Housing net zero strategy – recommendations for approval

Introduction

Creation care is a top priority for the Diocese of Oxford. Diocesan Synod declared a climate emergency in March 2020 and we’ve set an ambitious goal of achieving net zero on carbon emissions by 2035.

It was recognised at an early stage that our housing portfolio contributes significantly to our carbon footprint. Bishop’s Council in 2020 approved the proposal to appoint specialist consultants to survey our portfolio and to produce recommendations to enable us to move towards a carbon neutral position. The surveys of our vicarages were undertaken in 2021 and the final report from Turner & Townsend (“T&T”) was received in February this year.

This was considered by the Buildings Committee in March, which unanimously recommended this programme of work to Bishop’s Council. Bishop’s Council now unanimously recommends it to Diocesan Synod, with the full support on financial grounds of the Finance Committee.

This paper summarises how it is proposed to deal with the housing element of our carbon footprint.

Church of England’s Net Zero targets and the Diocesan response

The Church of England through the Archbishops’ Council have set a target for the Church of reaching Net Zero by 2030. Last autumn the C of E’s Environmental Working Group sub-committee on Net Zero Carbon [EWGNZC] circulated a proposed Routemap to Net Zero to all Dioceses and other NCIs. The Routemap set out suggested target objectives and timescales to assist reaching Net Zero Carbon by 2030. The final Routemap will be taken to General Synod in July this year.

This Diocese has set a target of “2035 or as soon as possible thereafter” in part because we are not in control of all factors, but also because we believe there is further development needed in technology for heating solutions in particular. There are existing and emerging heating solutions that will help us make a significant move towards the net zero target. We are also aware that these solutions will improve and other technologies will develop that in time that will be more cost effective, have a longer shelf life and lower maintenance costs.

Other Dioceses responses to the Net Zero Carbon Routemap

Of the 42 Dioceses that received the EWGNZC consultation paper, 37 have responded and are broadly speaking in agreement with the objectives. However, a larger proportion have expressed concerned about the timescales being proposed. There were some common concerns picked up, mainly on staff resources, with a plea put forward to the national church to aid with this both in terms of setting up a central technical support team and with a national grant fund.
This Diocese would not expect to receive the same level of benefit from grant assistance from the national Church as poorer dioceses due to the value of our financial investments.

The scope of the housing report commissioned

364 properties were surveyed, meaning that 63 were not subject to full Energy Performance and Stock Condition Surveys [about 15%]. These surveys plus the supplemental data provided by the Buildings Department on those vicarages that were not surveyed has helped to ensure that meaningful recommendations are provided for the whole portfolio.

Behind the Turner & Townsend ("T&T") report is an extensive amount of detail which the Buildings team has been reviewing as it has emerged over the last few months. The recommendations contained in the T&T report are specific to our portfolio.

Renewable energy contracts

It is recognised that heating/electricity costs are increasing significantly for all occupiers and for many clergy in large older vicarages they could become untenable, particularly in view of the recent significant increases in energy costs.

We will want to encourage all occupiers to move to suppliers of renewable energy tariffs over time. However, the energy supply market is highly volatile for the moment and it is often not realistic or sensible to change suppliers or even tariffs at the moment. The energy supply market will not always remain this volatile. Hopefully supplies and prices will stabilise within the next 2-3 years.

There is another fundamental reason for needing to take steps beyond changing energy tariffs. Demand for energy/electricity needs to reduce; this is key to reducing carbon footprint.

Replacing boilers with heat pumps

Heat pumps will in many cases form part of the right eventual solution. However, changing the source of heating does not address the issue of needing to reduce demand for energy/electricity. If not installed with all the other associated works then the occupier can find that their demand for electricity increases, and bills increase significantly.

The other reason for not implementing wholesale replacement of existing boilers is that many of them are energy efficient and providing clergy with low-cost heating. Environmentally there is a balance to consider when taking out a modern well-functioning boiler that has many years life left to run.

Heat Pumps are not suitable for all properties. The work involved in installing a Heat Pump into property is not as simple as simply taking out the old boiler. In most cases the whole heating system, including radiators and pipework, will need to be replaced and ideally fitted under floors. In addition, the whole house needs to be highly insulated for the heat pump to perform efficiently and effectively.

Unlike gas and oil, the heat pump market is not regulated by government standards and guidelines; it is still a relatively young industry sector. Further development of manufacturing, installation and maintenance is needed. There is a major supply chain problem that will not
be resolved until the sector expands rapidly. In time we can expect prices to reduce potentially significantly as the market matures and the Government incentives increase further.

Fabric first

We favour an approach of ‘fabric first’ i.e. addressing the energy loss from our properties, principally via insulation to walls (internally or externally), floor and roof voids and better window/door fittings. This will usually enable the greatest savings to be achieved and allows technological developments to progress as set out above. Work to fabric can be invasive and disruptive and so where it would be we would either carry out work during a vacancy or arrange for the occupant to move out of the property temporarily.

Fitting of solar panels

We have already fitted solar panels to over 50 of our properties and more could be suitable for installations. The initial feed-in tariffs that were available in the early years are no longer available. However, installing further panels is not being discounted. They would provide a saving on clergy bills, plus there is now a small saving on solar panel costs due to the Government scrapping the 5% VAT. Installation options will be considered, in particular where there is an opportunity to improve roof insulation.

Programming the work – a tailored approach

We are not like a Local Authority being able to undertake a whole stock programme of works. No two of our vicarages are the same, and geographically the portfolio is widely dispersed. There are limited economies of scale to be gained by trying to plan work in this way.

Commencement of works and prioritisation

We will need additional staff resources to make any significant progress towards planning and then implementing a programme of improvements and have therefore made allowance for this.

Where work will be very disruptive, prioritisation will initially be given to undertaking works on vicarages as they become vacant. This takes account of inconvenience to occupiers and from the contractor’s perspective there are health and safety considerations [and their quotations would increase if having to work around occupiers], and finally from the perspective of the surveyor trying to manage the project.

However, we will also want to have regard to clergy’s heating bills and to tackle the higher return/ impact properties before lower impact ones and so other options such as the occupants moving out temporarily will also be actively considered.

How much will the whole programme cost?

At current prices T&T estimate it to be in the region of £20 million including VAT but before enabling works, programme and contract management costs [which would bring the total to between £26-30 million].

The average improvement costs are much higher for our properties and our portfolio generates carbon emissions well above the average. This is because a typical vicarage is detached and much larger than average homes. They require more energy to heat, light etc. The average
of £62-72k per property compares favourably to a range of £60-90k reported by the few other Dioceses that have so far reached the same stage as us.

**Buildings team resourcing implications**

Managing a c.£20 million programme on a portfolio this diverse is equivalent to employing two full-time experienced project managers/surveyors/contract managers for 10 years. It will be a fundamental change to the dynamic of the department.

The core service of providing fit for purpose housing for clergy remains our primary function. This work will take time and training and additional staff resources, which are being assessed currently, to deliver. It will impact to a much more minor extent other teams within Church House.

**Not all properties are equal**

There may be some properties that will need an abnormal amount of expenditure for only modest improvements. We will need to consider over time whether to replace (which just transfers the issue to others) or still do work for the poorest energy performing properties that are difficult to improve.

Some properties that are listed and/or in Conservation Areas may not be capable of significant improvement, and for pastoral reasons cannot be sold. We will need to consider carbon offsetting for these cases.

**Our recommended programme of works**

Bishop’s Council has accepted the advice of the Buildings Committee and Buildings team that we should concentrate first on heat retention and therefore the “fabric” especially insulation, doors and windows and solar panels where appropriate. Where an existing fossil fuel boiler fails, we would undertake a heat pump replacement and related works, if recommended by our heating engineers. Once the market (technology and price) has developed further for heat pumps, we would then expect to implement them on a more wholesale basis.

**Timescales for commencement of the programme of works**

We will undertake one trial property this year, but need about 12 months to recruit staff and complete the analysis of the detailed data and recommendations. The detailed survey and tender work will be undertaken prior to commencement of works in summer 2023.

We propose identifying early stage vicarage projects, preferably ones that are vacant, where we can undertake a combination of either fabric only works, and wholesale improvement works. These will be reviewed carefully so that we can learn what works well and what might need refinement or a different approach. The programme will continually evolve in the light of our experience and that of other dioceses and other organisations.

**Factors that could hinder the necessary programme of improvement works**

- Access to our properties. Despite our collective best efforts (though the survey company was reportedly not very flexible about appointments) we were not able to gain access to 15% of the portfolio for the survey. When it comes to attempting to implement improvement works do not yet know whether there will be full support by
occupants, although we would hope that the combination of the climate imperative and the prospect of energy savings will achieve this.

- Availability of contractors and consultants due to competing objectives of other like-minded organisations
- Supply of materials and cost fluctuations
- Securing planning and/or building regulations where needed
- Indirect financial consequences – loss of rental income during vacancies during works
- Resistance to lifestyle change needed with highly insulated homes, in particular the need to ventilate

Contributions towards the costs of improving vicarages

If properties are to be improved clergy should benefit from reduced energy bills. Asking clergy to contribute to the costs would be highly controversial although the savings to individuals could be material: we do not plan to do this. We would, however, expect that “feed-in tariffs” from heat pumps and solar panels, if they are reintroduced in a meaningful way, are paid to the Diocese.

Other possible funding sources

Grants could possibly be secured for certain works from Central Government and charities encouraging environmental works [e.g Marshalls Charity]. The process of applying for grants can be complicated due to the unusual nature of ownership of some categories of vicarages. Most grants outlined in the T&T report are targeted towards owner occupiers, and many grant making bodies do not understand how it works with vicarages. If we are to consider applying for grants, we need to ensure the diocese has the capacity to do this.

If grants can be secured by clergy as legal owner of the parsonage as opposed to the Diocese and clergy are not required to contribute towards the cost of improvements, then we will need to ensure that they are fully paid to the Diocese.

Managing expectations

A decision by Diocesan Synod to proceed with this programme of work is going to generate a significant level of interest. We have over the last 18 months been receiving regular requests from clergy for information on what is proposed to their property and when the work is going to be carried out.

We will need to communicate carefully how this programme of work is to be developed and implemented, and close liaison with the Area Teams will be a key to helping manage expectations.

Other vicarage Planned Maintenance works

Planned Maintenance work on our vicarages continues – and is to be enhanced following the pandemic - based on our surveyors’ site visits or following QS inspections. Where possible these works will be carried out alongside the improvements recommended by T&T and this paper. Work to occupied properties is more disruptive and so there may be times when the occupant says they do not want work done while they are living there, in which case this would normally have to be honoured provided the building does not suffer as a consequence.
Recommendations

The Buildings Committee, Finance Committee and Bishop’s Council were asked to approve the following outline programme of improvement works, focussed initially on the fabric of properties:

- **During 2022** –
  - Trial improvement works on one vacant vicarage to act as a case study – budget up to £50,000.
  - Recruitment of staff to join by the end of the year – this is being separately considered by the Human Resources Panel and Bishop’s Council, but will include at least one full-time experienced surveyor/project manager

- **2023** – 10 vicarages [probably primarily vacant] are improved as an initial phase, with work likely to take place in the second half of the year. Budget up to £600k.

- **2024-2028** - Implement “fabric improvements” across up to 75% of the remainder of the portfolio, perhaps focussing primarily but not exclusively on vacant properties, and solar panels or other changes where price and technology support this. Budget c.£1.6-1.7 million per annum.

- **Mid-term review** – the programme will be under continual review, but it is recommended that there is a particular review point in 2025, with one of the issues for consideration at that point whether to start the more widespread installation of heat pumps.

- **Additional staffing/ consultancy** currently being scoped but currently estimated at £1m over the period 2023-28 inclusive

Expenditure on vicarages will be to a large extent constrained by resources [staff, contractors and materials]. We estimate that a total budget of **£10 million** will be required to implement the above over a 6/7-year period (which includes £1m for staffing).

Concurrently we will continue with both ongoing works and repair and improvement work to occupied properties. The programme of reviewing the suitability of vicarages whenever a vacancy arises will also continue. Subject to the usual consultations we will seek to replace vicarages where they are not fit for purpose. This can be for a number of reasons including location, size, layout; not just because energy improvement works are not cost effective or it is not possible to improve the property sufficiently. Replacements with modern energy efficient properties would be sought [including constructing new vicarages where possible].

Unapplied Total Return Funds

The Finance Committee is aware that this work cannot be funded by additional requests for parish share. The unallocated balance in the Common Vision fund stood on 1 January 2022 at £5.7m. Based on cautious assumptions about investment returns the Finance Committee has a high level of confidence that, alongside current funding levels for the Development Fund, for the strategic work in support of the Common Vision focus areas (of which the environment
is one) and support of parish share (increasing annually by the level of the stipends increase), there will be sufficient funding to commit now to a £10m programme of work.

The Committee, however, wanted to be clear that there can be no guarantee at this stage that total return funds will be available to complete the whole programme costing £20-30m. This will depend on investment returns over the coming years and other calls on the funds. Whilst it is hoped that there will be further funding available to complete this by 2035, the programme will be carried out such that it is not assumed at this stage that we can do more than the £10m currently being recommended and requested.

As explained when total return was introduced, it is the formal legal and accounting position that total return funds can be used only for stipends and closely-related purposes. Such expenditure on environmental work is likely to appear in the statutory accounts as being disbursed from the DBF’s total income (of which the largest element comes from parish share) rather than directly from investment income/ gains.

Decisions made by Bishop’s Council, Buildings and Finance Committees

- Buildings Committee – 10\(^{th}\) March 2022 - endorsed the recommendations set out in the Summary above and specifically the initial focus on fabric improvement works, the phasing and quantum.
- Finance Committee – 31\(^{st}\) March 2022 – endorsed the recommendations from the Buildings Committee and specifically the suggested use of unapplied Total Return funds from the Glebe Financial Investment portfolio of £10 million.
- Bishop’s Council – 4\(^{th}\) May 2022 – endorsed all of the above.

The decision needed from Diocesan Synod

Given the scale of the amount involved, the decision falls to Diocesan Synod to commit to this programme of work. **Diocesan Synod is therefore invited to approve £10 million being expended on a programme of environmental work to properties for which the DBF is responsible, on the basis that it will be funded without any consequential increase in Parish Share.**

Sue Scane

Chair of the Buildings Committee

May 2022