



Working with leaseholders on energy-related refurbishment in social housing: a new survey

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Work undertaken as part of a Knowledge Exchange Fellowship, Oxford University Law Faculty



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- Not-for-profit organisation formed established in 2012
- Focus on filling the gap between policy and action on climate change and sustainable energy
- Using practical experience of delivering on the ground to inform and influence policy
- Often focusing on researching new and innovative solutions to neglected areas of policy
- Developing the evidence base and building coalitions to influence policy

True?

“The tenures simply don't mix in terms of improvements desires, the level of engagement required is costly and level of compromise unreasonable. It is far, far easier to operate a fix on failure approach for leasehold stock. Most social housing providers are dealing with some leases that do not allow improvements.”

Leasehold Manager turned Asset Manager, ALMO



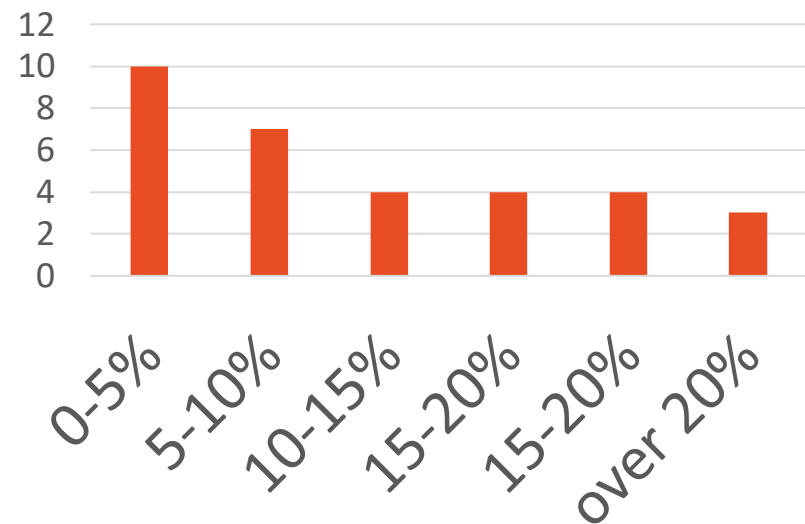
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Topics

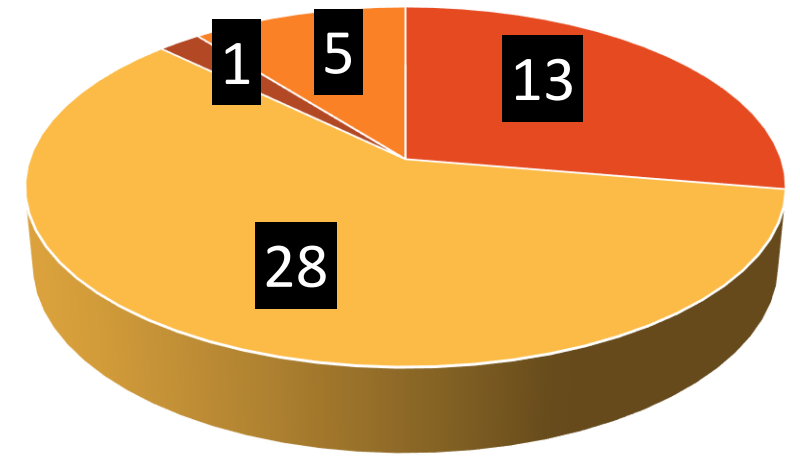
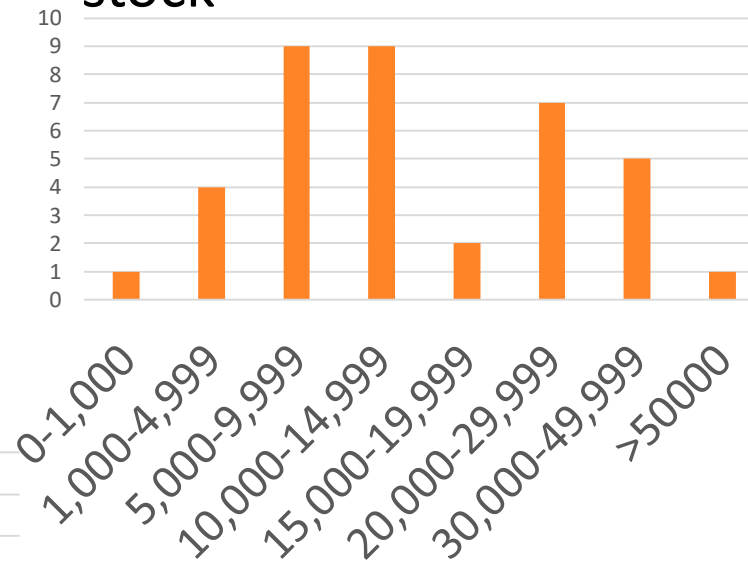
- How many social housing providers are dealing with rtb leases without improvement clauses?
- To what extent are social housing providers facing problems dealing with leaseholders in refurbishment projects? What problems?
- Thinking about specific projects how are the problems experienced?
- How do providers undertake (a) leaseholder engagement and (b) financing offers?

Respondees

Proportion of homes in private ownership



Number of homes in total stock

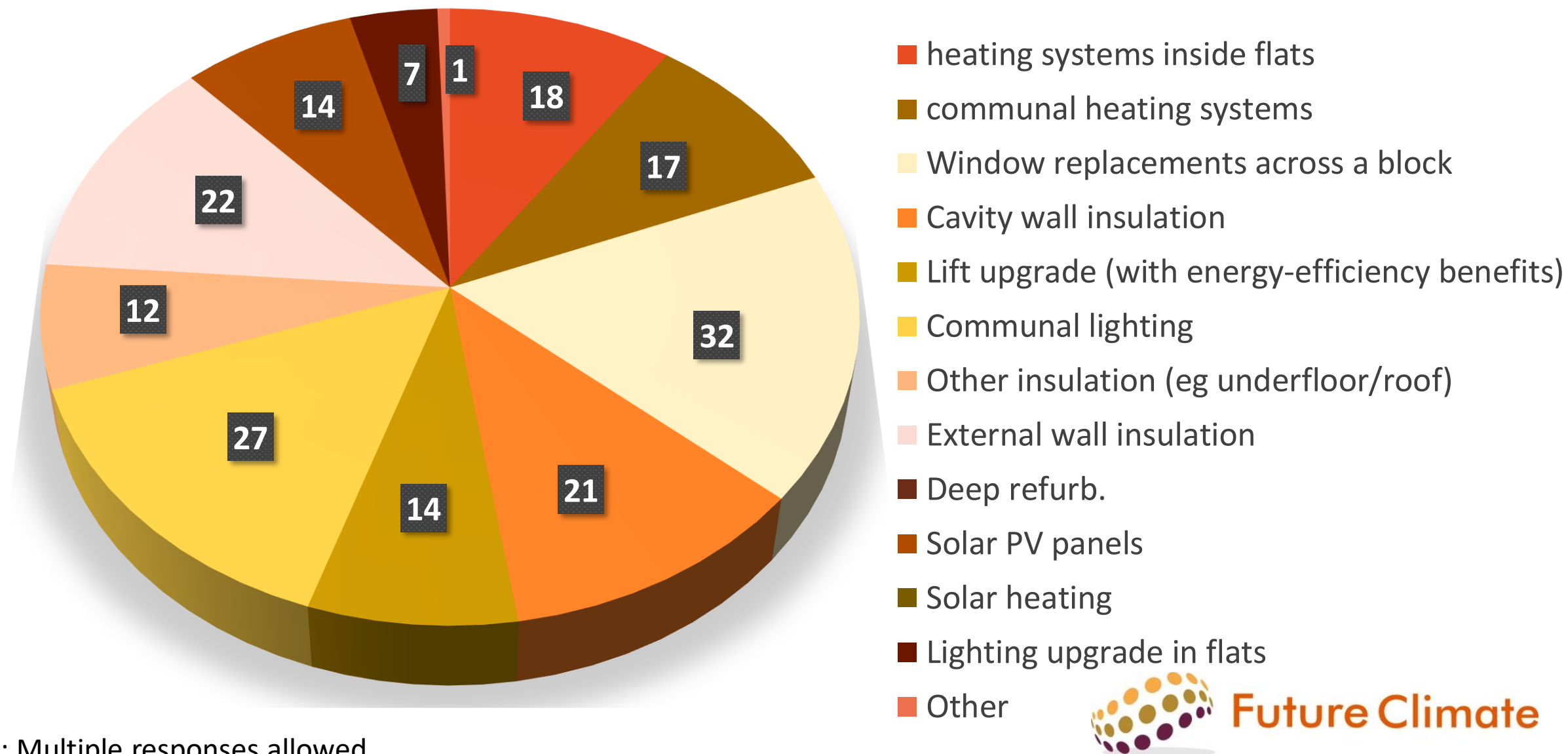


- Local authority
- Not for profit
- For profit
- Don't work for a provider



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Measures being fitted as part of refurb projects

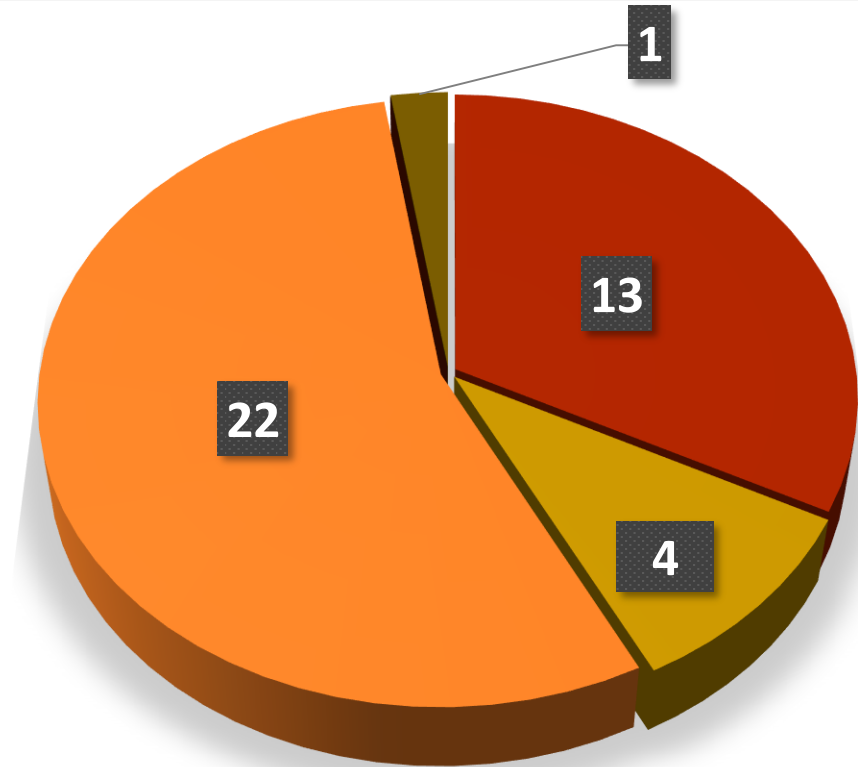


N= 38; Multiple responses allowed



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Do your organisation's leases contain improvement clauses?



- Yes, they all do
- No, none of them do
- Some and some
- Don't know (My org doesn't hold the info.)
- Don't know (I personally don't know)

N=40 (single
response
required)



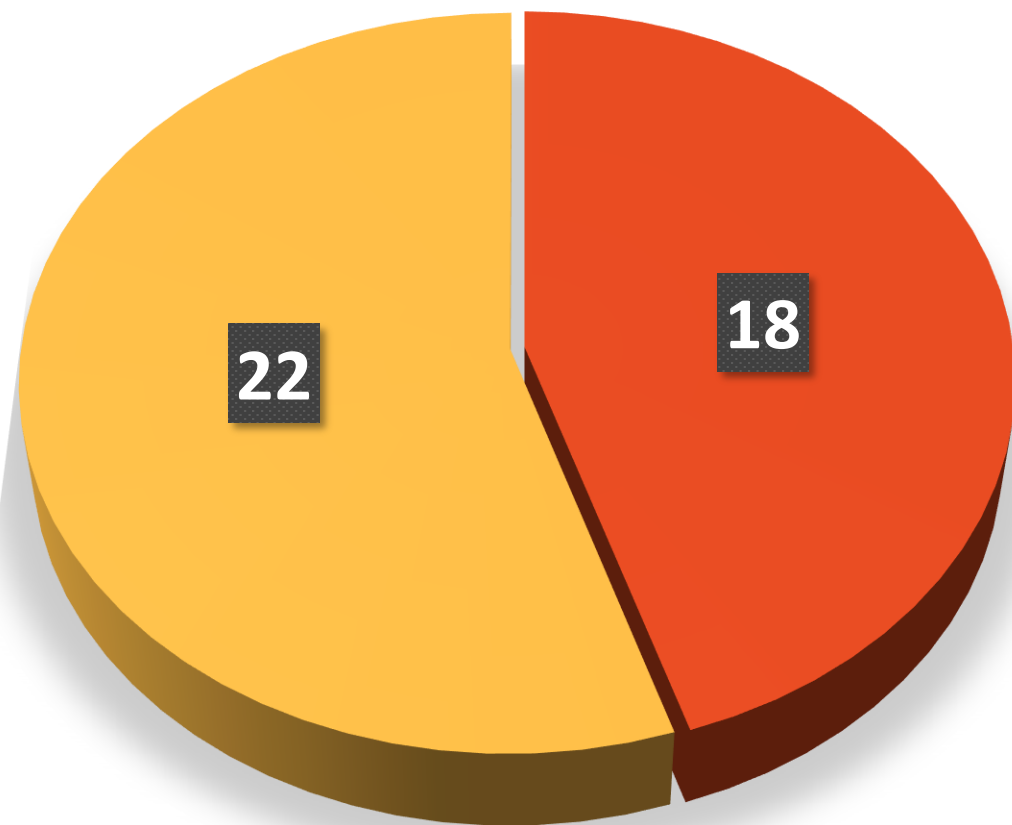
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WHAT ARE THE PROBLEMS?



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Have anticipated or ongoing problems with private flat owners prevented energy efficiency/renewable energy projects going ahead or being attempted in mixed tenure blocks?



Respondees reporting no problems:

- “projects my team have run have not been charged back to leaseholders. Our programme team, who run window replacements, some external wall etc, may report differently”
- “We have always deemed insulation works were improvements and as such were not re-chargeable.”

N=40 (single response required)

■ Yes ■ No



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Improvement clauses aren't the whole problem

- Some (5 out of 13) providers with 100% improvement clause leases also report that projects have not proceeded because of mixed-tenure complexity
- For example:
 - *Although the terms of our leases allowed us to carry out the works with our without the permission of leaseholders this is a sensitive issue.*
 - *despite the fact leaseholders were receiving free insulation, there were a very small number of leaseholders who were opposed to the scheme*



Have anticipated or ongoing problems with private flat owners prevented energy efficiency/renewable energy projects going ahead or being attempted in mixed tenure blocks?

We have not installed insulation in mixed tenure buildings

cannot fit PV to properties with mixed tenure or where rtb option exists

Measures



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Have anticipated or ongoing problems with private flat owners prevented energy efficiency/renewable energy projects going ahead or being attempted in mixed tenure blocks?

Want to carry out external insulation to many low rise blocks of flats, but are unable due to lease restrictions and prohibitive cost for leaseholders

Lease Restrictions



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Have anticipated or ongoing problems with private flat owners prevented energy efficiency/renewable energy projects going ahead or being attempted in mixed tenure blocks?

*.... a small number of leaseholders
...who have a poor relationship with the Council and will challenge all works.*

Protracted requirement for consultation and owner occupiers' lack of engagement or aggressive and confrontational approach has created communication and timeline difficulties

Consultation and engagement



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Have anticipated or ongoing problems with private flat owners prevented energy efficiency/renewable energy projects going ahead or being attempted in mixed tenure blocks?

recovering costs of the energy improvement

often the cost of measures is too high and we know leaseholders wouldn't be able to afford the high initial outlay

Recovering costs



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Have anticipated or ongoing problems with private flat owners prevented energy efficiency/renewable energy projects going ahead or being attempted in mixed tenure blocks?

if EWI is installed and the windows do not allow a large enough return, then they must also be renewed, neither repair or improvement lease truly covers any renewal ahead of its useful life.

Consequential
improvements



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Have anticipated or ongoing problems with private flat owners prevented energy efficiency/renewable energy projects going ahead or being attempted in mixed tenure blocks?

*Reluctance /
uncertainty on
the part of asset
management*

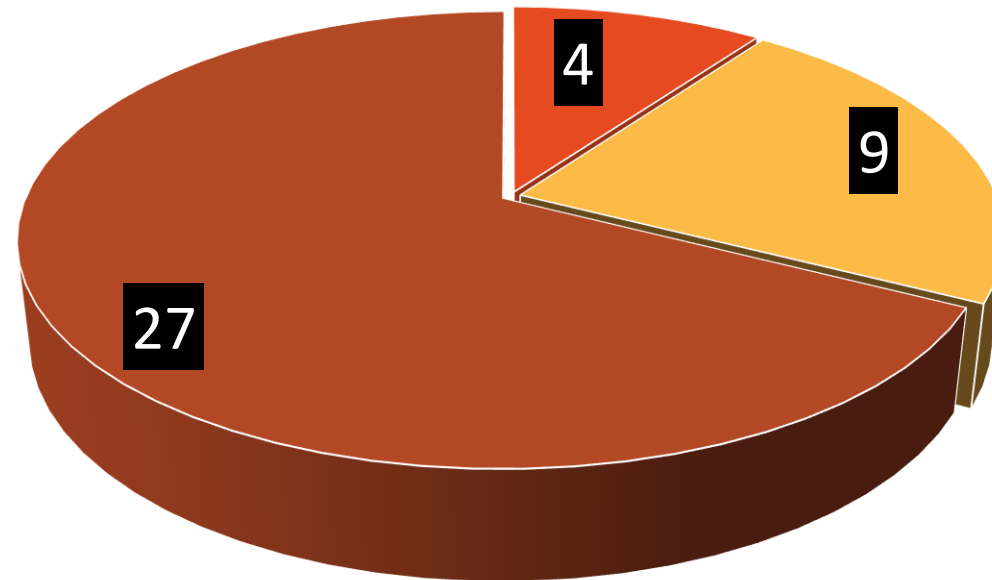
Housing
managers'
knowledge and
attitudes



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Have you had legal disputes with private flat owners involving judicial proceedings –in regard to reclaiming the cost of building improvement measures (as against repair and maintenance)?

- Yes - in regard to energy related improvements
- Yes - in regard to non-energy related measures
- No

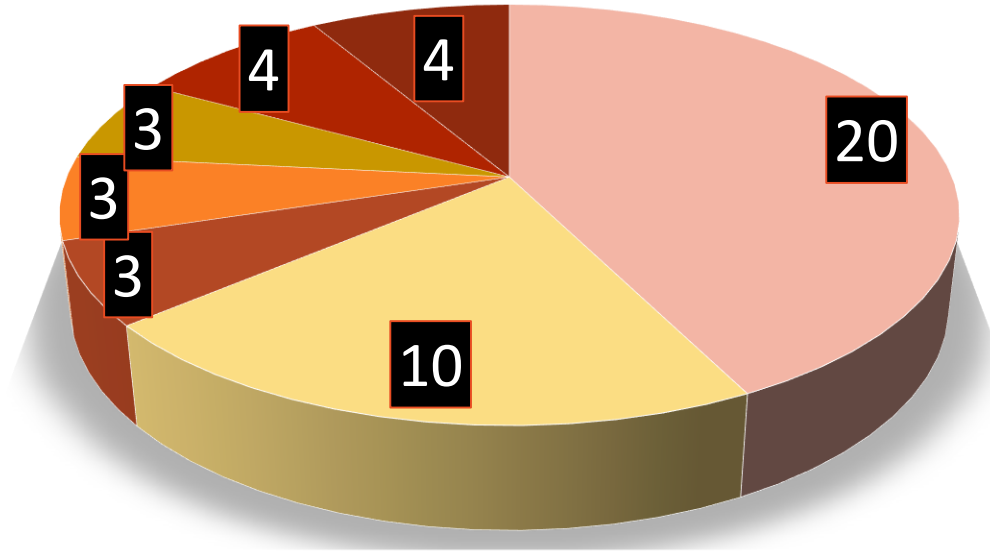


WORKING WITHIN THE CURRENT RULES



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How was a specific project affected by dealing with leaseholders?



N= 36; Multiple responses allowed

- Works unaffected by dealing with leaseholders: engagement expected & manageable
- We/our funding partners bore all costs: improvements could not be recharged
- Problems w leaseholders: we were not able to install measures as planned
- Privately owned flats were excluded from the project
- We could not install the improvements in the way we wanted
- Issues with private flat owners added unexpected costs
- There was a dispute between leaseholders and ourselves over the works



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Working well within the current rules(?)

- *“The project was for external wall insulation. as leases did not permit for improvement to the building we took the decision to only carry out external wall insulation to our tenants properties. We then consulted with the leaseholders and explained the situation. We then offered the leaseholders the option of having the work done as a private agreement. Approximately 20% of the leaseholders took up the option whilst the remainder only had the repair works carried out which was recoverable under the terms of the lease. Due to the extensive consultation with leaseholders and tenants there were no complaints and works were managed to schedule”*



Working well within the current rules(?)

“The project had a long lead in consultation period enabling owners to be fully appraised of the works, their cost contribution and how much was covered by the reserve fund, by the time the section 20 notices were served the process was fully agreed with all owners. The feed back on the way the project was managed was very encouraging.”



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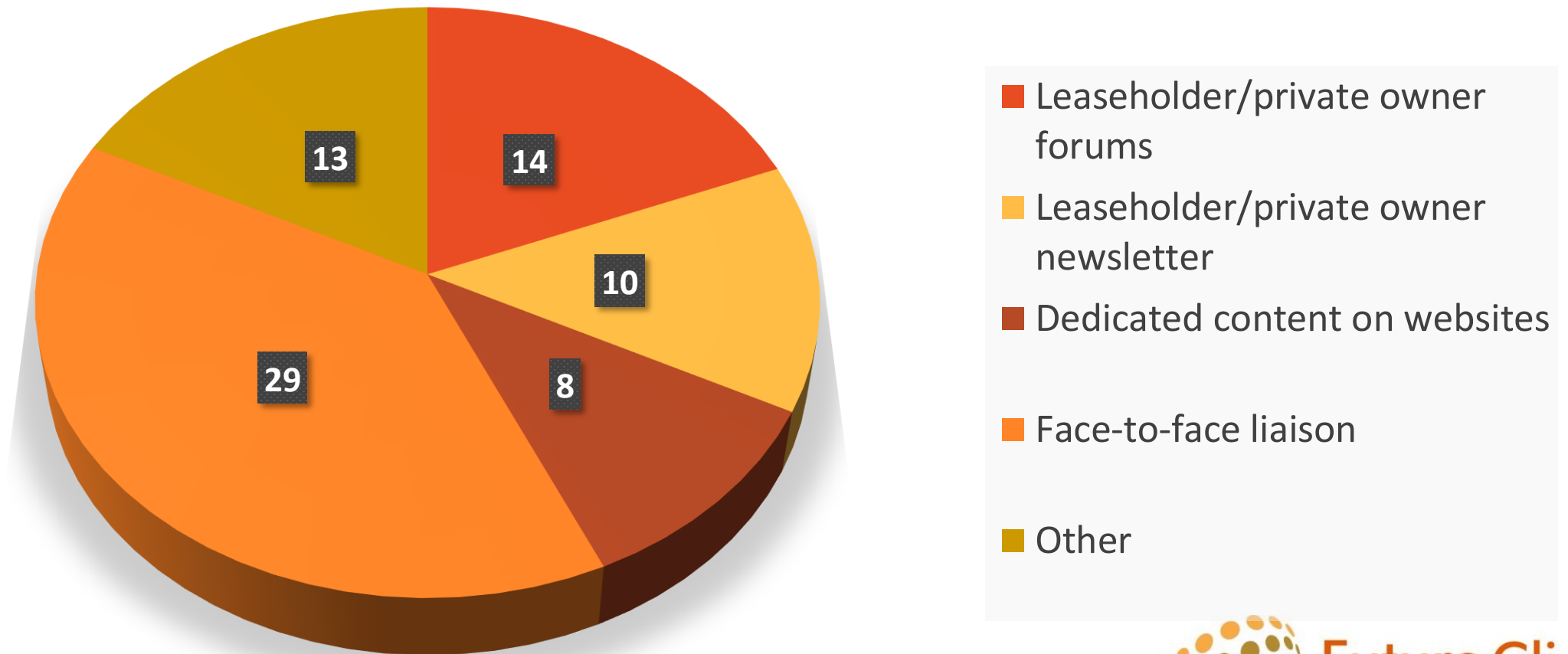
Working well within the current rules(?)

“at the outset of a scheme we assess what proposed works are works of improvement and how many lessees have leases preventing recovery. If there will be a shortfall to the HRA we will advise our project teams to consider alternatives, or restrict the works to those of repair, for which we can recover costs.”



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What strategies do you use to manage relations with private flat owners in regard to building refurbishment and improvement projects?



Approaches to consultation/engagement

A tenure blind approach?

- *“we try and avoid tenure specific forums, and work closely with resident panels, and resident associations. For large projects, we spend a lot of energy and time with residents in the early stages, of a scheme, and this consultation is in addition to the statutory consultation with leaseholders”*

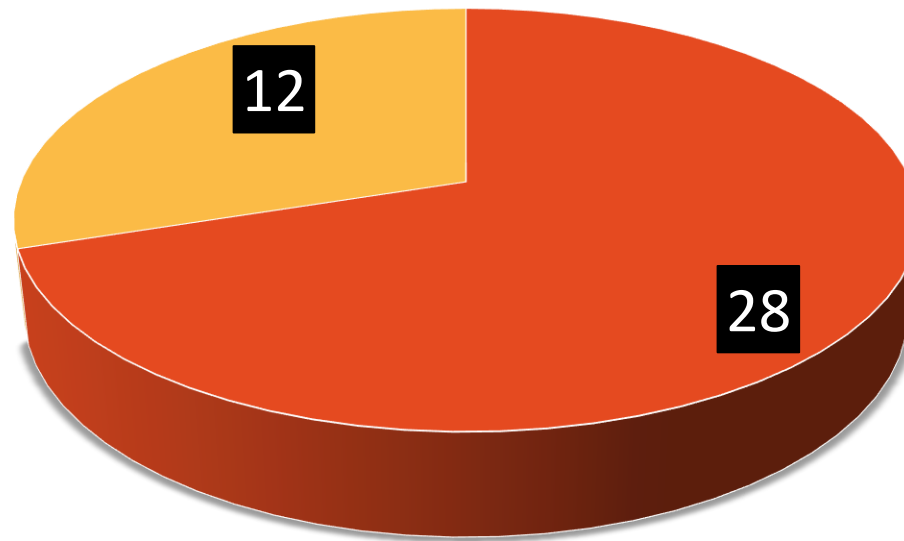
But some don't go beyond Section 20:

- *Section 20 process*
- *Section 20 process and letters*
- *When carrying out s20 consultation we often hold specific events to discuss matters.*



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Financing arrangements to help private flat owners pay service charges for improvements ?



■ Yes ■ No

N=40 (single
response
required)



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Financing arrangements to help private flat owners pay service charges for improvements ?



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Financing arrangements
to help private flat
owners pay service
charges for
improvements ?

*Historically poor
sinking fund
management means
low levels of money
available, which
increases opposition
to any type of work.*

*The key is to have good
reserve funds but these
may not include energy
efficiency measures as
the lease was written
when these were not so
well understood /
implemented*

Sinking
funds



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Financing arrangements to help private flat owners pay service charges for improvements ?

We do offer payment plans for large works - i.e. over £10k per leaseholder but this is not a requirement and may not do so in the future.

New payment options are currently being explored

Future plans



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CONCLUSIONS



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Conclusions

- Most social housing providers are dealing with at least some leases that do not contain improvement clauses.
- Significant numbers of projects do not proceed because of the costs and complexities of the mixed-tenure context
- Where projects are going ahead successfully, often it is by excluding leaseholders or whole blocks
- Many social housing providers are skilled at managing the complex issues involved: at the point of project delivery, most respondents report that leaseholder engagement was planned and managed effectively
- Approaches to financing and engagement are very mixed; in many cases providers are not going beyond statutory requirements.

