

# Retrofit funding proposal

- ▶ Brian Ham
- ▶ Swallowfield Homes

# Your 4 big financial challenges

- ▶ Building safety
  - ▶ Better repairs, happier customers
  - ▶ Developing affordable homes
  - ▶ Decarbonisation
- ▶ *You probably can't do all four at the scale that you want to.....*

# Your decarbonisation challenge

- 1.5m affordable homes in UK need to get to EPC 'C' by 2028 - 39% of all social housing stock currently falls short.....and the EPC standards are about to get tougher.....
- 5 million affordable homes will need to achieve NZC by 2050.....but probably a lot sooner.....
- *We aim get you to an NZC standard quickly, at zero capital cost to you, and manage the risk*

# Cost of living crisis & increased customer expectations

- The UK is in the grip of a cost of living crisis which is set to impact affordable housing customers more than most
- Customer satisfaction is falling for many RPs - reducing the need for repairs and improving the quality of repairs you do undertake is a big part of the solution
- Retrofit offers a practical route to reducing costs for customers, without creating dependency or diverting resources away from core services
- Customers also rightly expect action on disrepair and long-term maintenance - tackling these issues together is strategically sensible and politically prudent

# The 'Business As Usual' model

- ▶ 'Worst first' principle is driving government to get worst performing properties up to EPC 'C'
  - External wall and loft insulation
  - Double glazing
  - Air Source Heat Pumps as an alternative to gas boilers
  - Typical target space heating energy load of 90 kwh/sqm/pa
  - Investment costs for poor quality stock can £20,000 per property
- ▶ However, this leaves major **additional** investment needed post-2028
- ▶ And it **won't** deliver significant management cost savings
- ▶ And it could lead to **higher** fuel bills for your tenants

# EPC 'C' just isn't good enough

UK homes need 'deep efficiency retrofit' to meet climate goals

October 16, 2018 by [Jocelyn Timperley](#)



Retrofitting homes for energy efficiency. Photo: [Energiesprong](#)

*The British government's policy of incrementally upgrading energy efficiency in UK homes is not enough to meet the country's 2050 climate targets. Instead, virtually every UK house needs a one-off retrofit, says a new report. It calls for government and cities to commit to pilot schemes for retrofitting whole houses using models such as the Dutch "[Energiesprong](#)", which achieves a near net-zero energy home, typically by adding external insulation and solar.*

# *Energiesprong/EnerPHit*

- A 'whole-house' approach to leap straight forward to NZC
- External wall, loft, and floor insulation
- Triple glazed windows, improved air tightness and MHRV
- Green energy generation
- Target space heating load of 25kwh/sqm/pa
- Typical 'all-in' costs are estimated to be £41,500 per property when done at scale

# How?

- ▶ Capital investment to NZC in property leads to savings;
  - ▶ Reduced cost of repairs and maintenance
  - ▶ Reduced management costs
  - ▶ Reduced voids and churn
  - ▶ Reduced rent arrears
  - ▶ Reduced energy consumption
- ▶ Some of these savings flow to the investor as the return on investment
- ▶ You keep sufficient rent to pay for ongoing management and maintenance of stock



# Grants

- ▶ Grants are available to subsidise investment
  - Social Housing Decarbonisation Fund
  - ECO4
  - We've assumed a grant of £16,000 per property in our financial illustration  
.....which is very conservative

# Investment Case Study - based on a typical Northern HA

- **Number of Units:** 301 homes located on one estate, range of 1-4 beds.
- **Pre-retrofit value:** £7,577,976 (£25,176 per home) \*
- **Retrofit Timeline:** Four phases, each phase refurbished over 3 months. Total of 1 year to complete all 4 phases.
- **Pre-Retrofit Rent:** £90.98 per week / £4,730.96 per annum. Pre retrofit management cost of £3,511 per unit.
- **Retrofit Cost:** £25,500 per unit net of grant funding.
- **Post Retrofit Rent:** Remains at £90.98 per week. Post retrofit management cost of £2,011 per unit.
- **Fund payback:** Management savings (£1,500 pa) and renewable energy service charge (£500 pa) gives payback to Fund.

*\*Most HAs/LAs will carry stock at Historic Cost.*

# Legal options

- ▶ Sale with long leaseback to HA/LA (30-40 years): ownership passes back to HA/LA at end of lease
- ▶ Sale with 10 year management agreement: can be renewed on 10 year cycle
- ▶ Joint Venture with lease or management agreement: HA/LA has 50% stake in the JV

# Factsheet

- ▶ Accommodation schedule (Excel preferred) for an estate of 200-300 homes showing;
  - ▶ House sizes (no. of bedrooms)
  - ▶ Tenure
  - ▶ Rent
  - ▶ EPC data
  - ▶ Book value
- ▶ And for the estate as a whole, average costs of;
  - ▶ Repairs
  - ▶ Cyclical maintenance, current and planned
  - ▶ Churn rates with average renovation cost to relet
  - ▶ Loss of income from voids and bad debt

# Summary

- ▶ Financially neutral for local authority or housing association
- ▶ Residents save £30-£50 per week in energy costs
- ▶ Create desirable stock which supports regeneration
- ▶ Better health
- ▶ Better education
- ▶ Local employment

# Overview

- ▶ Opportunity to put your organisation at the forefront of NZC and the cost of living challenge
- ▶ Model is illustrative, figures in this presentation are indicative, but at it's heart is a creative solution to this existential challenge
- ▶ We are flexible - we want to work with you to scope out something bespoke that works for your organisation and communities
- ▶ We're looking for engagement with local authorities and housing associations to work through business cases
- ▶ Contact
  - ▶ [brianham@swallowfieldhomes.co.uk](mailto:brianham@swallowfieldhomes.co.uk)
  - ▶ 07713317888