# **Hexagon Housing Association Ltd**

# **Board of Management**

**24th November 2015**

###### Agenda Item 5

**Strategic matters arising from the Stock Improvement Annual Report**

**Report by the Property Services Director**

**Lead Board Member Ian Watts**

1. **Summary**

1.1 On 28th October 2015, the Directors’ Group received an annual review report from the Stock Improvement Manager. This report reviewed performance over the last year and identified some key priorities for the coming year.

1.2 Arising from the Stock Improvement Team annual report, the Directors have identified two strategic issues facing Stock Improvement over the coming twelve months:

* **Greening the stock next phase**
* **Driving product related efficiencies**

1.3 Outlined below in Section 3 are the plans for the coming year. Section 5, identifies progress on the strategic items identified last year.

# **2.0 Recommendation:**

2.1 That the Board confirm the two strategic areas of focus for the next 12 months and their agreement with the two recommendations as outlined in para 3.7 and 4.10

**That we change our target of 2017 to achieve a minimum SAP 65 to April 2020.**

And

**The board is asked to agree the direction of travel and the strategic importance of further enhancing this activity within the department.**

###### 3.0 Strategic issues identified for the next 12 months from 24th November 2015

# **3.1 Greening the Stock next phase:**

3.2 Having undertaken a review of our stock 2 years ago via our Lifespan database and its new reporting tool Carbon in Homes we embarked upon preparing the way for a series of targeted investments towards achieving a minimum RdSAP level of 65.

3.3 Since that time we have further enhanced our Stock Condition Data that warranted a further review, however in discussing this next step with colleagues at Re:New, Parity Projects / Chrom and M3H they asked if we would be prepared to let them undertake the review as an action research project and explore if it could be linked into responsive repair activities as well as planned.

3.4 The results made available to us in the last couple of months have produced a series of interesting results which will act as the baseline for the next phase of our GTS activity.

3.5 The findings of the CROHM report is positive for HHA and provides reassurance, for the 3659 domestic dwellings, made up of 67% of flats and around 33% houses, that:

* HHA stock is relatively **efficient with below national average CO2 emissions** per unit which is estimated at 2.80 tonnes.
* The average **SAP score** is reported as 69.8 (RdSAP 12) and 70.20 (RdSAP 9.91) and **is above national social housing rates**.
* **Hexagon’s average SAP rating is 69.8, compared to an average of 62.9 for social housing on average nationally.**
* The report confirms that as a result of sustained investment **few major conventional upgrades remain**. Cost effective measures are to be applied in the next year; with the more intrusive works to be programmed in for future years.

3.6 Whilst the comments above are very pleasing, the climate in relation to available funding, and now our own reducing income levels, we have to consider this latest report and make a decision as to whether the 2017 target set is still achievable given the investment level required.

3.7 Here we have to note that much of the improvements required are expensive investments such as boilers\*, roofs\*, windows\* and solid wall insulation. The items marked \* are components within our existing business plan but in some cases would require replacement far sooner than expected. The final element of External Wall Insulation (EWI) is by far the most expensive and problematic to achieve and should be omitted for now.

3.8 A breakdown of Hexagon’s stock by EPC rating can be found below (an EPC rating of C or above is often used as a proxy for determining whether a dwelling is less likely to have fuel poor occupants).

3.9

|  |  |
| --- | --- |
| EPC rating | Number of properties |
| A (SAP 92+) | 12 |
| B (SAP 81-91) | 104 |
| C (SAP 69-80) | 1992 |
| D (SAP 55-68) | 1396 |
| E (SAP 39-54) | 126 |
| F (SAP 21-38) | 2 |
| G (SAP 0-20) | 0 |

**3.10 HHA Current position:**

3.11 There are 969 units with energy rating of less than Sap 65

3.12 Data collected from our CHROM review identified the cost to bring those 969 dwellings up to min Sap 65 is **£2,604,380** this includes 120 under 54 Sap dwellings to Sap 65 which require a total cost of £825,149

3.13 172 of the 969 dwellings are on the current planned programme and have an activity value of circa £264k

3.14 Therefore there are 797 additional properties that require works of which 338 would reach SAP 65 with low cost measures at circa £1500 each totalling £245,000.

3.15 However 8 properties are in a position where significant investment is not recommended therefore should be disposed of.

3.16 The more intrusive works mainly internal wall insulation will be delivered, where possible with the planned replacement works, and via targeted energy programme over a longer 4 year programme to spread the spend of the remaining £2.1m works.

3.17 The revised costs of improving the energy rating in terms of our stock over the next few years is such that I am **recommending that we change our target of 2017 to achieve a minimum SAP 65 to April 2020.**

3.18 This is being recommended in light of the better than expected results from the re survey, alongside the abolition of dedicated funding to support such activities and the recently announced reduction in our income over the next 4 years.

**4.0 Driving product related efficiencies:**

4.1 Part of the day to day activities sought in this section of our service delivery is to ensure Value for Money (vfm) across all of our component replacements and schemes of work.

4.2 In the last 3 years we have been able to influence the costs of our cyclical decoration activities by looking at different ways of providing access to undertake the works required. This is not always paying for fixed pole scaffolding as the norm, but using access platforms, scissor lifts even abseiling and now with the cost of scaffolding having risen 350% in the last 12 months we are thankfully ahead of the game.

4.3 However the downward pressure is even more poignant with our reduction in income over the next four years to factor into the balance. One element still within the decorative activity is the length of the cycle currently undertaken; in our case every six years where as technology within paint supplies is claiming they have ten year cycles that can be guaranteed.

4.4 For HHA we will move towards a seven year cycle initially, as I believe in four years’ time we will have a further round of cuts by which time we will have something to add to the mitigation pot halfway through that cycle as well.

4.5 But in our window and door programmes we are replacing softwood components for UPVC, which not only cuts down on our decorative and repair activity, but allows us to undertake wash downs which could be part of a wider activity which could include gutter flushing as well helping to prevent further repair issues, damp and blockages.

4.6 UPVC components also have the ability to have extensions to their life cycle by one off “asset stretch” activities which see elements being replaced and overhauled, seals, hinges and even now the ability to de mist failed sealed glazing units without having to replace them.

4.7 If we turn our attention to elements such as the internal package where we replace kitchens and bathrooms, use of elements such as flexi connectors cuts down on hot work activities, cost of copper and time spent on the job and provides localised isolation points that will negate installation of additional ball or gate valves.

4.8 Kitchens will be subjected to a modelling exercise where we look at getting a kitchen unit carcass that will last 30 years and cost our options for a programme of replacing door and drawer fronts and work tops if necessary every 15 years.

4.9 The above gives a taste of the direction of travel to be embarked upon in the next twelve months where other elements such as the recycling of aids and adaptations, looking at better and more durable fencing products, roofing systems and floor coverings are ripe for detailed reviews.

**4.10 The board is asked to agree the direction of travel and the strategic importance of further enhancing this activity within the department.**

**5.0 Progress with the Strategic issues identified at the 25th November 2014 Board Meeting**

5.1 At the meeting 3 strategic elements were identified.

* Greening the stock and fighting fuel poverty;
* Stock Condition Surveys;

- Compliance activities;

**5.2 Greening the stock and fighting fuel poverty:**

5.3 Our work in the last 12 months has been further enhanced with our partnership with the non-profit organisation Groundworks London (GWL) who as a Government sponsored charity work with organisations in tackling fuel poverty by education or limited property improvements.

5.4 They use effective and proven methods of direct one to one engagement with residents providing advice and undertaking quick installations, such as LED lighting, draught proofing and loft insulation top-ups. These installations are greatly subsidised and in some cases free, upgrading our stock to further enhance the SAP rating.

5.5 Community Involvement is heavily involved and has undertaken a lot of work reaching out to residents who are isolated and lonely. By targeting the residents who are not managing their lives well or who need some more information or encouragement we are actively helping them in reducing their fuel bills, which in turn reduces their carbon emission and as a by-product we are generally imparting knowledge within the community they live in.

5.6 Last winter over 100 at risk individuals were targeted for receipt of a winter warmth pack, which included, a microwavable hot water bottle, a thermal mug, thermal mittens and a pamphlet on how to keep warm. This was used to gain access to their homes and talk to them about the importance of their health and keeping warm and not switching of their heating. During the visit GWL changed light bulbs, draught proofed the property and explained what both they and HHA can do to help.

5.7 Following on from this success we have identified 10 Green Champions who have completed the first stage of their training and are now embarking upon 5 shadow visits with GWL so that they can be in a position to help and advise on general energy efficiencies around the home.

5.8 Outside of the vulnerable the Greening the Stock action plan has been progressing well with inroads made into communal area lighting upgrades, improving air exchange in several properties where damp and condensation had become an issue. A major green commercial boiler replacement has taken place in a scheme for adults with mental health issues providing significant energy savings.

5.9 Tackling fuel poverty is a high priority for all social landlords to ensure that higher fuel bill does not mean that residents cannot afford their rent. The CROHM analysis used the definition which states ‘a household is considered to be in fuel poverty if more than 10% of household income is spent on fuel cost’.

5.10 We wanted to have an idea of the size of the problem for our customers so data for household income was purchased from Experian for a 10% sample, 366 units, of the stock. Experian provided information for household gross income and composition for the sample that was reflective of the Hexagon stock. Fuel bills was estimated from RdSAP data, Parity analysis made some assumptions and estimations around benefits information they received to arrive at the minimum income range to suggest which homes are at the greatest risk.

5.11 The analysis of the sample showed a higher than average income with a range of £40,000 - £49,000 and lower than average fuel bills at £1026 for the sample compared to national average which is £1342. The report states this reflects the Hexagon stock which is relatively energy efficient.

5.12 The analysis of the findings shows 41 of the 366, 11% residents, are in fuel poverty. The Green Doctor visit report in 14/15 concluded that all the 100 units of low SAP, vulnerable units visited, were at high risk of fuel poverty.

**6.0 Stock condition surveys:**

6.1 We had set a target of 100% stock data by the end of 2015.

6.2 As at March we had achieved 86% fully refreshed surveys (not cloned). The 2015/16 programme was split into two phases with the first phase focusing on properties built since 2007 and the second phase the rolling programme of resurveys to keep the data refreshed.

6.3 The first phase of the programme is completed with a total of 42 blocks and 204 dwellings that were included in the programme being surveyed.

6.4 The second phase of the programme is scheduled to start on 12 October. It will consist of all resurveys of properties last surveyed in 2009, and will target 110 blocks and 249 dwellings.

6.5 There are now only 58 units which have not been surveyed since 2002 and have old or cloned information and our internal Project Surveyors continue to contact these residents for access; these units are also identified on Genero to help when access with another department is agreed

6.6 A greater emphasis within the SIP department in relation to the results of this activity is being taken forward by refreshing projected program data, to look at pushing backward any component replacements not yet required and pulling forwards any that are.

**7.0 Compliance activities:**

7.1 Work undertaken during the year has shown that our controls in relation to both, Fire Risk Assessments and Asbestos management has paid off.

7.2 We engaged with all the departments responsible for ensuring FRA’s were regularly monitored, reviewed and refreshed, and as a result a KPI monitoring form was devised that clearly identified business wide, numbers of FRA’s due for revision together with the identification of remedial actions / works required.

7.3 This KPI has proved valuable in ensuring not only targets were kept, but the actions emanating as a result were captured monitored and closed down further assisting the compliance audit teams activities.

7.4 The asbestos management has continued to improve with more low risk properties assessed and added to the register where needed and taken off if not.

7.5 Our specialist 3rd party surveyor has direct access to our Asbestos register and now uploads directly his findings and any photos onto the system to ensure there are no delays in the provision of detailed advice to those who need it.

7.6 Further work is planned for the next 24 months to complete all surveys.