



Sustainability Review

Resident Scrutiny Group

RSG PROJECT LEAD: LEE SCOTT

SEPTEMBER 2021

TOPIC: FUEL POVERTY AND RETROFIT PROGRAMME

Resident Scrutiny Group Review: Sustainability 2021 - Fuel Poverty and Retrofit Programme

Scope

Sustainability is a key issue for organisations and individuals around the world: climate change is an ever-increasing risk which will affect the way we all live our lives and do business forever. There is an expectation that all organisations, including Abri, will play their part and take appropriate action to address climate change, both by reducing their carbon footprint and by becoming more sustainable.

When the Resident Scrutiny Group (RSG) consulted residents on its workplan for 2021-22, they indicated sustainability was a top priority. So, it was agreed this should be one of their first reviews. The topic of sustainability was broken down into the following parts for the purposes of this review:

- Fuel poverty (how will retrofitting affect our customers?)
- NHF publications (understanding the guidance for housing providers)
- Short term fixes (what can Abri do in the short term to help with sustainability?)
- Financial impact (what financial impact will retrofitting have? Will this be at a cost to the customer or to Abri?)
- Greener Futures Partnership (understanding the benefits of collaborating with other housing providers)
- Other housing providers (researching what other housing providers are doing regarding decarbonisation and sustainability)

Approach

A focus group was created from the wider RSG to carry out the sustainability review, known as the Sustainability Focus Group (SFG). Members of the SFG met to agree the approach for the review. It was agreed that the following methods would be used to gather information:

- Review Abri's documented approach to sustainability,
- Review information from other Housing Associations about sustainability and compare this to Abri's approach and
- Meet with colleagues to discuss each element of the scope.

It was agreed that individual members of the SFG would be responsible for each of the above tasks, and that the whole focus group would meet fortnightly to allow members to discuss their findings with one another and agree any recommendations or next steps. Significant research was undertaken into how other housing providers currently approach fuel poverty and decarbonisation. These findings provided the group with a sound understanding of the current operating environment and future challenges faced by the sector.

All the recommendations made in this report will be assigned to the Interim Executive Director of Assets and Sustainability with the intention that they will reassign them to the appropriate role within the Sustainability Team.

Findings and Recommendations

Fuel Poverty

1. Fuel poverty is defined as an inability to afford to keep one's home adequately heated. It is affected by three factors: household income, fuel costs, and the energy efficiency of the property. All three factors are closely interlinked, and this should be recognised in any effective strategy to reduce or eliminate fuel poverty. In the Government's most recent report into fuel poverty (March 2021) 13.4% of households in England were classed as "fuel poor", with an average fuel poverty gap (the reduction in fuel costs needed to remove a household from fuel poverty) of £216. The Government has committed to reducing and where possible eliminating fuel poverty through their fuel poverty strategy. This includes a key target which all housing providers are expected to meet: "to ensure that as many fuel poor households as reasonably practicable achieve a minimum energy efficiency rating of band C by 2030".
2. For Abri to address fuel poverty and meet the Government's target, actions will need to be taken to address the three contributing factors to fuel poverty (household income, fuel costs, and energy efficiency of the property). However, Abri do not currently have a fuel poverty plan in place, albeit work is underway to develop a holistic approach to tackling fuel poverty. The Energy Savings Trust (EST) have been commissioned to undertake a full assessment of full poverty risks across Abri's geography which will form the basis of the development of Abri's fuel poverty plan, in addition the Greener Futures Partnership is actively working to establish fuel poverty impacts across each organisations respective geographies, to form a consistent approach to addressing fuel poverty within the sector. Developing a plan is the first step to acting against fuel poverty, and one which the RSG would strongly support.
3. Research by the Government into fuel poverty has highlighted that those in fuel poverty often share common characteristics. These include the age of the property (e.g., those in older properties are more likely to suffer from fuel poverty than newer properties), household composition (e.g., households where the oldest member is between 16-24 years of age have the highest likelihood of being in fuel poverty), and household income (e.g., households where the main occupants are unemployed are more likely to experience fuel poverty). Targeted action towards these specific groups would be an effective way of addressing fuel poverty and should be included in Abri's fuel poverty plan. However, the review highlighted that historically Abri has not necessarily held enough information about customers to allow them to do this effectively, a common challenge within the sector, the EST commission will provide greater oversight of potentially fuel poor households, providing an initial assessment of fuel poverty risks whilst allowing Abri to build on this data in the longer term by strengthening customer data.

4. The impact of the pandemic will have been detrimental to fuel poverty levels in the UK, in addition, the approach within society to move away from gas and other traditional forms of heating to newer technologies (e.g., heat pumps, renewable energy) is likely to increase cost pressures on customers, as currently electricity costs are higher than gas, the drive over the next decade will predominately be to electrify heat sources in the home whilst other technologies are developed. The Government has announced plans to shift green surcharges from household electricity bills onto gas bills to drive greater take up of low carbon alternatives, however the announcement coincides with the expected surge on gas bills in October. It is essential that Abri's fuel poverty plan addresses all three factors and considers wider societal factors in its approach.
5. The Government has made funding available to help tackle fuel poverty. This funding is to be split across the social housing, private rented, and homeownership sectors based on levels of need. Recent research indicates that the social housing sector performs better than the private rented sector in terms of the energy efficiency of its stock. This means the Government is likely to allocate more funding to the private rented sector. A consultation is now underway for the next Energy Company Obligation scheme (ECO4), which sets out the Government's plans for a four-year scheme worth £1 billion a year from April 2022 to March 2026. ECO is designed to help reduce carbon emissions and tackle fuel poverty, however in line with the latest consultation it is proposed that social housing properties at EPC Band D will be excluded, providing only E, F, or G rated properties in the social housing sector can qualify. The perceived improvements within social housing may result in the continued exclusion of certain social housing properties from available funding. It is important that this is considered, not only when developing the fuel poverty plan, but also as part of all other activities (e.g., developing planned maintenance programmes and acquiring new stock).

Action Ref	Recommended Action	Officer Responsible	Deadline
S0921.01	To create a fuel poverty plan for Abri, building on the EST assessment of respective fuel poverty levels across Abri's geography.	Interim Executive Director of Assets and Sustainability	31 st March 2022
S0921.02	To ensure that the fuel poverty plan will include clear targets and that performance against these are reported to Exec Board, DAC and RSG accordingly.	Interim Executive Director of Assets and Sustainability	31 st March 2022
S0921.03	To establish customer data requirements to build on the EST data and improve customer information relative to fuel poverty.	Interim Executive Director of Assets and Sustainability	31 st March 2022
S0921.04	To ensure that actions to tackle fuel poverty have properly considered the common characteristics of households affected for effective targeting	Interim Executive Director of Assets and Sustainability	31 st March 2022
S0921.05	To ensure that Abri adopt a more holistic view of fuel poverty than the Government in their fuel poverty plan and that all actions to tackle fuel poverty reflect this holistic approach (e.g., continuing to provide support programmes around budgeting, benefit awareness, and energy efficiency etc.).	Interim Executive Director of Assets and Sustainability	31 st March 2022

Action Ref	Recommended Action	Officer Responsible	Deadline
S0921.06	To ensure that Abri tackle fuel poverty holistically across all operations: both in terms of planned maintenance programmes and in line with retrofit programmes and the adoption of low carbon technologies.	Interim Executive Director of Assets and Sustainability	31 st March 2022

Short Term Fixes

- Many of the actions Abri needs to take to address sustainability are medium and long-term actions and it may take some time to see the results. However, there are some short-term fixes that can be implemented relatively quickly. The RSG discussed these with the Sustainability team during the review to understand what Abri is considering implementing. Some changes have already been made, including improvements to the energy efficiency of Abri's office spaces and lighting and the migration of all Abri's IT systems to "the cloud" which has a better environmental impact than traditional IT storage methods. Other changes have been identified for the future, such as providing water butts and installing LED lighting and energy saving sensors where appropriate in communal areas. This is currently being reviewed as part of the wider communal energy project. The RSG welcome the implementation of quick wins such as these.
- When a tenancy ends and the keys are returned to Abri, there are various works carried out to ensure the property is ready to let to the next customer. These actions vary across properties depending on the condition and type of property, however one action which is always taken is to change the energy supplier to SSE. Having all empty properties on the same energy supplier makes it easier for Abri to cover the energy costs while the property is empty. However, SSE are not a supplier of green energy. Using a supplier that only provides green energy (or using a green tariff from any energy supplier) would help Abri to reduce its negative impact on the environment, as well as sending a positive message to customers about their commitments to sustainability.
- Abri is making significant strides in terms of engaging colleagues on behaviour changes which have a positive impact on the environment, having rolled out an app which supports colleagues to calculate their carbon footprint and identify ways to reduce their impact. In addition, the carbon academy has been implemented, ensuring that all colleagues receive carbon literacy training within a two-year period. The intention is to roll both the app out to customers encouraging lower carbon choices within our communities and explore how carbon literacy can be used to engage customers on retrofit programmes, this is a welcomed approach and something which should be trialled within the current programme of retrofits.

Action Ref	Recommended Action	Officer Responsible	Deadline
S0921.07	To investigate whether Abri can change the energy supply to a green tariff for all empty properties.	Interim Executive Director of Assets and Sustainability	31 st December 2021

Potential Financial Impacts

9. Abri was formed from the merger of Radian and Yarlinton Housing Group to become one of the country's largest Housing Associations with around 35,000¹ properties and plans to add around 1,000² new properties each year, mostly covering southern and southwest England. The Government in 2019 brought in legislation which requires the UK to bring all greenhouse gases to net zero by 2050, including housing stock.
10. Abri's stock portfolio is varied, ranging from 1-bedroom flats to detached houses and this is summarised below:

Stock Type	Count of Property Type
Allotment	17
Bedsit	325
Block	1
Bungalow	2987
Coach House	1
Commercial Unit	30
Flat	13302
Garage	4581
House	18572
Maisonette	219
Mobile Home Plot	32
Office	80
Other	81
Parking Space/ Hardstanding	33
Plot on Garage Site	125
Room	65
Shop	17
Sleeping Accommodation Only	178
Storage unit (inc. undersized garage)	1
Support only Property	195
Support Only	195
Grand Total	40842

The requirements to retrofit these properties will vary due to several factors including age, type, location, structure, and ownership type. Retrofit requirements could include:

- Insulation of walls (either cavity or solid wall),
- Loft Insulation to recommended level,
- Double/triple glazing,

¹ <https://www.abri.co.uk/about/who-are-we>

² Abri Financial Statement 2020-21 https://abri-staging.s3.amazonaws.com/media/documents/FY21_-_Final_-_Abri_Group_Limited_2.pdf

- Replacement heating systems (currently Air or ground Heat Source Pumps) and
- Solar PV panels.

11. The retrofit strategy can be implemented in various targeted stages allowing for a phased investment³. Given the diverse range of stock and the varied retrofitting requirements, retrofit costs could range from between £10,000 (exc. VAT) per property, to £46,000 (exc. VAT) per property for some of the more difficult to treat stock. Abri already has a planned maintenance and associated capital expenditure program in place to replace key components within properties over the next 30-year period. This programme totals £269m and includes:

- Heating systems,
- Windows and doors and
- Walls and roofs

12. Achieving Net Zero: The estimated costs in line with the retrofit strategy, to achieve the required reductions in line with the 2050 net zero target, are detailed below:

Total Near Zero Carbon	£926.2m (excl vat)
30 Year Capital Programme Deduction	£269m
Net Zero Carbon Ready Costs	£676.2m
Average Net Cost per dwelling	£23,591

In respect of the newer build stock (post 1996), further assessment will need to be undertaken to establish whether the current levels of insulation within these properties mean that a proportion of the overall portfolio can switch from gas heating systems to heat pumps without any further insulation works. In that instance the typical costs to those properties would reduce by 60%. The effect of this would be to reduce overall costs from approx. £676.2m to approx. £533m net, which equates to £18,482 per dwelling on average as opposed to £23,591, as detailed below:

Total Near Zero Carbon	£802.2m (excl. vat)
30 Year Capital Programme Deduction	£269m
Net Zero Carbon Ready Costs	£533.2m
Average Net Cost per dwelling	£18,482

For the purposes of stress testing, Abri has modelled an average cost per property of £21,000 (£20,000 per unit assumed cost plus vat at 5%) impacting on approximately 28,000 properties with a value £590m incl. vat (uninflated).

In line with the release of the Government's Heat and Buildings Strategy, Abri is currently reviewing the impact, both in terms of the standards that need to be applied and investment. The Government has set out targets to reduce the cost of heating

³ In line with the Governments Net Zero Strategy released at the end of October, the Government has set out that by 2035 the UK will be powered entirely by clean electricity. Abri is currently reviewing how this may impact assumptions regarding the phasing of works.

technologies by between 25% to 50% by 2025, which may also reduce Abri's investment requirements.

In addition to the actual cost of the materials and fitting, there will be operational costs to Abri for the management and organisation of such a large project over a significant length of time. These costs will include:

- Internal or appointed specialists including architects, surveyors, structural engineers, supply chain specialists, contractors and
- Administration and managerial staff to support the programme.

The calculation of these additional costs is difficult to predict at this stage given the size and timeframe of the programme.

13. The RSG acknowledge the uncertainties at this stage around financing a programme of this nature and look forward to receiving updates as the plans are progressed.

Conclusion

14. The SFG has enjoyed reviewing Abri's approach to sustainability and paying particular attention to fuel poverty and the essential retrofit strategy that is currently being developed. The SFG noted that Abri does not have a current fuel poverty plan but that this is being addressed via commissioned research by the Energy Savings Trust and wider partnership work through the Greener Futures Partnership. The formation of a fuel poverty plan is an essential next step for Abri and the SFG makes six recommendations within their review to coincide with this work.
15. The associated costs with delivering the vast objectives laid out by the government in relation to retrofit was eye-opening and the SFG was pleased with Abri's approach to ensure the financial impact to customers is as minimal as possible. The SFG also acknowledged the inevitable upheaval some customers may face in terms of the delivery of works required and recommend Abri creates an effective and considerate approach to support customers through these changes.
16. Overall, the RSG consider Abri's current position relating to retrofit requirements and the wider sustainability project, to be on course and with the appropriate plans in place to deliver the work required to meet government objectives. There are several questions that the RSG ask Abri to keep under consideration as plans progress and these are presented in **Appendix A**. In addition to the recommendations made within this report the RSG asks that Abri continues to duly considers the impact on all its customers when developing the Retrofit and Sustainability strategies and engage with customers proactively throughout this process.

Appendix A: Questions for consideration

There are several questions that have been asked during the regular RSG meetings which should be an important consideration for Abri as they progress their retrofit strategy.

These include:

1. Which customers should be offered the works within the retrofit strategy first?
2. Should the retrofit programme be delivered in stages based on social need, location, age of property and age of customers?
3. Should the retrofit programme be completed for each property in its entirety, or should the different components be completed first (i.e., all the insulation be installed then heating systems, then windows etc)?
4. Should the rental customers of retrofitted properties pay increased rent based on the fact they should, in theory, have lower energy costs?
5. Is there a level at which retrofitting is financially unjustifiable?
6. Is the retrofit programme just for fully owned Abri properties or will Shared ownership properties be included, and if so, how would this be funded?