

Energy Efficiency of Existing Homes Inquiry

NHF submission to the Environmental Audit Committee on behalf of housing associations

19 June 2020

Summary

- Our sector is fully committed to making sure that quality, sustainability and long-term value are at the heart of constructing new homes, and that existing homes are made cleaner and greener.
- Housing associations are ready to play a leadership role, but they cannot do this alone. The government, local partners, residents, lenders and investors all have a crucial role to play.
- Specifically, this submission highlights three key areas where government action is required:
 - Investment and action to improve energy efficiency and decarbonise existing homes **should form part of the government's economic recovery plan**, with the social housing sector leading the way.
 - **A clear roadmap for the sector on cutting emissions to net zero by 2050**, supported by ambitious and accurate targets and standards, is needed to provide certainty. The lack of this remains a major barrier to housing associations retrofitting at scale and pace.
 - **Delivering and building on the government's commitment to a ten-year social housing decarbonisation fund** to kick-start a retrofit revolution, and working with our sector on its design and implementation.

Introduction

The National Housing Federation (NHF) is the voice of housing associations in England. We represent almost 800 housing associations that own and manage more than two and a half million homes for around six million people. Our members also provide vital care, support and community services.

Housing associations represent an incredibly diverse sector of independent, not-for-profit organisations driven by their social purpose – to ensure everyone in the country has the opportunity to live in a good quality and safe home that they can afford.

Having spoken to our housing association members, we have written this submission, which covers:

1. The role of housing associations in improving energy efficiency and tackling climate change ([skip to](#))
2. Our plans to build back better ([skip to](#))
3. Challenges to overcome ([skip to](#))
4. Direct responses to question in the Committee's inquiry ([skip to](#)).

We welcome the opportunity to discuss our submission in more detail. Please contact Rob Wall, Head of Policy, for more information via Rob.Wall@housing.org.uk.

1. The role of housing associations in improving energy efficiency and tackling climate change

Residential housing is responsible for around a quarter of all UK carbon emissions (when emissions from consumed electricity are included), and social housing contributes around 10% of this. Decarbonising the social housing sector will be critical if the UK is to achieve its net zero ambition by 2050.

We support the government's ambition to ensure that the homes this country needs will be fit for the future, better for the environment and affordable for residents to heat. Our sector is fully committed to making sure that quality, sustainability and long-term value are at the heart of constructing new homes, and that existing homes are made cleaner and greener.

We are well placed to play a leadership role in driving progress across the housing sector. Our sector already has a good track record in cutting emissions – social housing accounts for 17% of homes but only 10% of emissions. Housing associations can deliver effective energy efficiency programmes at scale due to their

expert knowledge of stock, understanding of customer behaviour, track record on innovation and established partnerships with industry, government and service providers.

New models of delivery that drive innovation, efficiency and collaboration would enable housing associations to do more, creating a competitive and commercial supply chain that would benefit all sectors and support the delivery of net zero emissions by 2050. As the Sustainable Energy Association (SEA) has said “social housing can raise the bar and set the standards for all housing provision.”

Housing associations are ready to play this leadership role. But they cannot do this alone: government, local partners, residents, lenders and investors all have a crucial role to play.

2. Our plans to build back better

As highlighted above, retrofitting social homes will be key to cutting carbon emissions and responding to the climate emergency. This will also help tackle fuel poverty, cut fuel bills and improve the health and wellbeing of residents.

And, in the current climate, investment in retrofitting can provide a real economic stimulus. Recent research from Oxford University suggests that investment in green infrastructure and green projects can deliver a better return on investment than more traditional forms of economic stimulus.

That’s why a new drive to decarbonise social homes forms a core part of [our sector’s own recovery plan](#). This will support jobs and growth across the country, boost local economies, deliver benefits for residents and protect the environment.

We are calling on government to prioritise investment and action on retrofitting – alongside a number of other measures – to support economic and social recovery as we move through the coronavirus crisis.

We note that many other organisations and individuals from across business, academia and the third sector have also called on Ministers to include action to support and accelerate the retrofitting of social homes in the government’s coronavirus recovery plan. This includes some of the government’s own advisory bodies, such as the Committee on Climate Change and the UK National Infrastructure Commission.

3. Challenges to overcome

Housing associations support the net zero ambition, and want to play a leadership role. But there are significant challenges that we need to overcome before we are able to retrofit at scale and pace.

We are currently working with our housing association members to develop a plan for how we might kick-start a retrofit revolution, and we will be publishing our conclusions shortly. However, it is already clear that there are key barriers and obstacles to overcome: a lack of policy clarity, a lack of finance, a lack of capacity and capability in supply chains, and a lack of consumer demand. We expand on each of these in the sections below.

Policy clarity

Feedback from our members has highlighted the challenge posed by a lack of a clear roadmap to 2050, supported by clear standards or targets. The current EPC Band C ambitions may be milestones towards net zero, but the ultimate standards required of housing associations by 2050 have not been defined. Without this, there is a risk that housing associations will need to revisit the same home several times as the targets change, rather than retrofitting homes to the required standard all in one go. Repeated retrofitting would be inefficient, expensive and unnecessarily disruptive to residents.

The lack of a clear roadmap also makes it difficult for housing associations to plan effectively. For housing associations to improve the sustainability of their existing homes, they need to set long-term targets for their stock and develop effective asset management programmes.

Our members have also expressed concern about the appropriateness of using EPC Bands as measures of energy efficiency. These were designed for a different purpose and are not always reliable or accurate.

We have provided more detail below in response to some of the specific questions asked by the Committee on targets.

Financing

A detailed roadmap will enable housing associations to plan more efficiently and effectively, but the costs involved are still significant.

We're currently working with housing associations to explore possible new financing models, but government support for the sector will be critical if we are to achieve our long-term net zero ambitions. This is particularly important in light of competing

sector priorities such as building safety, coronavirus recovery and building new homes.

That's why we're calling on the government to reaffirm and build on its commitment to a long-term social housing decarbonisation fund, and to work with the sector to ensure that the design and implementation of the fund is transparent, accessible and effective.

Supply chains

Currently the supply chains in the UK do not have the capacity or capability to deliver the scale of retrofit required across all sectors to achieve the 2050 target. However, there is clearly potential to create jobs and growth if we are able to accelerate retrofitting and build capacity. This will require a range of actions, including large-scale retrofit programmes, support for innovation, training, greater cooperation and collaboration, as well as clarity around quality and technical standards. The sector can do a lot to build capacity, but coordination at both local and national level will be key.

Residents

A key barrier to large-scale retrofit is lack of consumer demand. In our sector, we know that residents are either not aware of the benefits or lack trust that retrofit work will deliver these benefits. Individuals play a significant role in reducing emissions through their actions and choices.

The role of residents – and the need to engage and inform residents – is central to any strategy and must form part of any wider plan to scale up retrofitting activity across the social housing sector.

4. Our response to the Committee's questions

Our response to some of the Committee's specific questions are below. We would welcome the opportunity to discuss these in more detail. Please contact Rob Wall, Head of Policy, for more information via Rob.Wall@housing.org.uk.

Are the Government's targets on residential energy efficiency still appropriate to achieve its ambition to reach net zero emissions by 2050?

Housing associations are concerned that the current targets are not ambitious enough to achieve the net zero emissions target by 2050. This position is supported by [our recent submission](#) in response to proposals for a Future Homes Standard and changes to Part L (Conservation of Fuel and Power) and Part F (Ventilation) of the building regulations.

As owners and managers of homes throughout their lifecycle, our members strongly support standards that future-proof the performance of new build and retrofitted homes. They favour prioritisation of a fabric first approach, as opposed to an approach that may help meet interim targets, but mean that in future further retrofitting is needed to meet net zero emissions.

If relatively new build homes require additional retrofit work or if existing homes require more than one programme of retrofit work prior to 2050, we believe it is unlikely that the government will meet the net zero target.

What are the potential risks and opportunities of bringing forward the Government's energy efficiency target?

Risks

Despite the work already being done by housing associations and their commitment to tackling the climate crisis, particular challenges exist for our sector to implement decarbonisation standards at speed. We set out some of the key challenges above. The scale of these challenges would be heightened if targets were brought forward quickly and without consultation.

Opportunities

Bringing targets forward would focus attention, and might result in the production of much needed advice and guidance on retrofit viability and deliverability. Swift completion of guidance would provide support for those who need to plan, coordinate and deliver the necessary work.

Guidance could also provide clarity on which homes are exempt from new standards and set out how any shortfall in emission reductions can be managed. Guidance is needed in particular on hard to treat properties, those which have heritage considerations, and on the cost and potential support for more expensive measures, such as solid wall insulation.

A review of targets could provide certainty and a strong foundation for housing providers and owners to take action. This could facilitate coordination of work across private and public sector homes, improving efficiency and allowing building owners to strategically plan work to existing homes, minimising resident disruption and maximising longer-term value. For example, coordinating building safety remediation work with retrofitting of existing homes.

This coordination is important when considering the interrelationship between private and publicly owned homes due to mixed-tenure developments and the transfer of homes to housing associations from private developers. Lower private sector retrofit standards can present challenges to achieving efficient retrofit strategies currently

due to lack of incentives and enforcement action. And for new build private sector homes, lower standards can lead to homes which need retrofit work despite their age. Greater interest in the performance of homes over their lifecycle will drive support for performance guarantees and alternative cost and supply models.

Should government targets for energy efficiency be legislated for, and if so, what difference would this make?

Our members show support for future focused, strategic, timed, legislated higher standards to encourage developers and building owners to build and retrofit beyond basic minimum levels. This will help ensure targets are prioritised and will create market certainty, support the reflection of improved home energy efficiency in market values and, with care, make sure that resident bills remain affordable.

Clear targets would ensure that developers and contractors have to take account of higher standards in tender responses and residual land value calculations, providing a level playing field across the public and private sectors and in theory reducing prices of land in the longer term. Additional certainty will drive supply chain cost reductions as professionals and contractors gain experience of building to higher energy efficiency standards and supply chains mature.

Success will depend on clear, deliverable and coordinated regulation and standards, alongside collaboration and cultural change. Our members particularly highlight the need for sensible decision making, and enabling work to support the required change and to mitigate any unintended consequences.

Although focused on new build homes standards [our submission to the Future Homes Standard consultation](#) (Annex A) sets out in detail a number of points raised above including our sector diversity, challenges and balancing requirements, capacity and skills, resident impacts and how the government can provide support.

How effective is the EPC rating at measuring energy efficiency? Are there any alternative methodologies that could be used? What are the challenges for rural areas?

Our members report that EPC ratings lack accuracy and that data is not always reliable, and that other measures such as EI or KWh/m² should be considered.

There is a need to ensure that any changes to metrics and assessment procedures support the development and application of innovative solutions, and do not enable poor performance or unintentionally restrict wider approaches or solutions to decarbonisation that are not fit for purpose. With any focus being the performance of homes in operation, sensible decisions should be allowed regarding approaches to

achieving net zero targets, being mindful of what proposed changes in technology might mean for both housing associations and their residents.

What additional policy interventions are needed for social housing, leaseholders, landlords and tenants?

There is potential for building owners to be able to demonstrate that retrofit measures have initially followed fabric first interventions, such as raising insulation levels as a minimum where viable. By supporting a whole house approach, steps can be taken to ensure ventilation levels are adequate, mitigating an increase of damp and mould.

Are there examples of where energy efficiency policy has fallen between Government Departments? How could cross-departmental coordination be improved

The NHF and our members have a strong and positive relationship with the Ministry of Housing, Communities and Local Government (MHCLG) due to their oversight of housing and communities. This diverse engagement covers topics from building safety to affordable housing funding, planning, building regulations and housing standards for social housing providers such as decent homes.

We also work closely with the Department for Work and Pensions (DWP), particularly in relation to welfare and support, and with the Department for Business Energy and Industrial Strategy (BEIS) covering decarbonisation and industrial strategy. We believe that greater coordination could exist between the wider work of BEIS and MHCLG, particularly where housing standards overlap with industrial strategy and strategic decarbonisation, such as energy supply community funding.

More could be done to coordinate and join up policy initiatives within and across government departments to achieve efficient use of public funds. For example, there is potential tension between the energy efficiency performance of building products and building safety, and it would be productive to develop a shared understanding of the interrelationship of energy efficiency standards and targets, fuel poverty and welfare.