

Social Housing Sub Group – Output Report

Purpose

The working group was tasked with identifying opportunities and barriers for the delivery of the Green Deal and ECO within Social Housing by social landlords (Register Providers – RP's) or their partners. It also identified and explored the unique opportunities in social housing to drive green deal take up, establishing differences to other housing sectors and how these may be used to maximise benefits and take up.

Group Membership

The group benefited from a broad cross sector membership ensuring a balanced view of the opportunities and risks associated with green deal and ECO in social housing. This included representation of registered providers, contractors, retailers, energy suppliers and other professional bodies. DECC attended all meetings.

What is Social Housing?

Social housing is the provision of affordable (subsidised) housing for those that can not afford the current market housing costs. This is predominately rented accommodation but can also include shared ownership, homes for the elderly, care homes and supported housing for vulnerable residents.

There are:

- 4.2m social households in the England
- 2.5m are owned or managed by RSL's
- 1.7m are managed by Local Authorities or ALMO's
- The average SAP rating for social housing is 62.4 against an all housing average of 54.5
- There are 1,576 RSL's in England and they vary in size from under 100 homes to over 50,000
- The sector is regulated by the HCA which is answerable to the Department for Communities and Local Government (DCLG).
- The majority of RSL's are charitable/Non Profit organisation

What Makes Social Housing Different?

Uniquely, Social housing is organised, professional, community based and is regulated by government through the Homes and Communities Agency (HCA). Unlike private tenures the stock is owned by relative few providers, of which the vast majority are long term investors, charitable or not profit organisations driven by a social purpose.

RP's tend to hold their stock over long periods and in many cases from construction to demolition/regeneration. Additionally existing social tenants enjoy "tenancies for life" (shorter term tenancy are recently being adopted at 5-10 years) this means they have the right to live in their home for as long as they wish (subject to abiding by the tenancy terms). Therefore RP's turn over their tenancy less frequently and tenants on average will live in their homes longer than other rented sectors.

Social Housing Sub Group – Output Report

The tenancy is a legal relationship between landlords and the tenant that sets out responsibilities for maintenance and renewal of building components and services. This in effect offers a life time guarantee for the home and its components.

RP's house some of society's most vulnerable households and fuel poverty and financial and social exclusion are growing problems. Fuel poverty continues to rise despite the average SAP rating for social housing far exceeding that of other housing sectors

Unique Creates Opportunity

These differences provide some unique opportunities to delivery green deal and retrofit.

Aggregated stock – can deliver the essential volume and scale at speed for green deal and ECO, stimulating wider competitive market. Additionally significant efficiencies are possible through delivering as part of existing structures investment and asset management programmes can make maximum use of trigger points.

Organised – experienced at procuring and delivering large scale improvement programmes in occupied homes.

Professional client – experienced at contractor/partner selection and supply chain management can accredit its own supply chain and take risk on warranties and guarantees with supply chains.

Regulated Sector – existing regulation can be used to accredit RSL's as GD providers, reducing administrative cost and improving offers to residents.

Relationship with customer – RSL's are a trusted brand with tenants and the wider community which will drive take up i.e. Energy Bundle pilot by Gentoo

Tenancy Agreement – clearly sets out roles and responsibilities and could be used to provide consumer protection for installed measures removing the need for warranties and guarantees for customer and simplifying the offer.

Rent – potential opportunity for RSL's to recover charges through rent/service charges reducing cost and simplifying offers. This is an alternative PAYS scheme to green deal.

Stock Information- RSL's already hold robust energy data/EPC for their homes which can be used to develop an assessment of the green deal, targeting homes where the golden rule will work best, avoiding costs, and integrating with existing planned improvement and repair programmes of work

Challenges for Social housing

The social housing sector, like many, is facing significant change and RP's are being challenged to respond in ways it has not previously been able. Many of these changes have the potential for significant adverse impacts. It is therefore impossible for RP' to review the green deal and ECO in isolation of these. They include:

- Welfare Reform (rent direct, universal benefit paid monthly, bedroom tax) potential adverse impact on rent collection and financial stability of households. This will

Social Housing Sub Group – Output Report

almost certainly increase fuel poverty and make it more difficult for households to access the green deal without ECO support

- Reduced capital subsidies for new developments – significant additional borrowing required undermining balance sheets strength
- Long term finance – Banks have withdrawn from long term lending, requiring RP's to look to capital markets for funds
- Complexity of green deal – It is a complex and possibly confusing offer to residents and additional regulation and accreditation will make it unattractive for RP's to be providers
- GD does not drive value – There is no rent increase and therefore no impact on revenues or stock value
- Access to ECO – ECO will be an essential component for funding retrofit therefore, equal and fair access will be essential i.e. the opportunity to directly access ECO through brokerage

There are potentially issues for any RP if works are carried out by other within their homes, who is responsible for the installed measures, who holds and guarantees, who is responsible if there is condensation as a result of measures installed, how do we deal with asbestos and associated works? The RP will need to carefully consider these issues when making any decision about their role in Green Deal.

Value Chains

The group identified and evaluated four basic models for delivery within social housing.

- RSL becomes a Green Deal Provider, only for its own stock
- RSL works in partnership with a Green Deal provider
- An alternative approach recovering charge via rent/service charge
- A model which allows the market to take its course

It is acknowledged that there may be many variants on these but they provide a good indication of the opportunities and value that can be attained within social housing.

The purpose is to demonstrate a number of ways in which an RSL may choose to become involved in the green deal and ECO and additionally to demonstrate where the green deal may need to be adapted to realise its maximum potential in social housing.

It is clear that RSL's need to decide what position they will take to be able to respond to potential queries from residents who may wish to pursue the green deal.

Summary

Social Landlords are ideally placed to deliver retrofit and carbon reduction measures utilising the green deal and ECO. They offer scale through an aggregated and predominantly community based stock and efficiency through the effective use of existing investment programmes as trigger points. They are organised and professional clients with a track record of delivering large scale programmes of home improvement i.e. decent homes

But given the higher energy performance of the social housing stock and level of fuel poverty the green deal will have limited opportunity until energy inflation increases the number of

Social Housing Sub Group – Output Report

measures that will fall within the golden rule. ECO will be essential to successful take up in social housing as making the green deal easy for RSL to be involved.

Recommendations

The working group has concluded by making 5 recommendations

The existing regulatory framework for social housing should be utilised to enable RP's to become accredited Green Deal Providers for their own stock.

- Regulatory framework requires RSL to provide annual submissions based on 30 year financial plans
- Financial Viability (long term) and governance are key part of assessment
- Regulatory standards include value for money and customer care
- Regulated by HCA, part of DCLG

RP's should be able to accredit their own installers to carry out works on their own stock.

- Social housing is a well regulated sector
- RSL's provide consumer protection through tenancy agreements
- Professional and organised clients that are used to procuring and managing large scale home improvement programmes through diverse supply chains
- Enables work to be integrated into other programmes, delivering efficiencies and more cost effective, and least disruptive, offer to residents
- RSL may not need to re-procure existing contracts
- Develops competitive supply chains and can encourage and create the opportunity for SME's to get involved

Tenancy Agreements can be utilised by RP's to provide a higher level of consumer protection when carrying out green deal on their own homes.

- Warrantees and Guarantees are provided via the tenancy agreements
- Maintenance responsibilities already defined
- Tenants familiar with the process and would provide greater confidence
- RSL's manage guarantees and warrantees with their supply chains
- Reduced administration costs

To support alternative PAYS schemes (rental model) and the use of existing tenancy agreements for consumer a mechanism to change leases and tenancy agreements in bulk is required

- Supports an alternative PAYS model with charges recovered via rent or service charges
- Speeds up the process and significantly reduces cost
- Individual amending tenancy agreement will be a significant barrier to residents and landlords

Social Housing Sub Group – Output Report

Social housing tenants should have access to the Affordable Warmth element of the ECO

- 20% of social households are estimated to be fuel poor despite having a higher average SAP rating any other tenure
- There are more fuel poor households than in the owner occupier sector and this rapidly increasing
- Impact of welfare reforms and increasing energy bills will increase fuel poor social households
- No alternative funding will be available and so looking affected social households into fuel poverty,
- Residents will contribute to the ECO through the energy bills and thus potentially increasing fuel poverty further

Further Works

The group identified a number of areas that it felt would merit further work;

- Develop the business case and impact assessment to support the use of existing regulation to accredit social landlords as GDP's for their own stock
- Establish and monitor the cost and impacts of installer accreditation process
- Investigate potential opportunities and risk of using the landlord supply to carry out green deal in blocks of flats and recovering costs via service charges
- Establish a broad monitoring framework to establish barriers to green deal take up within social housing.