



# NED Network briefing

24 May 2021

Set up by [HACT](#) and [PlaceShapers](#), with the support of [Anthony Collins Solicitors](#) and [Badenoch + Clark](#)

## What do Board members need to think about when developing strategies for achieving Net Zero Carbon?

### A discussion led by Keith Holloway

(Board Member and Chair of Asset and Development at Broadacres Housing Association)

The discussion opened with a breakdown of the UK's commitments to decarbonisation as a signatory to the **Paris Agreement 2016**. It is likely these commitments will be reaffirmed later this year at COP26. We are currently in the sixth carbon budget which sets UK greenhouse gas emissions to be **reduced by 68% in 2030, 78% in 2035 and Net Zero by 2050**.

The **housing sector is responsible for 20%** of all greenhouse gas emissions. Half of that is emitted from social housing although social housing only accounts for 17-20% of the UK's housing stock. It is likely the Regulator and Homes England will become more interested in what social housing providers are doing to deliver outcomes that assist the Government's objectives, if not in co-partnership then through compliance in the future.

#### The NED dilemma – Balancing our 3 Primary Fiduciary Duties:

1. To ensure our **businesses are financially sound and viable** in the long-term;
2. Our **homes and services keep people safe**; and
3. That we deliver compliance with all regulatory requirements including CQC and the Charity Commission.

**What is the impact on us:** The decarbonisation of the UK's social housing stock is estimated to cost £104 billion with the Government contributing £3 – 4 billion. Landlords will be expected to take forward the decarbonisation agenda whilst balancing the above duties. Currently, two thirds of the UK's social housing stock has an EPC rating C (69 SAP points). The Government wants 100% of social housing to achieve or exceed this by 2030 and it is expected that the Decent Homes definition will mirror this aim.

Recently, the NHF surveyed which social housing providers are addressing the decarbonisation agenda. Only 10% of providers had plans in place, approximately two thirds were considering it and 25% weren't addressing the issue at all.



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Assessing current build rates, 50% of social housing properties will be constructed between now and 2050. These should be built to the highest specification and right first time. The other 50% of properties will need to be retrofitted, with all the challenges and costs this involves. Furthermore, there is technology that is yet to exist and be tested, such as hydrogen boilers. However, there are other strategies such as estate regeneration, disposals and stock rationalisation and these should be discussed at Board level. Housing association support functions will also need to be decarbonised.

**Case study:** Broadacres Housing Association is currently reviewing its operating model. Broadacres has a policy of fabric first, worst first to address issues such as rural fuel poverty. It is on course to deliver all homes over 69 SAP points by 2030. Of its 6,500 homes some 5,000 have gas installations, 550 have Air Source Heat Pumps (ASHPs) installations with the remaining installations comprising of oil and electric. Insulation and residents taking the lead are other key facts of Broadacres' model.

## Risks

1. Landlords will need to ensure their stock data and asset management plans are up to date and relevant. A stock condition survey should also be undertaken;
2. How robust are landlords' long-term plans? Do they account for any potential mistakes and are they flexible? Can the plans survive higher costs of borrowing?
3. Do landlords have the right skills and organisational models to deliver the decarbonisation agenda? Technological challenges remain and there are also challenges in securing engineers and contractors to carry out the works;
4. Are Boards ready to consider alternatives such as stock rationalisation and swaps? Are they prepared to sell stock in order to build new homes and retrofit other existing homes? And;
5. Do landlords have sufficient cashflow and liquidity, which remains the number one risk?

## Tips to discuss with the Board:

- Has your Board developed a road map to achieve the decarbonisation agenda?
- Does the Board know which stock is viable and which is not?
- Is the best funding in place? Can covenants be stretched? Could gearing be enhanced?
- Have Boards and Governance arrangements clearly articulated the risk balance, between a long-term viable business, home and resident safety, and regulatory compliance in our particular circumstances.



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## Outcomes of group discussion:

**Governance** – How do we be clear about the competing priorities and stick to them? How do you maintain focus in a time of significant competing priorities?

**Resident Involvement** – Communication and conversations should be ongoing with residents. Resident satisfaction is key. The measures implemented should be customer led.

**Cross sector cooperation or collaboration** - There are a lot of shared challenges and how can we act together to forward the decarbonisation agenda as a sector?

**Carbon audits** – Could be useful in identifying how much greenhouse gases each Member's housing stock emits and identifying the source of the emissions. In tandem with this, champions for the environment could be appointed at Board level.

**Funding** – We should be talking about trying to lever in further funding from any possible sources – there are many Government capital grant schemes available for decarbonisation, district heat, future high streets, UK Prosperity Fund.

### Resources:

[Residents' Voices in the UK's Net Carbon Zero Journey](#). Published by PlaceShapers, March 2021

**Richard Brooks and Tom Corrigan**

*Anthony Collins Solicitors LLP*

## Next meeting

**Actions speak louder than words – how should Board members lead their organisations on equality, diversity and inclusion that delivers real change?** Discussion led by Patricia McCabe, Group Board Member of EMH Group, and Chair of Birmingham and Solihull Women's Aid.

4.00-5.00 pm

7 June 2021

**Book your place:** <https://us02web.zoom.us/meeting/register/tZwpfu2tpzkrHtbWruJHbYM6wuKgoviA6EbU>