led by Neath Port Talbot County Borough Council, to facilitate the adoption of energy efficiency design and technologies in new build and retrofit homes across the region i.e. the Homes as Power Stations (HAPS) approach. The aim of the programme is to demonstrate the viability and benefits of energy efficient homes, scaling up from the pilot development at Neath (a collaborative project with Neath Port Talbot CBC, Pobl and Swansea University) to mainstream the concept in the public and private sectors.

A business case for the HAPS project has been prepared and is enclosed at Appendix B, however a summary is included in the main body of this report.

Project description

The overarching aim of the HAPS programme 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 Swansea Bay City Region, and indeed across Wales, and, having 'proved the concept' to target its use in private sector developments.

The City Deal funding will fund a programme team that will work alongside existing regional teams to support the development of a 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 project to create an evidence base for future developments.

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 case 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 Wales¹; Well-being of Future Generations Act; National Development Framework²; 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 Centre³ 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 case:

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.

¹ <https://gov.wales/prosperity-all-low-carbon-wales>

² <https://gov.wales/sites/default/files/consultations/2019-08/Draft%20National%20Development%20Framework.pdf>

³ <https://www.activebuildingcentre.com/>

- Developing specifications and standards based on lessons learned through monitoring and evaluation to disseminate

Current and proposed regional activity

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 0.9m³/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 in 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

Six council-owned bungalows in Craigcefnparc in Swansea have been retrofitted with innovative energy saving equipment to help power the homes and keep them warm.

1.2 Financial Breakdown

	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
Total	£31,500,000	£65,750,000	£100,250,000	£137,750,000	£170,250,000	£505,500,000

1.3 Regional Local Authority approvals

Approval has now been granted from all four regional Local Authorities for the Homes as Power Stations business case to be considered by Joint Committee.

2. The Business Case

- 2.1 As required by the HM Treasury Green Book Model, a five case model business case for Homes as Power Stations has been developed to secure City Deal funding. This comprises the following elements: Strategic Case, Economic Case, Financial Case, Commercial Case and Management Case.
- 2.2 The Joint Committee Agreement for the Swansea Bay City Deal which provides the legal framework for the Deal was unanimously approved by the four Councils of the region in summer 2018. The agreement stipulates that in order to release City Deal

funding for projects a five case model business case, based on the HM Treasury Green Book Model, must be submitted by the Joint Committee to the UK and Welsh Governments for formal review and approval.

- 2.3 The five-case model business case for Homes as Power Stations has been subject to a detailed review process by the UK and Welsh Governments. This has involved a series of policy sessions that have supported the development of the business case to the required standard. The business case was considered at the Economic Strategy Board meeting on March 12th, 2020, and feedback from that meeting is attached for Joint Committee's consideration.
- 2.4 As a result it is recommended that the attached five-case model business case for Homes as Power Stations be submitted to the UK Government and Welsh Government for formal review and that the Joint Committee grants the project's SRO delegated powers to make any minor amendments to the business case as necessary to obtain that approval.

3. Financial implications

Financial implications for the Homes as Power Stations project are specifically included within the Strategic Case component of the project's five-case model business case.

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

As the project's lead Local Authority, Neath Port Talbot Council will be incurring expenditure of £15m which will be funded 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.

The remainder of the £505m expenditure will be delivered by partners and will not pass through the Council's accounts. The Council will however need to capture and evidence this additional expenditure to ensure it can demonstrate that the project is delivering the require outputs and outcomes.

4. Legal implications

The Joint Committee Agreement between the participants of the Swansea Bay City Region requires (at clause 12.3) all councils in whose areas the projects takes place to approve the submission of the business case to the Joint Committee before it can be ultimately forwarded on to the UK and Welsh Government. Each participant council has taken reports to each of its respective decision makers.

Clause 2.2 (i) of the Terms of Reference of the Joint Committee provides that the Joint Committee's functions include the consideration and approval of project business cases. Clause 2.2 (k) provides that the Joint Committee also agrees the terms and conditions of Government Funding.

5. Alignment to the Well-being of Future Generations (Wales) Act 2015

The HAPS project is closely aligned to the Well-being of Future Generations (Wales) Act 2015 and its well-being goals, as outlined below.

Prosperous Wales – HAPS will directly tackle fuel poverty and play a key role in driving economic growth, supporting the growth of green jobs and skills throughout Wales, and increasing the competitiveness of businesses

Resilient Wales – HAPS will tackle poverty and the global threat of climate change by addressing the energy trilemma of affordability, sustainability and security of the energy supply, as well as the need for decarbonisation and contributing to meet the demand for new houses

Healthier Wales – Provision of low carbon, energy efficient homes will have a positive effect on health and well-being, helping address the health inequalities caused by poor energy efficiency

More Equal Wales – HAPS will work with partners and networks to ensure that the opportunities created by the programme will be available and accessible to all. This will help reduce inequalities within society and address health inequalities caused by poor energy efficiency

Cohesive Community – The programme will contribute to meeting societal needs for efficient and healthy housing with lower energy costs

Vibrant Culture and thriving Welsh Language – Opportunities will be taken to promote the Welsh language in the delivery of the programme

Globally Responsible Wales – The programme will be developed and delivered in line with the sustainable development principles highlighted by the Act. The programme will also contribute to the efficient use of resources through new build and retrofit activities

Background Papers:

None

Appendices:

Appendix A Economic Strategy Board report to Joint Committee

Appendix B Homes as Power Stations project business case