



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

SIGNED OFF BY	Head of Paid Service
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TO	Executive
DATE	Thursday, 22 July 2021
EXECUTIVE MEMBER	Portfolio Holder for Housing and Support, Councillor Caroline Neame Portfolio Holder for Corporate Policy & Resources, Councillor Victor Lewanski

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Zero Carbon Retrofit – Supporting Raven Housing Trust to Improve Local Homes
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RECOMMENDATIONS
<p>(i) That the Executive supports the approach of assisting Raven Housing Trust to meeting their Net Zero Carbon emissions targets through re-investment of the Development Clawback into retrofitting local homes.</p> <p>(ii) The Head of Finance be authorised in consultation with the:</p> <ul style="list-style-type: none">• Executive Member for Finance & Governance• Executive Member for Housing & Support• Head of Housing <p>To agree and sign an Agreement with Raven Housing Trust so that the funds can be re-invested.</p>
REASONS FOR RECOMMENDATIONS

Approval of the recommendations in this report will enable Raven to re-invest Development Clawback receipts received during 2021/22 into home improvements to make homes in the borough more energy efficient and reduce their environmental impact. This will also support meeting Raven's and the Council's targets on climate change and environmental sustainability and improve homes for local people.

EXECUTIVE SUMMARY

Our partner Raven Housing Trust is required to meet the Government's net zero carbon target for all its homes by 2050, this is likely to reduce to 2035. It is committed to a programme of retrofitting resident's homes to improve energy efficiency and reduce environmental impacts. Tackling climate change is a mutual commitment requiring partnership working with businesses, local people and partners. The Council has already committed to tackling it in its published Environmental Sustainability Strategy.

To support meeting this target, Raven has requested the Council reinvest capital receipts arising from disposals, in advance of the expiry of the Clawback Agreement in March 2022. Increasing investment in retrofitting borough homes will benefit local residents. It is proposed that Raven will provide financial information regarding disposals and reinvestment of funds. As a major stockholder in the borough it is considered that the Council should be supportive of Raven's plan to work towards net zero carbon.

Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. The Council has no statutory obligation to undertake this course of action but has general powers of competence under section 1 of the Localism Act 2011 to do anything that individuals with full capacity generally may do, subject to the provision of the Act.

BACKGROUND

2. In 2002 the Council completed the transfer of its housing stock to Reigate and Banstead Housing Trust, now known as Raven Housing Trust. A Large Scale Voluntary Transfer Agreement was agreed between the parties which covers many aspects of the future legal relationship between the Council and Raven.
3. One element, set out at the Sixteenth Schedule to the Transfer Agreement, is the Development Clawback Agreement. It sets out conditions and requirements relating to the sale of Raven assets until March 2022. In summary, in years 1-10 the Council received 50% of the sales revenues of asset disposals. In years 11-20 the proportion reduced to 25%. After 20 years the Council's interest in disposals ceases. Currently, eight months remain of the Development Clawback Agreement.

KEY INFORMATION

4. In Summer 2019 the Government became the first major economy to pass net zero carbon emissions into law. This committed the country to ending its contribution to global warming by 2050. Although it should be noted that the Government is seeking to bring this deadline forward to 2035 bringing greater financial pressure on housing providers. To achieve this, housing associations are assessing how they will achieve net zero homes across all their existing housing stock as well as implementing new ways to deliver new build homes at net zero carbon.
5. For Raven, the borough's largest social landlord, this means retrofitting 6,000 homes at a cost in excess of £97 million for borough homes. This is a significant challenge and Raven is committed to meeting it by making homes for local residents more energy efficient. This commitment coincides with the publication of the Council's own Environmental Sustainability Strategy and Action Plan in 2020. A coordinated approach to tackling this issue is needed across organisations.
6. Raven is seeking to achieve net zero carbon by reducing emissions by 85 percent of existing levels. The focus of works will be on improving the fabric of buildings first and will include loft, cavity, and / or external wall insulation to minimise heat demand and improved glazing and doors. It will be followed by moving to more efficient and renewable energy sources for example solar photo voltaic panels, installing air source / ground source heat pumps as appropriate. Raven has made a start on achieving their target but needs financial support from the Council.
7. To support their work to reach net zero carbon, Raven has requested the Council reinvest capital receipts arising from disposals, in advance of the expiry of the Clawback Agreement on 24 March 2022, to enable them to increase investment in retrofitting borough homes thereby benefitting local residents.
8. Raven has agreed to provide regular financial statements detailing any disposals made until 24 March 2022 and details on how the capital receipts are used on stock in the borough. This arrangement will be formalised between the parties.
9. More generally, the Council will continue to work with Raven Housing Trust to explore other opportunities to secure Government funding to support for its retrofit programme.

OPTIONS

10. Option one: The Council could reject the proposal to reinvest development receipts due from any Raven disposals. This would enable the Council to retain receipts from the final months of the Clawback Agreement and invest them in its own Capital Programme. This is not recommended. The Council has committed in its Environmental Sustainability Strategy to being proactive about tackling climate change and this proposal would benefit local residents.
11. Option two: The Council could agree a partial reinvestment of receipts. This is not recommended. Raven has already undertaken detailed cost analysis of retrofitting their borough housing stock. The costs are significant amounting to in excess of £97

million for borough homes. Our own Environmental Sustainability Strategy indicates the costs of change and the need to support partners as much as possible.

12. Option three: The Council agrees to waive the Clawback Agreement to its expiry on 24 March 2022 and cap it. This is the recommended option. It will support Raven to deliver its net zero carbon target and the Council's own commitments to tackle climate change.

LEGAL IMPLICATIONS

13. The Council is entitled under the terms of the Transfer Agreement to a percentage of the disposals on a sliding scale for a period of 20 years. The Council, can with the joint agreement of both parties to the agreement, alter the terms of it. It is proposed this be formalised through written consent in the form of a Waiver Agreement.

FINANCIAL IMPLICATIONS

1. The capital receipts received by the Council as a result of the Transfer Agreement have been used to support funding of the Capital Programme. In 2019/20 the Council received £1.4 million. In 2020/21 this reduced to £0.760 million. To date in 2021/22 receipts stand at nil.
2. The waiver of receipts will be capped at £1.0 million until expiry of the Agreement on 24 March 2022. Raven will be required to continue to supply information on disposals and also report how the receipts are spent.
3. This means that no more capital receipts from the Development Clawback will be available to be invested in the capital programme. However, it does not impact significantly on planned Capital Programme funding as the Development Clawback Agreement expires on 24 March 2022 and the Capital Programme did not include any assumed funding from this source beyond that date.
4. It is anticipated that the sum invested by Raven will be reported as being a capital grant to them in the Council's 2021/22 statement of accounts (subject to confirmation of the reporting approach with the external auditor at the time of preparing the accounts).

EQUALITIES IMPLICATIONS

5. There are no equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

6. The Council has been undertaking a series of communications promoting its approach and priorities to tackling climate change. This decision supports tackling climate change, it is positive news for residents and endorses the Council's partnership approach. Raven is taking the lead within the social housing sector on climate change and sustainability in housing, this proposal will support a mutual commitment.

RISK MANAGEMENT CONSIDERATIONS

7. The potential risk to the Council's Capital Programme through loss of receipts has been considered. To date, in this financial year, no disposals have been made and the expected receipt is lower than previous years. The Programme is not reliant on receipts and therefore there is no risk to it.

OTHER IMPLICATIONS

- There are no other implications.

CONSULTATION

8. The Portfolio for Finance was consulted about the proposal.

POLICY FRAMEWORK

9. This proposal directly supports priorities within the Council's Five Year Plan. Reigate & Banstead 2025 commits the Council to the objective of environmental sustainability: including the need to reduce our own environmental impact, support local residents to do the same and make sure our activities increase the borough's resilience to the effects of climate change.
10. To take this objective forward, the Council agreed a new Environmental Sustainability Strategy and Action Plan in July 2020. This commits the Council to making the borough a more sustainable place to live through a series of actions directly, with residents and partners.

BACKGROUND PAPERS

1. Reigate & Banstead 2025: https://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/reigate_and_banstead_2025
2. Environmental Sustainability Strategy and Action Plan : https://www.reigate-banstead.gov.uk/info/20065/environmental_sustainability_and_climate_change/1220/our_approach_to_environmental_sustainability