Community Green Deal
Developing a model to benefit whole communities

Executive Summary and Key Findings
The Vision of the Sustainable Housing Action Partnership (SHAP) is “To provide leadership in Sustainable Housing by promoting, researching and disseminating best practice in the Environmental Social and Economic aspects of Sustainable Housing”. The Homes and Communities Agency (HCA) is helping to ensure the supply, availability and quality of housing, including existing stock.

Working together, both organisations have engaged a wide range of local and national partners to consider how to unlock delivery of retrofitting of energy efficiency measures to existing homes at scale. This has benefits not only in terms of carbon reduction, but also in terms of fuel poverty, quality of life, and economic benefits. This report is the result of the collaboration of the partners to consider three key areas:

- How to deliver retrofit measures at scale
- How to finance retrofit measures and,
- How this could impact the economy in terms of jobs, skills and the supply chain

The report has been titled ‘Community Green Deal’ reflecting the conclusion that greatest benefits will be derived by adopting local delivery and management approaches. We have set out the key findings which have influenced the conclusions and the resultant delivery model which is being progressed in emerging schemes across the Midlands. This is intended as a practical document to support large scale delivery on a local basis across the country.

The SHAP reports which have been published since 2006 are available at www.shap.uk.com and have set out Best Practice in all aspects of Sustainable Housing including the Beyond Decent Homes Standard, published in 2009. This is designed to be a practical tool for use by social landlords for inclusion in their Development Briefs and Asset Management Strategies, subject to appropriate funding.

The HCA and SHAP are grateful to the SHAP partners who have given their time and expertise to provide Case Studies and participate in the Steering Groups and Workshops. Particular thanks are due to Jon Cross of Orbit Heart of England and David Stevenson of Optima Community Association who have chaired the two Steering Groups and to Travis Perkins and Urban Living for their generous support to develop the companion guides on housing areas and supply chain that form a part of this report.

Finally, we should like to record our thanks to Nick Dodd, Charlie Baker and the URBED team, John and Wendy Sharpe from Bates Wood, and to Edmund Papworth and Neil Rutledge from Grant Thornton for bringing together this groundbreaking piece of work.

**Alan Yates**
Group Director of Regeneration, Accord Housing Association
Chair, Sustainable Housing Action Partnership (SHAP)

**Paul Spooner**
Regional Director
Homes & Communities Agency
Executive summary

This report has been prepared by URBED (Urbanism, Environment, Design) for the Homes and Communities Agency (HCA) and the Sustainable Housing Action Partnership (SHAP). It presents the findings of work to develop a model for community-scale delivery of whole house energy efficiency measures – the ‘Community Green Deal’.

The full report and its companion guides can be downloaded from the SHAP website at: www.shap.uk.com/projects/shap10/report

Key findings

- The Green Deal and investment in a low carbon economy are key policy objectives for the Government, with the need to improve 7 million homes by 2020 and to reach out to 26 million existing homes by 2050;
- The Community Green Deal is proposed as a locally-based area-wide approach to the delivery of the Government’s Green Deal programme and ultimately the UK’s medium to long-term carbon reduction targets;
- The Community Green Deal proposes the delivery of whole home retrofits for communities of between 750 and 3,000 homes;
- Partnerships of Local Authorities, Registered Providers and ALMOs are best placed to deliver area-based programmes in partnership with local communities.
- The Community Green Deal model would be led by social housing stock investment but would in the process draw in owner occupiers and private landlords, with works being carried out by trusted local delivery partnerships.
- By delivering programmes at scale there will be greater certainty of achieving domestic carbon reduction targets and at lower cost.
- Finance is available for these projects but they will need to be setup in a way that maximises the benefits of any initial funding and addresses the perceived risks of potential finance providers.
- If the model is set up correctly it will be possible to attract large-scale ‘second tier’ institutional investors looking to invest £100-£300m or more in large, well co-ordinated projects.
- This scale can be achieved by aggregating community-scale projects into one investment opportunity – starting from around 15,000 to 30,000 homes.
- Community Green Deal projects would create the certainty to drive investment in the local supply chain and reskilling, providing sustainable private sector employment and economic growth in a market with an estimated value of £15 billion/annum.
1. The emerging ‘green deal’

With 80% of our existing homes still likely to be occupied in 2050 energy saving from the existing housing stock has emerged as a critical element of the UK’s climate change policies.

Nearly 7 million homes will require improving to meet modern low carbon standards by 2020 in order to meet interim carbon reduction targets of 34%. This will be the first step in the even greater challenge of meeting our 2050 reduction target of 80%.

The extent and nature of this challenge means that it will be one in which the adage ‘think global, act local’ and the underlying ethos of ‘the Big Society’ will be key to delivery.

Energy saving combined with low carbon energy technologies are key policy objectives for the Government. The drivers being twofold – to meet national emissions targets and to create a low carbon economy.

2. The role of social housing in building the market

A key assumption of the UK’s Low Carbon Transition Plan was that social housing would lead the way in developing the market for energy saving. It highlighted the need to ‘show leadership by ensuring that social housing meets, and where possible exceeds, the aims it is setting for all housing on energy efficiency and low carbon energy’.

The premise of the SHAP partners is that the social housing sector is in the best position to deliver greater carbon reductions, earlier and at lower cost. By harnessing the skills and track record of social landlords it should be possible to deliver a triple bottom line of social, economic and environmental benefits to tenants, local communities and the local economy.

3. The need for a community-scale green deal

To deliver the ambition set out by the Government’s Green Deal programme, and to ensure greater certainty of delivering the ‘triple bottom line’ of expected social, economic and environmental benefits, programmes that work at community-scale to engage local people in order to achieve a critical mass of activity and interest will be needed.

The patchwork of progress to date in improving the ‘thermal comfort’ of properties will need to be consolidated into area-based programmes of investment focussed on whole streets, neighbourhoods and communities in order for programmes to be cost effective.

Although there have been relatively few cross tenure stock improvement programmes to date, those that have been successful clearly demonstrate the combined effect on take-up of area-based programmes with effective community engagement street-by-street.

These pioneers have also highlighted the importance of trust and transparency in seeking to deliver potentially disruptive major improvement works, market new financial products and in choosing partners to deliver programmes. There is strong evidence that Local Authorities in partnership with social landlords and social enterprises are potentially the most trusted partners to deliver the Green Deal.
4. How could it overcome the challenges?

To be successful a model is needed that works at a number of levels to address the needs of participating communities, create a viable model for funding providers that manages the key risks, and to support investment in the supply chain to deliver local economic benefits. We have identified four main challenges and risks which the Community Green Deal model would seek to address:

- **Controlling cost:** Unless economies of scale (and concentration) can be achieved the cost of delivering programmes will be too high and additional Government subsidy will be needed.

  The model could aggregate existing stock improvement programmes, enabling procurement processes to be standardised and partnerships with lead private sector contractors to be developed.

- **Managing complexity:** Existing stock improvement programmes will need to be tailored to the distinct property archetypes found in each local area, and in response to the distinct concerns and aspirations of owner occupiers and landlords in each local community.

  The model could support delivery by earlier identification of a replicable ‘kit of parts’ which can then be used to build the supply chain.

- **Building trust:** The ability to fund refurbishment programmes will depend on the level of take-up by communities, and this will only be forthcoming if there is a good level of trust that improvement works will be carried out to a high standard and that everyone will share in the benefits.

  The model could bring together trusted local partners to support early deliverability and benefits.

- **Providing co-ordination:** Comprehensive refurbishment programmes will need to reach out to all tenures of housing, each of which create different challenges in seeking to co-ordinate improvement works.

  The model supports effective co-ordination in order to pool different sources of funding and manage contractual arrangements.
5. How could the Community Green Deal model work?

The Community Green Deal would aggregate programmes for communities of between 750 and 3,000 homes. Programmes would be kickstarted by investment in social housing with improvements rolled out across private tenures, delivering 80% ‘carbon reductions to all tenures either in one package or in 2-3 planned stages.

The community could play a key role in delivering programmes. For instance, they may wish to form and be represented by a ‘Community Green Deal Association’ or alternatively programmes might work in partnership with existing community-led organisations and social enterprises.

Community-scale programmes for all tenures would be aggregated and delivered by Community Green Deal ‘Delivery Bodies’. Delivery bodies could be formed by Local Authorities and social landlords.

Community Green Deal Delivery Bodies would enable partners to share the setup cost of Community Green Deal programmes, including the cost of procuring programmes, accessing finance and resourcing activities in each community.

6. What are the building blocks for delivery?

In response to the challenges and risks we have identified the building blocks of an effective model for local delivery. The Community Green Deal model would work at multiple levels in order to mitigate the risks and streamline the delivery of programmes.

The diagram over the page illustrates the five main building blocks of the Community Green Deal model:

- **Building Blocks 1-3: Local delivery processes** - These represent the processes bringing together delivery partners and communities to deliver programmes and work collaboratively.

- **Building Block 4: Establishing re-investment funds** - This represents the process of aggregating programmes in order to access a spectrum of new sources of low cost finance.

- **Building Block 5: Investing in the supply chain** - This represents the process and framework for investing in the supply chain in order to meet programme needs, drive down costs and deliver local economic benefits.

The Building Blocks are described in more detail in the main report.
How it could work
The Community Green Deal model
7. How could programmes be paid for?

The cost of rolling out improvement programmes will be substantial. The evidence base for the SHAP ‘Beyond Decent Homes’ standard suggested a range of between £16,000 to £34,000 per property for a programme delivering 80% CO₂ reductions for at least 1,000 properties.

Programmes will need to combine investments in a combination of whole house fabric improvements, micro-generation technologies on individual homes and communal infrastructure supplying whole communities. Each element has different associated rates of return, based on FIT, RHI and PAYS revenues, some of which are more attractive than others.

Access to new sources of private finance will be key. Using existing programmes initially to achieve delivery at scale and by taking a structured approach, costs could be spread over 25 years as part of an asset management plan. This could combine a number of income streams, including energy company contributions, FIT and RHI revenue and landlord asset management budgets.

This demonstration of deliverability could attract significant investment from funds ready and available to provide investment where large scale delivery is demonstrated and secured. Engagement with financial institutions and their consultants has demonstrated that large-scale investment of £100m plus is readily available.

8. How could the economic benefits be realised?

In order to cost effectively deliver Community Green Deal programmes the supply chain will need to be developed for the required ‘kit of parts’. The supply chain will need to be capable of bringing forward the right products and responding to the needs of large programmes.

Delivery of programmes will require a range of skills, not just to deliver work on site, but also to provide supporting services such as customer care and maintenance. Local Authorities and social landlords working with contractors and local training providers will all need to be engaged in order to build capacity.

If the economic benefits are to be captured then a structured approach to economic development will be required. Companies that could form part of the supply chain will need to be proactively identified and supported.

Local Enterprise Partnerships, Local Authorities, Universities, Builders Merchants, Chambers of Commerce, Trade Associations and industry networks could all play a role in identifying and taking forward opportunities to stimulate local economic growth and create additional private sector employment in the process.
## Delivering the Community Green Deal
### The role that different organisations could play

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<th>Organisation</th>
<th>Potential roles</th>
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<td>Local Enterprise Partnerships</td>
<td>• Matching up opportunities for local industry and reskilling&lt;br&gt;• Supporting innovation and business opportunities</td>
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<tr>
<td>Local Authorities</td>
<td>• Awareness raising, engagement, programme development&lt;br&gt;• Matching up opportunities for local industry and reskilling&lt;br&gt;• Acting as a Joint Delivery Partner</td>
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<tr>
<td>Registered Providers of social housing</td>
<td>• Programme development and co-ordination&lt;br&gt;• Contract, asset and maintenance management&lt;br&gt;• Acting as a Joint Delivery Partner</td>
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<tr>
<td>Homes and Communities Agency</td>
<td>• Working to support Local Authorities, Registered Providers and partners through the enabling role and local investment planning&lt;br&gt;• Supporting creation of standard legal and contract documentation</td>
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<tr>
<td>Community-led organisations</td>
<td>• Awareness raising and engagement,&lt;br&gt;• Programme development and co-ordination</td>
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<tr>
<td>Energy companies</td>
<td>• Investment of CESP and ECO subsidy&lt;br&gt;• Technical advice and support</td>
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<tr>
<td>Chambers and Trade Associations</td>
<td>• Matching up opportunities for local industry and reskilling&lt;br&gt;• Access to innovation and risk funding</td>
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<tr>
<td>Contractors</td>
<td>• Programme development and co-ordination&lt;br&gt;• Supply chain development, co-ordination and investment&lt;br&gt;• Community liaison to support delivery&lt;br&gt;• Maintenance support and aftercare</td>
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<tr>
<td>Product suppliers</td>
<td>• Supply chain development and investment&lt;br&gt;• Product development and innovation&lt;br&gt;• Maintenance support and aftercare</td>
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<tr>
<td>Universities and Colleges</td>
<td>• Vocational and management courses to provide reskilling&lt;br&gt;• Product research, development prototyping and testing&lt;br&gt;• Pilot and full-scale technical monitoring</td>
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<td>Business support providers</td>
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