HOUSING MJ

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Retrofitting is a 'no-brainer'

Retrofitting jobs impact by region		
Region	New direct retrofitting jobs created	Share of current job market in region
North East	61,280	5.09%
East Midlands	116,806	4.93%
Yorkshire & the Humber	137,662	4.99%
West Midlands	149,224	4.96%
South West	134,151	4.32%
East of England	145,627	4.49%
North West	169,521	4.36%
South East	191,397	3.90%
London	138,950	2.27%

By Heather Jameson

Retrofitting homes is a 'no-brainer' for levelling up and boosting the economy while tackling climate change, a think-tank has claimed.

And extra funding should be handed to local authorities to introduce retrofitting schemes and identify skills gaps in their areas.

Under figures calculated by the IPPR think-tank, the deprived areas targeted by the Government's levelling up agenda would benefit twice as much from a retrofitting scheme as London would.

In its latest report, the think-tank suggests £7bn a year spent on retrofitting homes with insulation and heat pumps would support 2.7m direct and indirect jobs by 2050.

Associate director at the IPPR, Luke Murphy, said it was hard to think of another project that would tackle so many of the Government's objectives.

As well as delivering jobs and levelling up, he said: 'It would also lower energy bills, reduce energy demand and our dependence on Putin, and lessen carbon emissions.

'It's time the Government acted and invested to upgrade our nation's homes, making them warmer and more affordable. It's a no-brainer.'

Report author Joshua Emden said it was 'vital' that the Government does more to shield the public from future energy crises.

He added: 'Retrofitting will not just play a crucial part by cutting energy consumption, but also has the capacity to level-up the regions most in need.' The report calls for the Government to:

- Introduce stricter environmental standards and set a date to ban oil and gas boilers
- Expand training standards
- Introduce a 'one stop shop' for financial support, with grants for low income homes and zero interest loans for other groups
- Launch an information and advice service
- Increase local authority funding to deliver retrofitting schemes. ■

Whitehall must be more 'ambitious' when it comes to affordable homes

The Government's programme for delivering affordable housing could be more 'ambitious' when it comes to wider objectives such as net zero, auditors have said.

A new report from the National Audit Office (NAO) said that the Affordable Homes Programme focuses on the number of new homes built, but has few targets based on wider factors such as the quality or size of homes or environmental standards.

The Department of Levelling Up, Housing and Communities (DLUHC) has not fully defined the wider outcomes it wants from the programme, such as cuts in fuel poverty and the creation of mixed communities, according to the NAO's report.

The auditors also suggested the DLUHC is likely to miss the housing targets it set out in the 2016 and 2021 iterations of the programme.

Under the 2016 programme, the department forecasts it will achieve 96% of its target for housing starts, but some of these homes will not be built until 2032.

DLUHC expects 157,000 new homes will be completed under the 2021 programme by the time the programme has ended in 2028-29 compared with its target of 'up to 180,000 should economic conditions allow'.

Gareth Davies, the head of the NAO, said: 'Since 2015, DLUHC has made improvements to the running of the Affordable Homes Programme, but there are still areas it needs to address.

'It should reassess targets to ensure the programme is delivering affordable homes in areas that need them the most. It should also use the programme to bring about greater value to other parts of government, and advance wider efforts around net zero.' ■

Rent rise piles on pressure

Faced with a potential 11% rise in social housing rents amid soaring inflation, the Government has launched a consultation on a rent rise cap. **Heather Jameson** looks at the implications for local authority housing providers

In her first move as Prime Minister, Liz Truss started to tackle the biggest concern facing the UK public – the rapidly rising cost of energy prices. But while the impact of fuel bills on household budgets may have been dampened down for now, it is not the only rising cost. One increase that has received relatively little attention is social housing rents.

Under the current rules, local authority and housing association rents in England are tied to inflation, rising by the consumer price index (CPI) plus 1% each year. While inflation remained low, the formula worked, but as inflation hits double figures and households are squeezed by costs pressures on all sides, suddenly a massive hike in rent is entirely unmanageable.

The recent history of social housing rents

Looking back, Government attempts to align housing association and council rents started back in 2002, but it was the 2013 Spending Round when the coalition government announced: 'From 2015-16, social rents will rise by the Consumer Price Index plus 1% each year for 10 years'.

The 10-year deal was short-lived, however, with a change of plans announced in 2015 by the then chancellor, George Osborne. In an effort to cut the housing benefit bill, Mr Osborne announced a 1% cut in rents each year for four years.

It was a move expected to save £1.4bn by 2020-21 – but came as shock to the business model of social housing providers.

By October 2017, the Government had announced a return to CPI plus 1% for five years from 2020. In April 2022, this left housing tenants with a rent increase of 4.1%, but under the current Bank of England inflation forecasts, that figure would hit 11% for rent rises in April 2023 – on top of the soaring cost of living already faced by the country.

It is a conundrum recognised by the Government. At the end of last month, the interim levelling up secretary Greg Clark launched a consultation on the rent rise plans, proposing different options for a cap.

Launching the consultation, which puts forward options of a rate cap at 3%, 5% or 7%, Mr Clark made clear it would be a temporary move, initially for 2023-24, with an option to carry on for a further year.

It is pitched as a move to 'protect the most vulnerable households in these exceptional circumstances during the year ahead', Mr Clark said, but it is also cognisant of the problems it may pose for housing providers. He added: 'The Government understands this will impact social housing landlords and is engaging fully with the sector.'

Indeed, chair of the G15 group of housing associations, Geeta Nanda, says her members are 'deeply concerned' at the impact of the cost of living crisis on tenants, but a cap would impact on the ability to do housing improvement and repairs.

This comes at a time when housing departments are wrestling with upgrades due to the knock on effect of Grenfell, the seismic shift needed to retrofit housing stock as part of climate change mitigation efforts, and a lack of supply.

At its launch, the Government's consultation clearly favoured a 5% cap, but since then there has been a change of Prime Minister – and as *The MJ* went to press there was still no housing minister. According to sources, the post is proving hard to recruit to, with more than one candidate declining the job.

For the social housing providers, a 5% cap is still a significant loss in income. Figures compiled for London Councils, which have been seen by *The MJ*, show a number of scenarios and while the financial impact of a cap in the short-term is manageable, in the long-term it becomes problematic.

With rents in the capital capped at 5% – the Government's favoured option – councils would lose £400m over two years. But the cumulative effect over 40 years takes the losses to £16bn. With a 3% cap, the figures become even more stark, with a loss of resource of £560m over two years, rising to £23.4bn over 40 years.

Even the Government's own impact assessment recognised an eye-watering forecast of social housing providers across the board facing £7.4bn less in rental income for 2023-28 – £2.5bn of which would be local authority money.

While it is illegal to use Housing Revenue Account money for wider council spending, could this leave councils having to prop up their housing departments from general funds? While it is technically possible, Ealing LBC chief executive and housing expert Tony Clements thinks it would be an unlikely scenario.

'I don't think many people would be in that position,' he says. 'We'll manage within our resources, we always do, but I would be surprised if we saw financial sustainability undermined.

'It's going to hit longer-term things like the capacity to build new stock, capacity to retrofit and decarbonise and overall stock condition.'

It is those longer-term investments that are needed, to tackle climate change, to improve housing stock and increase supply. They are investments that are repeatedly put off while they slowly edge towards crisis point.

'It's [the cap] a dose of short-termism that is expedient at the time, but it will take a long time to recover from,' Mr Clements says.

According to the latest English Housing Survey for 2020-21, 13% of social housing properties failed to meet the Decent Homes Standard as is – far lower than the 21% of private rented accommodation – and a lack of investment cash will only make that worse.

Would it be worth the pain if it is protecting tenants from soaring rents at a time of extreme inflation? The impact on both people and council services of a household financial crisis – from mental and physical health problems to domestic violence and a range of other issues – have huge knock-on effects that are harder to quantify.

However, there could also be an element of politics at play. The English Housing Survey revealed just 25% of social housing tenants were in full time employment in

Rent cap in Scotland

As new Prime Minister Liz Truss announced her flagship energy cap proposals as one of her first moves in the new job, north of the border it was rent rises that were the focus of political efforts to ease inflationary pain.

Scotland's first minister, Nicola Sturgeon, announced a rent freeze for public and private rented properties on 6 September, claiming the cost of living crisis was a 'humanitarian emergency'. She also wrote to Ms Truss, calling for a four nations emergency summit to focus on helping households.

Outlining plans as part of her Programme for Government speech, Ms Sturgeon called for action on the scale of the Covid emergency response. The plans, which will run until at least the end of March next year, also include a ban on evictions over the winter.

However, Ms Sturgeon also warned of 'stark choices' ahead when it comes to public finances.

2020-21 – down from 31% the previous year. Those are the tenants most likely to be self-funding their rent while the remaining 75% are more likely to be on housing or other benefits.

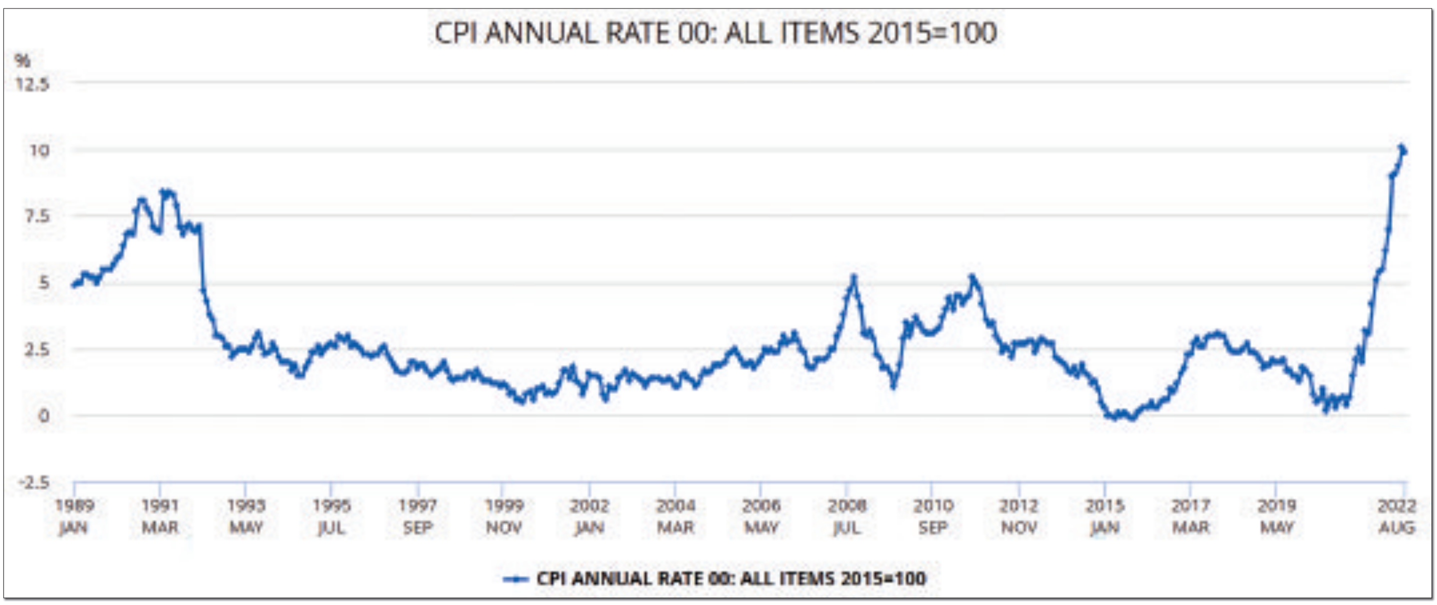
For a new Conservative Government, making sure the benefit bill is not soaring as you come into office could also be a major driver in the ambition to cap rents.

Mr Clements explains: 'For most London councils, the vast majority of social housing tenants get their rent covered by housing or other benefits.' The tenants who are of working age, in employment and paying rent from their wages are the ones that would bear the brunt of the rise.

'That is where you could get that real squeeze,' he says. 'For the sake of a relatively short amount of time, compared with the life of a housing tenancy, to start to evict people or take heavy handed measures would be a bit of a false economy.'

'I'm sure a big part of the Government's rationale behind this is to limit increases in their housing benefit,' Mr Clements says. 'If you were looking at it neutrally, and you wanted to support people with high rents badly hit by the cost of living crisis, you would focus it on the private rented sector.'

It remains to be see just how the Government will resolve the issue of rent rises, but it is clear the new housing minister will face a bulging in-tray on their arrival. ■



Fuel poverty must fuel decarbonisation efforts

Social housing landlords are currently facing some of the most challenging times to date. Skyrocketing energy prices and the wider cost of living crisis mean that tenant wellbeing is more important than ever, with this set against a backdrop of needing to tackle climate change and meet government and local decarbonisation targets.

As I write this, Ofgem has just announced the energy price cap rates that will come into effect in October. Unfortunately, when extrapolated out into real-world energy bill scenarios, they provide some alarmingly high price increases that will present real issues for millions of UK households, particularly those on lower incomes.

To give some context, a resident of a three-bed semi-detached home EQUANS is currently working on as part of a Social Housing Demonstrator Fund (SHDF) project was paying £1,552 per annum with March's price cap. Based on October's new rates, they are now facing a bill of £4,069 for the same energy usage – a rise of £2,517 in just six months (or £209 per month)!

Luckily for this resident, they're having extensive whole-house retrofit work carried out, so their post-project annual energy bills (based on October's new price cap) are expected to be £2,193 – a saving of £1,876, but still up £641 from what they were paying in March, despite having extensive retrofit work and reducing their energy consumption by half!

Decarbonisation doesn't always go hand-in-hand with tackling fuel poverty – just look at the difference in the gas and electricity prices – so it's important for social landlords to take a holistic view of retrofitting their housing stock, with the resident at the very centre of those plans, and look at a 'whole house approach'.

This doesn't necessarily mean doing everything in one go (albeit this would be preferable if financially viable) but more about having a plan and strategy for how you will go about decarbonising a property over a period of time, in a way that fits into wider asset management plans, while at the same time not increasing fuel bills.

One local authority doing just this is Rotherham MBC, which declared a climate emergency in 2019 and has since pledged to get carbon emissions in the borough to net zero by 2040.

We are working with the council to carry out critically important retrofit work to social housing stock in Maltby, a former mining town with some of the UK's highest levels of fuel poverty.

EQUANS assisted the council in securing £1.5m from the Government's Social Housing Decarbonisation Fund towards the project, which will serve as a pilot to retrofit other homes in the borough.

The 141 homes to benefit from the measures are traditional cavity brick-built, which is typical of Rotherham's housing stock and can therefore help to shape the future borough-wide net zero carbon specification. Maltby falls in the top 10% most fuel-poor areas in the UK, and current energy performance certificate ratings on the selected properties range from C to G.

As well as fabric improvements, including external wall insulation, loft insulation, triple glazed windows and energy efficient doors, the retrofit works have been coordinated with the council's planned re-roofing programme, in order to maximise delivery savings and minimise disruption for residents.

This vital project is expected to save more than 96,000kg of CO_2 per year, while also helping residents reduce their energy bills by an estimated £461 per annum, based on October's price cap rates.

With energy costs set to continue to rise, it's clear that the challenge for social landlords to get the balance right between decarbonisation, addressing fuel poverty, and working out how to pay for costly retrofit works is now more important than ever. ■

Stephen Batty is head of sustainability for EQUANS UK & Ireland

COMMENT

Paul Walsh – Interim assistant director for housing, Rotherham MBC

Initiatives like this are a crucial part of the council's housing strategy, and speak to the challenges that we recognise around the cost of living, but also the cost to the planet.

The efficiencies that will be saved through schemes like this one will make a huge difference to people's lives, while also encouraging sustainability long term. We are now looking at how we can extend this good practice in other parts of the borough.