



# Sustainability Strategy

<b>Person responsible:</b>	<b>Director of Homes</b>
<b>Business Strategy Objective</b>	Greening and Transforming
<b>Financial/ Resources</b>	To be delivered from existing budgets and grant funding awards.
<b>Customer consultation</b>	Tenants' Committee
<b>Key Strategic Risks addressing</b>	#12 Climate Change #15 Energy Efficiency #17 Green Funding #27 Compliance
<b>EIA required:</b>	Yes
<b>EIA completed (date):</b>	TBC
<b>Approved by:</b>	Board
<b>Approval date:</b>	24 November 2022
<b>Links to other key documents:</b>	Business Strategy Long Term Financial Plan Asset Management Strategy Customer Experience Strategy Resident Engagement Strategy
<b>Review date:</b>	September 2025

Document management		
Version	Date amended	Amendments
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## 1. Introduction

South Lakes Housing's (SLH) purpose 'Quality Homes, a platform for life' has been central to our planning for the future. This is underpinned by three strategic objectives: **Growing**; **Greening**; & **Transforming**, with this strategy being pivotal in the delivery of the **Greening** strategic objective.

This strategy sets out our sustainability goals, our approach and sets objectives on five key areas of focus. We will be producing a roadmap to achieve net carbon zero and will update this strategy to reflect the milestones we'll set to reduce our carbon impacts up to 2050, in line with Government legislation. This strategy is one of the supporting documents which forms part of SLH's Asset Management Strategy (AMS).

Accompanying this strategy is an action plan which outlines the steps we will take between 2022-2025 and beyond. The strategy and action plan cuts across all directorates and teams and managers will need to augment this strategy into their operations through to 2050.

## 2. Context

### Global Context

Climate emergencies have been declared by numerous nations including the UK. In October 2018, the world's leading scientists on the Intergovernmental Panel on Climate Change (IPCC) released research indicating that greenhouse gas emissions must be reduced on a pathway that keeps global temperature from rising above 1.5°C by 2050.

The goal of the Global Paris Climate Agreement, which was signed in 2015, was to keep the world's temperature from rising no more than 2°C over pre-industrial times (as a minimum). The research indicates that impacts are already occurring and will be much worse at 2°C than previously projected. Globally, based on current policy and performance, we're on-track for a 3.1°C – 4.8 °C degrees of warming. Rapid and transformative change is therefore required.

### National Context

The UK Government has committed to being net carbon zero by 2050. In November 2020 it released a ten-point plan for a Green Industrial Revolution, followed in October 2021 with a Net Zero Strategy: Build Back Greener and Heat and Buildings Strategy to guide this journey. In addition, in April 2022, in response to spiralling energy costs and supply issues, the British Energy Security Strategy was developed.

There are around 30 million homes in the UK. Domestic use of fossil fuels contributes to 21% of England's carbon emissions, with social housing contributing 10% of this. Around 74% of the UK's heating and hot water in buildings is met by natural gas, 10% from petroleum and smaller amounts from coal and biomass. Electricity has historically been much more expensive than gas which has meant that electric heating and heat pumps have cost more to run than gas boilers, although 2022 has seen a significant and steep rise in gas prices.

The primary role that housing associations can play in the national 2050 net zero target is to eliminate our sector's share of the direct, regulated emissions that are produced from the burning of fossil fuels to heat space and water in residential buildings.

The current target for all fuel poor and social homes is to be EPC band C or above where practical, cost effective and affordable, by 2030 and net zero by 2050. The scale of the challenge is significant and will only be achieved by collaborating and working with Government; other Registered Providers; Local Authorities; energy providers; lenders; and customers.

## SLH Context

Social housing accounts for a significant amount of the UK's housing emissions. We have over 3,200 homes, two depots, three sheltered housing schemes, communal facilities, community centres and a fleet of vans. We recognise that to be truly sustainable we need to think about the social, economic and environmental impact we create.

We recognise that we need to adapt our homes and neighbourhoods to reduce our impact on the environment and prepare for the adverse effects of climate change, which are expected to worsen over the next thirty years.

One of the Business Strategy challenges that we are aiming to achieve is for all our homes to be Energy Performance Certificate (EPC) rating Band C or above by 2025, which is in advance of the government target of 2030. EPCs are a measure of energy efficiency and not carbon output, though the two are intrinsically linked. Our stock profile is made up as the chart below:



Currently, the average rating of our stock is Band D. To achieve Band C and above we will need to undertake work to 55% of our homes to meet our deadline of 2025. We will carry out EPC ratings when our properties are void or otherwise every ten years to ensure that our data remains current.

### **Fuel Poor Homes (formerly referred to as Fuel Poverty)**

Fuel poor homes, or fuel poverty is an important consideration and needs to be explored as part of our sustainability strategy. Fuel poverty in England is measured using the Low-Income High Costs (LIHC) indicator. Under the LIHC indicator, a household is fuel poor if:

- they have required fuel costs that are above average (the national median level).
- were they to spend that amount, they would be left with a residual income below the official poverty line.

There are three important elements in determining whether a household is fuel poor:

- household income;
- household energy requirements; and
- fuel prices.

Under this Sustainability Strategy we are only able to influence one of these factors, that being energy requirements.

We do not currently monitor levels of fuel poverty amongst our customers, although an assessment of affordability, including fuel costs, is undertaken when assessing customers suitability to rent our homes. This data quickly becomes obsolete as customers incomes and fuel prices change over time. The fuel poverty charity, National Energy Action (NEA), accept that fuel poverty is difficult for landlords to measure, with emphasis being placed on maximising SAP ratings and facilitating clients to maximise income.

### **Financial**

We recognise that we need to have the financial capability to carry out the actions under the strategy, whether this is from our own business plan and/or from external funding. Using data collected from EPC's we calculate, that to reach EPC Band C for our existing homes we will require funding of c.£10.2m. Funding provision of c.£10.7m (inc. VAT) has been made within the Long-Term Financial Plan (LTFP) together with an expectation of a minimum of 25% funding (c.£2.3m) being available from grants. The spend profile in the LTFP is:

- **22/23 (current year) £1.3 million (inc. VAT)**
- **23/24 £4.8 million (inc. VAT)**
- **24/25 £4.6 million (inc. VAT)**

We will be targeting grant income streams from the Social Housing Decarbonisation Fund (SHDF) and Energy Company Obligation (Eco) 4 streams, together with any new and emerging funding that becomes available over the course of the strategy.

Sector research estimates the costs of achieving net zero to be in the range of £20-£40k per property. This will vary depending on condition, geography, property type. This would be unaffordable for SLH and the sector without government support, investment, and innovation. We are exploring the potential for Carbon Credits to assist in closing this funding gap, should they become a secured funding opportunity.



### 3. Our Vision & Purpose

Our vision is to take positive action to reduce the impact of climate change on our colleagues, customers, neighbourhoods and the wider environment through our passion and commitment to deliver environmental change.

The purpose of our Sustainability Strategy is to ensure that we undertake appropriate and affordable actions and play our part in tackling this climate emergency. Our vision is:

- **For our customers and colleagues to have a good understanding, through engagement and education, of ways that they and we can contribute to our net zero goals.**
- **That all our homes achieve an EPC Band C by 2025 (excluding exceptionally hard to treat).**
- **To maximise opportunities to secure financial incentives to improve the lives of our customers and sustain the environment.**
- **To achieve SHIFT assessment level Gold, or better.**
- **To have a fully developed and costed roadmap and an in-depth understanding of how to become Net Carbon Neutral by 2050.**

### 4. Delivering Our Vision – Key Action Areas

To deliver our vision we are prioritising five key action areas that support our objectives and create the most impact in terms of maximising sustainability outcomes. We will achieve this through strategic planning, developing action plans and focus areas. We will set interim targets and measure progress annually through the course of this strategy and at key strategic dates in 2025, 2030 and 2040 on our journey to Net Carbon Zero. The key focus areas within this strategy include improving the energy efficiency of our homes and reducing our carbon footprint through:

**Engagement and Culture Change** which will be at the heart of everything we do. We will work with our colleagues and customers to educate, change behaviours, and promote sustainability.

**Carbon Reduction & Energy Efficiency** of our existing and new homes by improving the building fabric; heating and hot water systems efficiency; procuring energy from renewable sources; and increasing our renewable energy generation.

**Neighbourhood and Biodiversity** by increasing biodiversity to assist in and removing CO<sub>2</sub> from the atmosphere in our new and existing open spaces.

**Sustainable Resources** by creating an environment whereby we help customers to drive down their energy and water consumption, reduce waste and drive-up waste recycling. We will promote and encourage a reduction in the use of water and energy through education and media campaigns and will positively encourage an increase in waste recycling through the provision of amenities to support these activities.

**Sustainable Offices & Operations** by reducing our energy consumption in offices, depots, and communal areas and improving the efficiency of our vehicle fleet. Clean air & sustainable travel by reducing carbon emissions from our vehicle fleet, reviewing the impact of new ways of working to rationalise office space and target zero carbon offices. Developing a sustainable supply chain by using our buying power to influence our suppliers and partners to improve

their sustainability practices by incorporating our sustainability requirements in our procurement requirements. Embedding sustainable procurement principles into the supply chain.

In order to achieve Net Carbon Zero the social housing sector and the wider country requires Government's role to include:

- Investment in innovation, supply chains and skills
- Reform of SAP Methodology
- Funding – grants, private sector, guarantees
- Reduction / zero VAT rates for Energy Efficiency
- Work with Energy Providers on De-carbonization of the grid
- Rebalance subsidy/ costs electricity and gas
- Carbon capture and Off-setting
- Planting Trees
- Planning policy changes – current restrictive planning & conservation policies eg require planning for EWI on front of properties

## **5. Engagement & Culture Change**

The delivery of the sustainability strategy will require the involvement and participation of all our colleagues and we will aim for it to become an integral part of our culture. This will be reflected in the way we deliver customer sustainability, the way we travel for our work, the purchases we make, the actions we take to reduce and recycle waste and reduce our energy and water usage, to name but a few.

### **Leadership**

Leadership is integral to culture change. Our leaders need to interpret and translate our vision and strategy into something that is meaningful for everyone. They will need to lead through visible and felt actions and acting as role models. Our goals must be continually evaluated and if necessary reassessed, and there must be an ongoing, two-way communication between external and internal stakeholders.

### **Engagement**

Engagement and creating a feeling of 'buy-in' is key to the successful delivery of this strategy. To really obtain commitment to achieving success, it is vital that colleagues and customers are represented at an early stage in the process, e.g. when outlining the environmental objectives for our organisation, and are continually updated throughout the entire sustainability journey. Everyone needs to understand what part they can play and what behavioural changes are required to make significant reductions in carbon emissions.

We will ensure our Sustainability Manager will lead, inspire and engage with colleagues and be responsible for governance and informing the business of progress against our action plan.

### **Education – filling the knowledge gap**

Carbon reduction is a complex topic that in many cases requires education. We will implement a Greening Engagement Programme to develop our colleagues' knowledge and skills and to fully equip them to educate our customers on practical steps that will enable a reduction in carbon emissions.

We will develop an engagement plan for customers to raise awareness, provide useful information and energy efficiency advice, and to provide access to information on using new technology, such as Air Source Heat Pumps (ASHP) efficiently.

### Where are we now?

We are starting the process of colleagues and customer engagement around the green agenda and are briefing managers and colleagues on our proposed strategy and plans. We are engaging with colleagues to allow them to get more actively involved in sustainability. We see the next 12 months as key to setting direction and laying the foundations for the future.

## 6. Carbon Reduction & Energy Efficiency

As a business we produce carbon through our business activities and our housing stock. To achieve net zero carbon, we will need to:

- Establish a baseline assessment of our carbon footprint using The Carbon Trust's recognised Greenhouse Gas (GHG) Protocol.
- Reduce our energy demand, (energy efficient buildings, less waste and efficient use of resources).
- Increase our use of low carbon and zero carbon technologies, (heat pumps/solar power/biomass boilers, other renewable and low carbon sources).
- Offset any residual carbon, (through removing CO2 from the atmosphere in our new and existing open spaces or offsetting schemes).

We will do this through a variety of methods:

**Develop our approach to Sustainability & Carbon Reduction** - We will develop and regularly review our sustainability strategy and implement a carbon reduction roadmap, while undertaking numerous activities that will drive us towards our destination. We will work collaboratively with partners and stakeholders to help inform us as to where we are going.

**Data First approach** - We will need to take a data-first approach, utilising our Asset Management and Energy Assessment Systems, which hold critical information about our homes, allied with long term financial plan, to give us information on how and where best to reduce our emissions, increase our energy efficiency and reduce carbon output.

**Increase Energy Efficiency (existing homes)** - Emissions are driven by the performance of the building fabric, heating, and hot water, and how customers use energy. Many of the properties we own already meet the Government's target and have achieved EPC band C. However, there are still homes (c.55%) that will require works to improve them to meet our efficiency target by 2025 so we will need to survey, assess and plan how we increase the energy efficiency within these properties.

**Energy Efficiency (new homes):** From 2025, the Future Homes Standard will increase new build energy efficiency requirements further. Our Future Homes Strategy will set out how we will meet these criteria for building new homes.

**Energy Advice:** The energy efficiency of our homes is influenced by two factors; the energy use in the property (75% influence) and customer behaviour (25% influence). We will aim to increase the level of energy advice available to our customers and offer signposting for help and advice.

**SMART Technology:** We have adopted several SMART devices in our homes, and we need to assess the cost benefits of these devices and how to drive the maximum benefits from them. We will utilise and invest in more SMART technology to help us with our journey on reduced energy usage.

### **Where are we now?**

98% of our homes have a valid, in date Energy Performance Certificate (EPC). We have started modelling the recommendations from these EPC's, together with data from our asset management system, in our energy modelling software (DREam) and are developing plans of how to achieve the target. We have completed a Sustainable Homes assessment and have been awarded a silver status by SHIFT. Actions for future improvement to Gold have been incorporated into this strategy.

## **7. Neighbourhoods and Biodiversity**

### **The value of our open spaces**

The open spaces that we manage provide a host of wellbeing benefits for our customers and surrounding neighbourhoods. They are important for flood risk reduction, summer cooling, biodiversity, food growing, air cleaning and capturing carbon.

Looking to the future we need to consult with our customers and colleagues who manage our open spaces on how best to protect them. To fully manage our open spaces, we must measure these natural assets and set a baseline.

### **Encouraging biodiversity**

As a housing provider and place shaper, we need a green infrastructure to help reduce overheating and prevent flooding. We encourage the planting of flowers and appropriate trees which help to reduce air and noise pollution.

Improving and increasing biodiversity and open spaces and having access to community space is important for customers. Customer consultation has shown good quality open space is a key factor in determining customer satisfaction with their home and neighbourhood.

We will consult with our customers on their local open spaces and work closely with them on community projects such as tree planting, living walls and wildflower meadows.

### **Where are we now?**

We are currently working to understand the level of biodiversity we currently manage. We manage over eleven thousand trees across our homes and communal areas and regularly survey and maintain them in a safe and healthy condition. We are developing neighbourhood plans and will maximise all opportunities to explore carbon offsetting to improve our neighbourhoods.

## **8. Sustainable Resources / Environmental Sustainability**

### **Improving household water efficiency**

We will ensure that our specifications for improvement programmes incorporate water saving measures e.g., dual flush WC's, low flow taps and baths smaller than 180 litres of water. We will trial the effectiveness of water efficient technologies that deliver cost savings through reduced water usage.

### **Waste**

Domestic waste is a major problem in the UK with national recycling levels reaching only 45%. Resources are being wasted and the long-term supply of some natural products could be limited in the future as a result. Our colleagues and customers generate waste each year that is not recycled.



### **Reducing fly tipping**

Fly tipping is the illegal disposal of waste. Not only is it unsightly and costly to clear, but it also has serious environmental and health consequences. It pollutes soil and local water courses and can harm wildlife. Waste also attracts rodents leading to a risk of disease. Understanding the number of waste offences is an important first step in tackling the damaging impacts of this pollution.

### **Where are we now?**

We are currently developing a strategic plan for sustainable resources.

## **9. Sustainable Offices & Operations**

### **Agile Working & Sustainable Travel**

The Covid pandemic accelerated the review of working practices and has enabled organisations to be more agile. As an organisation, we have embraced flexible working and our Hybrid Working Policy has resulted in a lower requirement for office accommodation and less need to travel.

Where we still need to be office based, we will develop and implement energy, water, and waste reduction targets across our offices to reduce our costs and carbon emissions.

### **Clean Air & Protecting Air Quality**

In the UK, the main source of air pollution is transport, with 80% of nitrogen dioxide recorded at the roadside, and 30% of fine particulate matter being traced to vehicle exhausts. Greenhouse gas emissions directly affect local air quality. There are things we can do to help influence the choices colleagues make around business travel and we will develop sustainable travel advice.

### **Sustainable Supply Chain**

We use a large number of resources and a wide range of services. The choices we make have a significant impact on people, organisations, and the wider environment. We recognise our role to protect customers, communities, and the natural world now and in the future. By developing sustainable procurement processes we will be able to meet our needs for goods, services, works and utilities in a way that achieves value for money on a whole-life basis, generating benefits not only to us and our customers, but also to society and the economy, whilst minimising the damage to the environment.

We want to use our buying power to influence our suppliers to deliver resource efficiency, reduce waste and reduce contract costs.

### **Construction Waste Reduction**

Our construction activities across repairs, improvements and new development generate a significant amount of waste, ranging from surplus materials following works, through to packaging of components during transit. By adopting the 7R's of waste reduction (Rethink, Refuse, Reduce, Reuse, Repair, Regift, Recycle) we will be able to reduce the amount of waste sent to landfill and reduce our carbon footprint.

### **Where are we now?**

We have introduced agile working to help colleagues work more effectively and efficiently, bringing together people, processes, services, technology, and connectivity to create a flexible working environment which delivers greater value.

We are looking at ways to run our business as cost effectively as possible and an integral part of this approach is sustainable travel. We are exploring the feasibility of transitioning our vehicle fleet to Hybrid and full Electric Vehicles.

## **10. Monitoring, Measuring & Reporting Performance**

### **Governance**

The strategy will be reviewed annually over the next three years to ensure alignment with evolving government policy, advancements in technology, and funding availability.

A detailed action plan has been developed to help in delivery of the strategy and progress will be monitored through regular reports to ELT and Board.

The Board are responsible for ensuring compliance with all legal and regulatory requirements. The Director of Homes is responsible for leading on this strategy, supported by ELT/SMT and a project team from across the business. Responsibility for achieving these strategic goals lies across all teams and is not restricted to those with asset responsibilities.

### **Sustainable Homes Index for Tomorrow (SHIFT)**

We use SHIFT to measure our sustainability performance. It is an independent assessment and accreditation scheme for social housing providers. It helps us to demonstrate our sustainability credentials to funders, partners and regulators using 22 key performance indicators.

### **Environmental, Social and Governance performance indicators**

Environmental, Social and Governance measures will be used to show our improvement towards sustainability and net zero carbon. ESG performance indicators help to show improvement in three main categories: Climate Change, Ecology and Resource Management.

### **Performance Monitoring**

The establishment of baseline assessments is key, from which we will develop performance indicators and reporting to enable the ongoing monitoring of progress to achieve targets.

### **Risks**

Our main risk is that we do not achieve EPC Band C and then Net Zero Carbon as required by legislation and regulation, recognising that this needs to be achieved whilst demonstrating value for money and maximising grant income. Failure to achieve these requirements would lead to governance and/or viability downgrade.

As a smaller housing association, we recognise that we will not be at the forefront of innovation and will mitigate some of this risk through collaboration and learning from the Social Housing Retrofit Academy (SHRA), National Housing Federation (NHF), PlaceShapers, Consultants and Contractors to develop cost-effective plans.

Colleagues and customers may be resistant to and fearful of change. We will mitigate this through leadership from the Board and ELT/SMT, clear communication plans and engaging, listening, and learning with colleagues via customer and colleague forums and wider engagement.

Standard Assessment Procedure (SAP), which informs the calculation of the EPC, is regularly updated approximately every 3 years. A typical example of an update could be the carbon impact of the fuel used which affects the SAP rating. As the electricity grid decarbonises, the fuel rating of electricity will improve and therefore the SAP score for the home will increase. This means that ratings of homes may change over time, even if no changes have been made to the property itself. A detrimental change to the SAP after 2025 could impact on our achievements, but this is not currently expected. We will continue to monitor planned changes to SAP through to 2030 and will amend our plans accordingly to retain compliance.

Other risks that we will continue to monitor and adapt our strategy to mitigate include:

- Supply chain and skills availability.
- Changes to VAT rates for energy efficiency measures.
- Changes in Government & Industry Policy, e.g. Planning Policy, ECO

## **11. EQUALITY IMPACT ASSESSMENT (EIA)**

An EIA has been carried out and it is the view that this strategy will foster good relations and promote equality of opportunity, particularly for those who are disproportionately affected. Lower income, older and vulnerable customers are disproportionately impacted by climate change, the risk of flooding and cold/ hot weather conditions and fuel costs, which have risen significantly recently. Retrofitting and improving the fabric and building energy efficient homes should reduce the energy required and costs to heat homes, reducing inequality and can also potentially have health and wellbeing benefits

We will re-assess impacts on the equality of stakeholders at the time of strategy Review.

## **12. Key Related Documents**

This strategy covers all aspects of the Association's activities and should be read in conjunction with a range of other strategies and policies. This includes, but is not limited to:

- Business Strategy
- People strategy
- Communications Strategy
- Asset Management Strategy
- Customer Experience Strategy
- Resident Engagement Strategy
- SLH Homes Standard
- Procurement Strategy
- Development Strategy
- Neighbourhood Plans