

## Headlines from Policy Think Tank

### *Upgrading Social Housing:*

### *Why improving estates gives social housing a future*

12<sup>th</sup>-13<sup>th</sup> June 2018, Trafford Hall

1. We have a large and mixed stock of social rented homes – nearly 4 million. **Much of it needs significant upgrading. Most of it cannot be demolished**, even on forecasts that favour demolition. So it must be upgraded.
2. **Many estates can be upgraded and densified at significantly lower cost than demolition and rebuild**, not only in cash terms but environmentally and socially. The cost of community disruption is almost unmeasurable.
3. **Where demolition is necessary and justified**, it is crucial to plan so that all **social housing units are retained (in high demand areas) and tenants can move from their existing home into a new one on the same estate** if they want to stay. This helps retain community and local services and therefore over the long run reduces costs. But demolition decisions are often driven by development opportunity.
4. Given the lack of grant funding or subsidy, **it is hard to fund major new investment by councils or Housing Associations in new housing except in high land areas** where there is land to spare for private development. This drives many demolition decisions in areas where land is limited.
5. **The North and Midlands are very different from London and the South** so it is important to develop regional and local approaches to upgrading.
6. **Retrofitting social housing**, including insulation, replacing windows and boilers, heating networks, and installing renewable energy, **can have positive returns for the government, landlords and tenants** through:
  - a. cutting carbon emissions and thus helping the government reach its 2030 target of reducing greenhouse gas by 57% on 1990 levels.
  - b. cutting tenants' energy bills thus reducing fuel poverty and the potential for rent arrears
  - c. improving tenants' health. Gentoo's Boiler on Prescription 18 months trial demonstrated that installing efficiency improvements to homes of NHS patients suffering from respiratory diseases resulted in a 60% reduction in the number of their GP appointments, 30% decrease in the A&E attendances, 22% decrease in outpatient appointments and 25% decrease in emergency admissions.
  - d. increasing landlords' asset value.
7. **Benefits of retrofitting are sometimes difficult to quantify** and therefore hard to justify to social landlords' financial managers. **Gathering evidence base and conducting small pilots** that show the return on investment of retrofitting can help overcome this challenge.

8. **Upgrading estates for energy efficiency is technically complex and requires specialist skills.** Quality is extremely important and precision is required to ensure that no cold bridges are created. The approach of Energiesprong – Dutch programme for energy saving – installing energy efficiency measures in whole blocks or streets not only reduces costs but ensures better quality control. It is now being piloted over here. An advantage of Energiesprong is that it is as much a financial model for energy delivery as a physical retrofit, which can cover all tenures. It can partly self-finance through the savings on energy bills which can be considerable.
9. **Independent oversight for retrofit is needed.** An independent ‘clerk of works’ for each major works project appointed by the client to oversee and ensure quality should be a requirement.
10. **Delivering quality is money-saving in the long-term** and should be prioritised over cost reduction when it comes to tendering.
11. **The absence of accurate data on the energy performance of their housing stock or on previous refurbishment work is a challenge** to devising effective upgrading strategies or making accurate estimates of funding implications. Understanding and working with the available data becomes an iterative process. Monitoring the performance of improved property will help to evaluate and validate the works. I will also shed light on reasons for any design/performance gaps.
12. **Residents have a major stake in the future of their estates and areas. Initial explorations are needed to gain a holistic picture of the realistic options for refurbishment/ regeneration.** Residents must be consulted at an early stage, not when plans have already been decided on. **Tenants are a key resource for information about their homes** and their performance.
13. **The growth in numbers of leaseholders in social housing poses a major obstacle to both upgrading and demolition.** Most often, leaseholders do not want to pay the sums in estate upgrading, including their home. Nor do they want to accept a below-replacement value sum of their home if it is to be demolished. Leaseholder charges may jeopardise progress and cause real divisions as tenants are kept in limbo while legal battles rage. **The government could help by providing low interest loans to help leaseholders.** In some cases, social landlords simply meet the costs for leaseholders as well as the tenants.
14. There are many useful experiments and pilots, such as Portsmouth Council installing **Passivhaus energy saving with residents in situ.** Passivhaus aims to achieve as near zero-energy-use as possible. EnerPHit, which Portsmouth is using, is a specific version of Passivhaus for retrofit.
15. **Upgrading with residents in situ is complicated and causes significant disruption. Close contact and frequent and honest communication with residents are vital to it working.** The Edward Woods Estate shows it can be done, and while the process is difficult for residents, the outcome fosters high satisfaction and occupants revaluing their estate.

16. **Finance and investment funds are major barriers to faster progress.** Government intervention and support is needed, as in Germany and Holland, to help this approach take root. Given the infrastructure costs of expanding energy supply (e.g. Hinkley Point) and the risks attached, it can be argued that existing homes are part of our national infrastructure and therefore should attract favourable investment. At the moment, uncertainty over funding imposes a major brake on implementation.
17. The government could help promote investment in the existing stock by reducing VAT on all upgrading to 5%, instead of the current 20%. This would have major environmental impacts. Energy saving investment is already charged at 5% VAT. **Greater government investment in the financing of energy saving in buildings would make it possible to raise energy standards higher**, creating a target of all properties reaching a minimum energy rating of C by a set date such as 2025. This would provide the sector and industry with greater clarity and certainty allowing them to increase delivery to the scale required.
18. **There is significant potential for energy saving upgrading at relatively low cost if it is incorporated into essential repairs or voids work.** Measures such as raising the volume of roof insulation to 300 mm wherever possible, when a property is empty pays dividends. Similarly adding porches, floor insulation, even internal wall insulation, are cheaper and easier at this point.
19. When considering the option to demolish, key issues to consider include: estimated compensation to RTB leaseholders; time lag in moving tenants out; range of choices for rehousing; realistic options for moving back; rents and service charges in new property; the actual cost of demolition; and the loss of social housing. These are crucial to tenants' ability to decide on the real choices they face.
20. **Lack of funding coupled with weak regulation and enforcement mean that there is little incentive for social landlords to upgrade/retrofit their housing stock for energy efficiency.** There is a need for clear national policy, a workable cross-party framework and legislative backing for actions needed would create a climate favourable to investment in retrofitting social housing.