



Board Report for Decision

Report Title:	Catalyst Sustainability Strategy
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Board /Committee:	Catalyst Housing Board
Date:	25 September 2012
Confidential?	No
Agenda item:	8
Attachments:	Sustainability strategy – carbon emissions (Appendix 1) Sustainability strategy – affordable warmth (Appendix 2) Sustainability strategy – monitoring graphics (Appendix 3)

Executive Summary

This report sets out a revised sustainability strategy for the company and our plans to implement it which will enhance our position as one of the leading players in the field.

Decision required

Board is asked to APPROVE the new Catalyst Housing sustainability strategy 2012 and the action plan required to deliver it.

Proposition

Climate change mitigation and sustainability are major government themes, as are efficiency and value for money. We need to deliver improvements to residents (both current and future residents), the company and to staff. An interim sustainability policy was approved at the March board meeting, with a requirement to return with a clearer strategy and more measurable targets for monitoring. The revised strategy focuses on two key areas – carbon footprint and affordable warmth – and sets out our plans for improvement.

Financial implications

Much of the work from this strategy will not significantly increase costs for the company, as it should reduce waste as well as making better use of existing resources through, for example, targeted improvements to our existing stock. Many of the office improvements have already been budgeted for but there may be some additional costs that will specifically benefit residents rather than the company itself, such as energy cost reductions.

Background

The March 2012 meeting received a report setting out a new sustainability strategy to take account of the changed single company structure. Accompanying that was a new sustainability policy. Both of these documents were approved as interim statements of intent, but officers were asked to return with a much more focused strategy and a more measurable set of targets with an action plan that is needed to achieve the strategy's goals.

It is proposed that the strategy is for a period of three years, from 2013–2016, to tie in with the company's new three year corporate strategy. It is also proposed that this strategy concentrates on environmental sustainability rather than sustainability in its widest sense, which would link in to

other company wide strategies including the development strategy, asset management strategy, Catalyst Gateway strategy and the general corporate strategy.

Environmental sustainability

It is proposed that we have two objectives under the strategy:

- Reducing our carbon footprint (CO²) over the next three years (2013-16)
- Reducing fuel poverty (ie cost in use) and increasing affordable warmth for our residents

1. Reducing carbon

Our business

	Measurable	Reduction
Baseline (2010/11)	256.1 tonnes of CO ²	
Target (2016)	217.6 tonnes of CO ^{2e}	15%

We have completed a Scope 1 and 2 carbon footprint assessment, using an experienced assessor, and have taken 2010/11 as the baseline. Our footprint calculation is based on the UK government's Greenhouse Gas Protocol managed by DEFRA (*see footnote 1 for explanation*). It focuses on our purchased energy, vehicle fuel consumption, landfill waste, employee commuting, and deliveries made by third parties. It includes the greenhouse gases carbon dioxide, methane and nitrous oxide.

Whilst we will continue to track the original baseline reduction the next stage of the assessment, for 2013, is to extend the calculation under Scope 3 of the protocol to include:

- business travel and staff commuting to work
- third party deliveries – to include our maintenance contractors' (principally Mears and Morrison) vehicles where they are working on our behalf
- waste – both going to landfill and being recycled

Details of our footprint are already set out on the Catalyst website ahead of the formal requirement to provide this, as recently announced by the Deputy Prime Minister.

A further development of the carbon footprint assessment, although not included as part of the formal Scope 1, 2 or 3 process, is to measure the carbon emissions of our new build stock, as well as that of our existing stock, with a view to reducing the amount of carbon emitted. Energy Performance Certificates (EPCs) are required for all new homes built and details of predicted carbon emissions can be collated and measured against a % target reduction. It is proposed that with increasing regulation to improve energy efficiency through the building regulations a 5% reduction in tonnes of CO² year on year be targeted.

2. Fuel poverty/affordable warmth

	Measurable	Improvement
Baseline (2012)	SAP score 67.69	
Target (2016)	SAP score 69	1.31 in SAP

We have decided to use SAP, the government's standard assessment procedure (SAP), as the proxy for affordable warmth. The assessment score includes a predicted energy (and carbon) use for each property, as well as a calculation on the expected cost of use and this can be compared to actual use and costs.

It is proposed to use a number of property archetypes to extrapolate across the existing stock to arrive at a predicted cost and compare that to definitions of fuel poverty to see how many of our residents are in fuel poverty. We will then be able to set a target reduction figure for both average costs and carbon use to measure progress against. We are working towards getting this work completed by March 2013, at which time we will refine the baseline and targets by adding the “cost in use” equivalent per annum.

In undertaking this exercise we will monitor only the existing stock built before 2011/12, as we want to demonstrate real improvements in performance particularly in the existing stock. The new stock will be built to higher code levels and will therefore be of a significantly better SAP score which will distort the picture for the existing stock. We will track the **range** of the SAP scores in the “legacy stock”, ie the highest scoring and the lowest scoring, with a view to significantly reducing the gap in the range by 2016 (see Appendix 3 for the diagrammatic showing this. *Note these are not real figures, just indicative at this stage to show how we will represent the information in future*).

3. How will we achieve this?

We will achieve this by a combination of:

- promotion
- education
- investment
- measurement, and
- reporting

As far as the new stock is concerned the emphasis will be on carbon reductions through the code and building regulation compliance, with enhanced education for residents. The lowest performing existing stock will be targeted to reduce carbon, improve the affordability for residents and improve messages and education on energy use, while the remainder of the stock will benefit from general stock investment, continued messages to reduce carbon emissions and improve affordability.

Attached, as appendices, are diagrams for both the carbon footprint (Appendix 1) and affordable warmth (Appendix 2) showing how each strategic theme will be measured against the five target areas:

- Strategy, reputation and governance
- Customers
- Staff/business
- Assets
- Partners

A more detailed action plan, with specific yearly targets, has been developed and will be monitored by both the new sustainability panel and the leadership team to check that we are still on target, or take corrective actions if we are failing to meet any of them.

Appendix 3 shows how the main targets will be diagrammatically represented and monitored for the sustainability panel and leadership team, as well as in an annual report to the board. The diagrams showing the range of Catalyst stock SAP ratings and the average annual running costs are shown for indicative purposes only and only show how officers will be presenting the information once we have collated it.

Policy implications

Adopting the strategy and implementing it will have significant implications across the company. It will affect residents, staff and board members to varying degrees. It should involve significant local board and resident involvement for it to be really successful, along with targeted investment,

behavioural change and lifestyle change for some residents – all of which need to be addressed through ongoing training and the consistent application and implementation of key messages.

Risk

The main risks for us are reputational, especially if we fail to deliver what we say we’re going to. It is important that regular monitoring takes place and that any corrective action is taken to remedy the failure before any negative reaction ensues.

Risk	Management/mitigation
Not meeting the performance targets or financial reductions we set ourselves	This will be mitigated through regular monitoring by the green champions group, as well as through regular reporting to the leadership team and the new sustainability panel, and appropriate corrective action taken when this occurs.
Failure to engage either residents or staff in the strategy	This will be mitigated by the continued emphasis of the key messages through everything we do, from targeted campaigns on specific initiatives aimed at staff through to specific advice and publicity aimed at residents to encourage their active involvement.
Lack of engagement with partners, either local authorities or potential suppliers of goods and services to the company	Mitigation will be through regular close working with local authorities to see how our own actions can help them achieve their aims. Working with our new Catalyst framework partners to ensure that they fully understand and comply with our strategy requirements as well as encouraging them to deliver more in return for continued work in the future.

Review and monitoring

It is proposed that the leadership team and the new sustainability panel monitors and manages this process through receipt of regular half yearly reports, with an annual report being submitted to the board on the implementation of the action plan over the previous year.

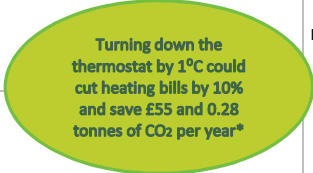
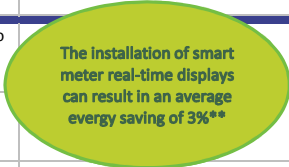


The board’s new sustainability champions, Richard Brown, Sue Parsonage and Richard Mwangi, will be involved, along with Julia Moulder as the leadership team’s sustainability champion, in actively promoting and developing the strategy as well as assisting in broadening the message throughout the organisation.

The green champions group will also continue to regularly monitor targets, progress initiatives and drive forward the changes that we need to develop and meet the business targets, and help in changing behaviours across the company.

Footnote:

Carbon footprint Scope 1, 2 and 3. Under the protocol a Scope 1 and 2 assessment includes the electricity and natural gas we purchase as well as the use of Catalyst vehicles. Scope 3 additionally includes vehicle fuel consumption while on company business, landfill waste, employee commuting, and deliveries made by third parties.

Sustainability Strategy: Affordable Warmth
 Baseline Performance = SAP Rating 67.69 (2011/12)
 Target Performance = SAP Rating 69 (2014/15)

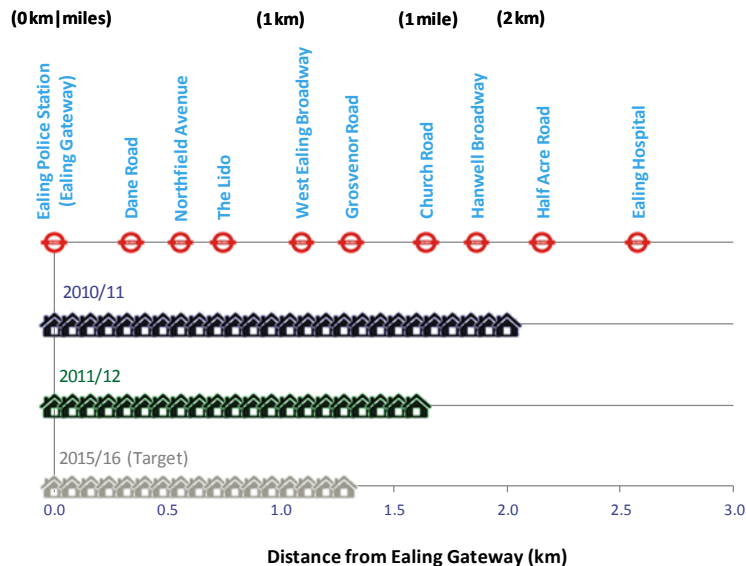
Strategic Theme	Target Area				
	Strategy, Reputation & Governance	Customers	Staff / Business	Assets	Partners
Promotion		Promote principles of affordable warmth at every opportunity, including the use of the website and Catalyst4You			
		Promote implications of climate change and carbon reduction initiatives	Promote 'affordable warmth' at tenancy signup		
		Encourage residents to take up the challenge to reduce carbon emissions and save money			
Education		Educate residents in behaviour changes needed to achieve energy and water savings	Ensure staff understand corporate 'affordable warmth' message to residents		
		Encourage more sustainable carbon reducing behaviours	Train staff on key principles and what they need to do to help residents		
Investment		Offer carbon offsetting opportunities	Create apprenticeships for residents to train as Energy Assessors & Green Doctors to help other residents	Consider early installation of energy meters into existing and new homes to demonstrate high energy appliances	
			Take advantage of Green Deal to identify opportunities for residents to get involved as assessors	Ensure 'fabric first' initiatives prioritised in new build brief for new homes	
				Resist pressures for 'high tech solutions' to achieve higher Code levels	
				Ensure all kitchen and bathroom upgrades incorporate dual-flush WC's and water reducing taps, sinks, etc.	
				Seek out opportunities to supplement existing funding e.g. Green Deal; ECO funding	
Measurement	Agree proxy for 'affordable warmth' in Catalyst's existing stock	Pilot collection of energy and water usage information to establish baseline performance		Assess carbon emissions and running costs for lighting; heating; hot water for a range of property archetypes	
	Commit to reducing 'cost in use' for residents			Establish clear brief and standard of improvement required for future stock investment programme	
Reporting					

*Edinburgh World Heritage (2012). 10 behaviour tips to save energy and money. Available: <http://www.ewht.org.uk/10-behaviour-tips-to-save-energy-and-money>

**AECOM (2011). Energy Demand Research Project: Final Analysis, Executive Summary. Available: <http://www.afgem.gov.uk/sustainability/edrp/Documents1/Energy%20Demand%20Research%20Project%20Executive%20Summary.pdf>

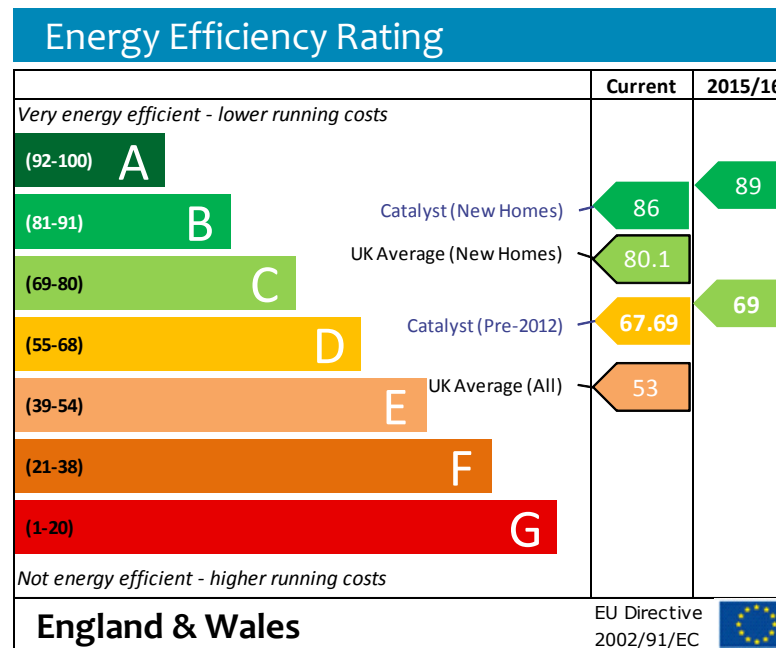
***Energy Key (2012). The Energy Performance Certificate (EPC) explained. Available: <http://www.energykey.co.uk/epc.html>

Catalyst Offices' Carbon Footprint:

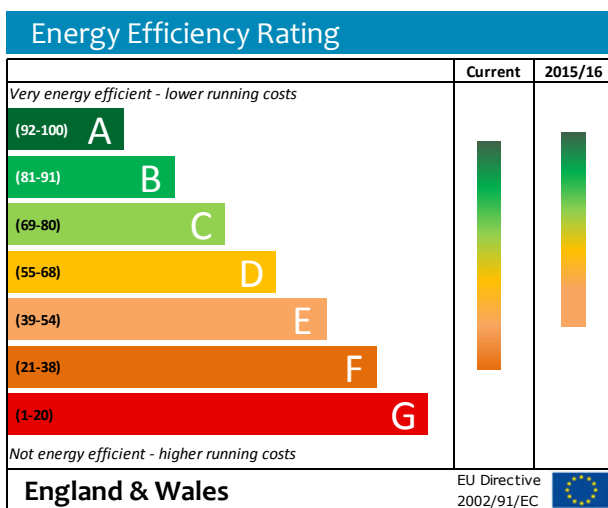


Each represents carbon emissions from ten 64m² 2-bedroom houses

Catalyst stock average SAP rating compared to the UK Average:



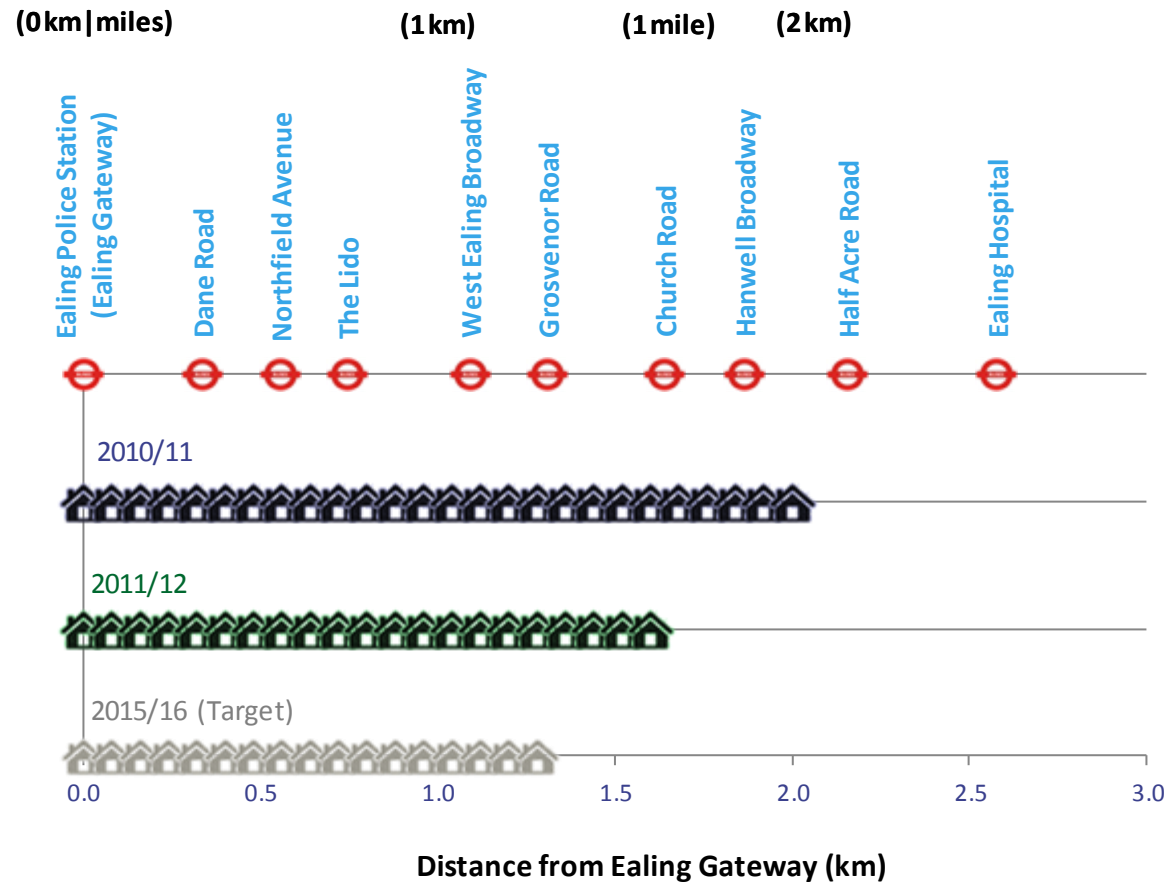
Range of Catalyst stock SAP Ratings (Indicative Data):



Average annual running costs (heating, hot water, lighting) for a 64m² 2-bedroom house, with an increase in SAP rating over time (Indicative Data):

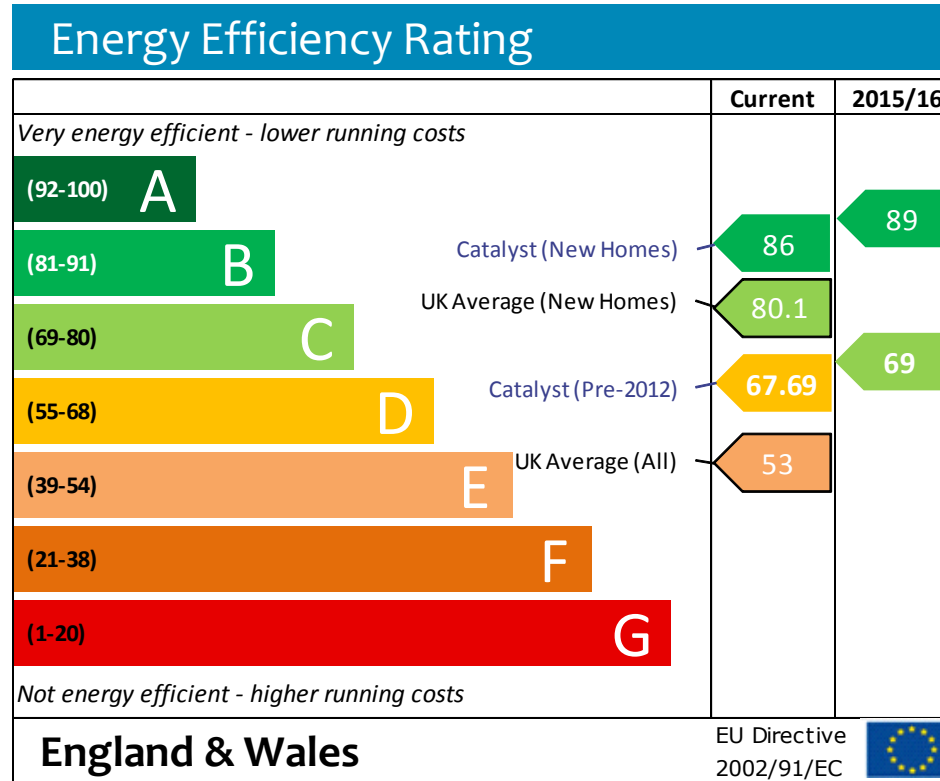


Representation of Catalyst's Office Carbon Footprint:

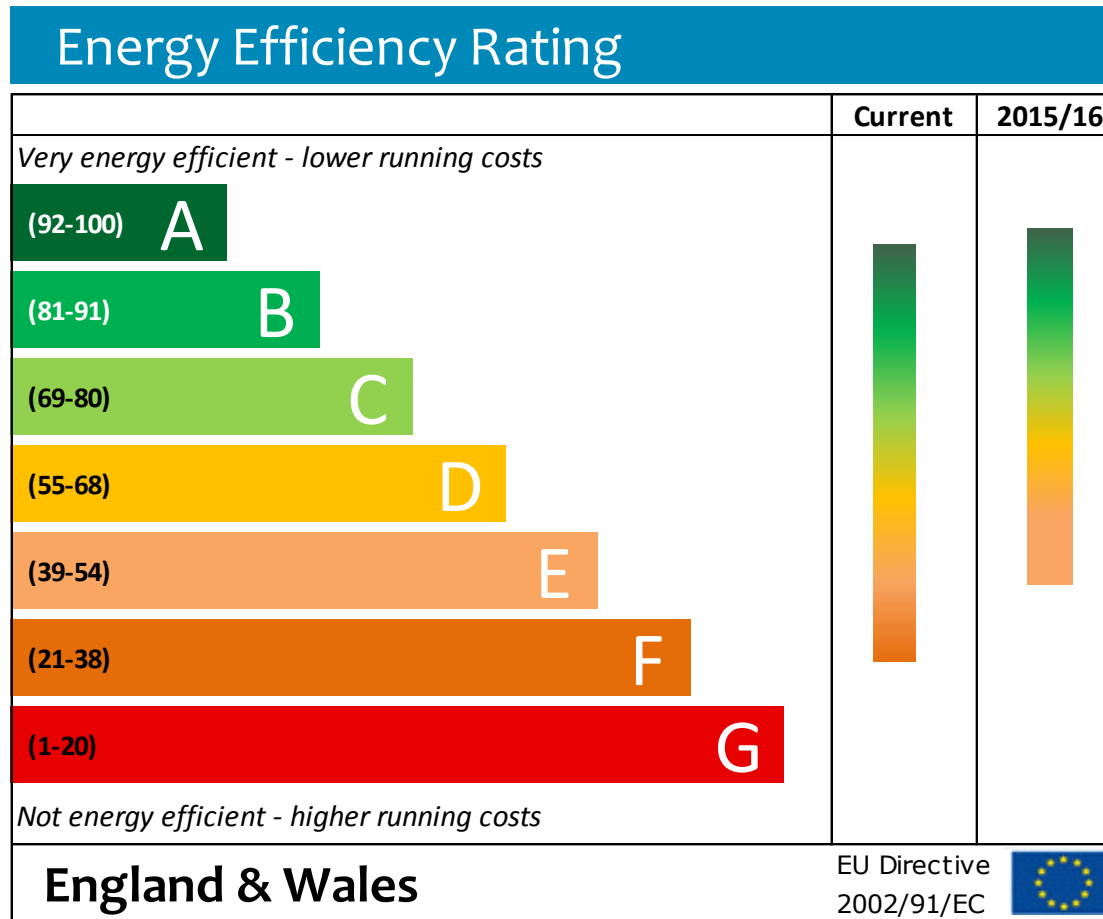


Each  represents carbon emissions from ten 64m² 2-bedroom houses

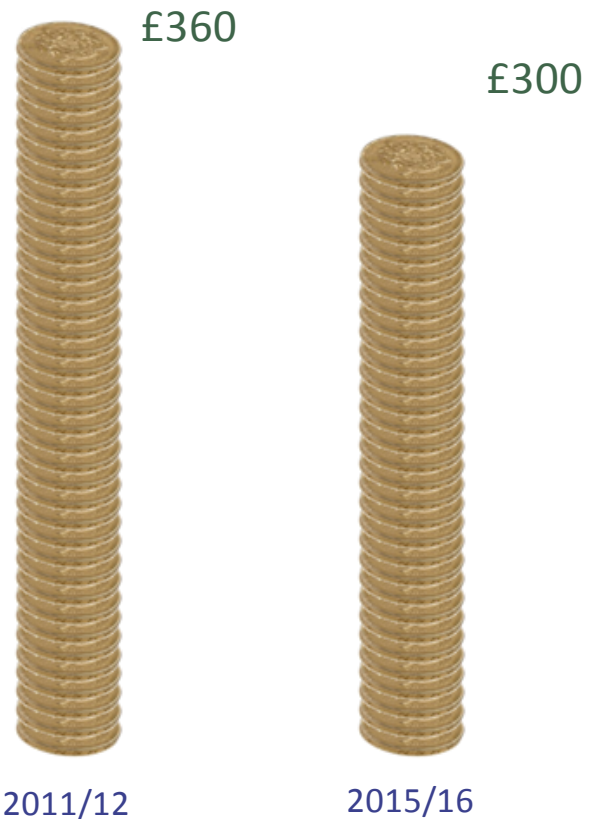
Catalyst stock average SAP rating compared to the UK Average:




Range of Catalyst stock SAP Ratings (Indicative Data):



Average annual running costs (heating, hot water, lighting) for a 64m² 2-bedroom house, with an increase in SAP rating over time (Indicative Data):



Each  represents £10 in running costs per property