

SHIFT response to UK SOCIAL HOUSING ESG Reporting WHITE PAPER



Briefing prepared by Richard Lupo, MIEMA, CEnv

SHIFT

www.susshousing.co.uk

May 2020



Introduction

Reducing our environmental impacts to safe levels is crucial for the human race to survive and thrive within the constraints of our planetary systems. Although this has been known for decades, we are still a long way from achieving sustainability targets. It seems that other incentives for improvement are necessary and for that reason we greatly welcome the involvement of financial institutes. We see this as a step forward and we are pleased to respond to the “UK SOCIAL HOUSING, Building a Sector Standard Approach for ESG Reporting” white paper, April 2020.

SHIFT specialises in delivering environmental reporting for the social housing sector and has done so for 12 years. As such, we have developed methodologies for converting data readily available to landlords into excellent environmental reports. Furthermore, we have developed ways of benchmarking landlords’ performance against long-term, science-based environmental targets and against peers.

For the reasons above we are pleased to respond to this consultation and look forward to an excellent ESG reporting framework. We have made many comments which are meant as positive suggestions and are in no way to be construed as criticism. We hope the emerged framework will lead to a truly sustainable social housing stock.

Our response

We confine our response to the “Environmental” part of the framework as this is our area of experience. We have based our comments in the structure laid out in the white paper. Where we feel there are omissions to the criteria, we have listed them below our main response.

In general, we strongly suggest more performance metrics as these allow more scrutiny and better reflect actual performance rather than the presence of strategies. These reflect intention, but do not always lead to performance. Also, from an investor point of view, if there is a large gap between actual performance and long-term science-based targets, this could indicate a source of future financial liability that the investor should be interested in. For example, if the energy efficiency of housing stock is very low, this may mean that the landlord has a higher financial liability to upgrade the stock, than a landlord whose energy efficiency is high.

Another general point, is that we believe that all the environmental criteria should be core criteria. The reporting is straightforward and necessary, so we see no reason why any of the criteria should be secondary.

The metrics we suggest are traceable to base data held by landlords. Therefore, any ESG reports are auditable. Consideration should be given to using environmental third parties to ensure that the environmental criteria are correctly reported.



Criteria	White Paper suggested measure	SHIFT comments
C12	Distribution of EPC ratings of existing homes (those completed before the start of the previous financial year)	<p>We suggest average SAP rating of existing homes. This is simpler, available from asset management systems, allows comparability between landlords and more represents emissions.</p> <p>This information will also be of interest to investors because we have found that landlords with higher average SAP tend to have lower maintenance bills, lower rent arrears and lower void rates. All these factors show a more financially secure investment opportunity.</p>
C13	Distribution of EPC ratings of new homes (those completed in the previous financial year)	We suggest average SAP as this allows comparability between landlords and more represents emissions. Although the data is not so often collated as for existing homes, it is necessary to provide a holistic overview of the landlord.
C14	Distribution of homes by heating source for all new homes (those completed in the previous year)	Not sure why this is necessary. The efficiency of the heating systems will be represented adequately (but not perfectly) by the average SAP values.
C15	Scope 1 and Scope 2 green house gas emissions	May be better to specify which Scope 1 and Scope 2 emissions to allow comparability. For example, all landlords will have offices which will allow comparability. However differing amounts of communal heating systems, communal areas and degree to which maintenance is subcontracted to external providers will greatly change what is reported as scope 1, 2 or 3 and may give a misleading picture. For example, a landlord who has sub-contracted out all maintenance may look better than one who hasn't, but net emissions may be the same.
C16	Total capacity of renewable energy production	Not sure why this is necessary. Renewables installed on homes will have that reflected in the SAP ratings. Renewables installed on offices will have lower scope 1 and 2 emissions. This outcome measure is simpler to report and also reflects a landlords' commitment to decarbonise stock and operations.
C17	The Housing Provider has formulated an environmental strategy with objectives aimed at meeting government targets within prescribed timeframes	May also want to include board approval and responsibilities. It is easy to turn this into a metric rather than the "yes" or "no" type answers suggested. We do this for SHIFT each year.
C18	The Housing Provider reports on sustainability on an annual basis	Good. We find reporting against SMART targets on an annual basis eventually leads to improvement.



C19	Does the Housing Provider give tenants information about correct ventilation, heating, recycling etc. Please describe how this is done	Good. Again it is possible to convert this into a metric that allows comparability. In the case of advising residents on cutting energy use, an unofficial carbon saving could be calculated which could be an offset. Again, SHIFT has a methodology for this.
C20	Housing Provider specific "Ecology & Environment" indicator	It is possible to combine all environmental performance into a single metric provided the weighting between environmental issues have been agreed with the sector. This could also be combined with criteria C18 and hence reduce the number of criteria.
C21	The Housing Provider has a strategy to use or increase the use of responsibly sourced materials for building works. If so, how do you measure success?	<p>Suggest that the strategy element is included in C18 and this criteria is just the performance criteria. Again, it is possible to have a metric for this, as we do for SHIFT, e.g. % of materials responsibly sourced. It involves a survey of supply chain and in-house maintenance department. It also involves a degree of standardised data adjustment for quality e.g. if the figure is an outlier against other sub-contractors and there is no substantiating evidence then the figure can be adjusted accordingly.</p> <p>We recognise that this is difficult at the moment, but we find that when landlords engagement with their supply chain in this way, eventually the supply chain responds. So, even though this is a difficult metric it should stay in the framework.</p> <p>We suggest the presence or not of a strategy is less important than the actual performance.</p>
C22	The Housing Provider has a strategy for waste management incorporating building materials. If so, how do you measure success?	<p>As with C21, waste recycling figures are far easier to gain from maintenance departments and sub-contractors. % recycled waste should be the metric. Some landlords do this as part of contractual terms anyway.</p> <p>Other metrics such as tonnes generated and amount otherwise diverted from landfill, but is most likely more complicated than necessary.</p>
C23	The Housing Provider has a strategy to actively manage and reduce pollutants (e.g. mould, water pipes containing lead). If so, how do you measure success?	We have not seen this issue raised as critical by any of our clients. We suggest this is left to current laws and regulation. E.g. the increase in disrepair cases is resulting in a financial business case for condensation and mould reduction.



C24	The Housing Provider has a strategy for good water management. If so, how do you measure success?	We suggest the strategy element of this is combined with C18 and that C24 is a performance metric. It is very easy to do. For SHIFT we use m ³ /employee in offices and litres per person per day in homes, for which we have developed a calculation methodology and long-term environmental targets that landlords can use.
C25	The Housing Provider has a strategy to increase the amount of 'green space' and biodiversity on or near homes e.g. gardens, parks. If so, how do you measure success?	<p>We suggest the strategy element of this is combined with C18 and that C25 is the performance metric. For a long time it has been difficult to develop a metric. However with the advent of increased interest in biodiversity we believe a suitable metric is "tonnes of above ground biomass" per hectare of owned land for which we have developed a methodology.</p> <p>This allows comparability between landlords and also may aid landlords in meeting biodiversity offsets which may come into planning soon.</p> <p>Increasing the biomass above ground also broadly correlates with improved air quality, increased flood attenuation, increased summer cooling, recreational value and carbon sequestration.</p> <p>It is possible to estimate the carbon sequestered as an unofficial carbon offset.</p>

We believe that there are two omitted criteria that are crucial to landlords, residents and investors. The Met Office projects increased flood events and increased summer temperatures. As well as the wellbeing costs to residents, there are significant financial costs to landlords which may present a liability.

Flood risk - % of homes at low risk of flooding – relatively straightforward and cost effective for landlords to cross reference their addresses with Environment Agency maps. It is crucial that both fluvial and surface water run-off is assessed.

Overheating risk – the incidence of this is on the rise. Although this is new for landlords to assess it is vital that they do so. There are limited cost-effective tools for landlords to use that take all risk factors into account (e.g. building regulations methodology does not take future summer temperatures into account). As a result, we developed a tool for SHIFT that we use. It ought to be relatively easy for landlords to develop their own tool for assessing the risk. As an aside, there are multiple benefits to identifying homes with potential to overheat. For example, an effective solution is to ensure adequate ventilation. This also helps to reduce condensation and mould risk.



Conclusion

We hope these comments are useful to the consultation. We are happy to contribute to further discussions if “The Good Economy” wishes to get in touch.

We look forward to an excellent ESG reporting framework and hopefully it will lead to massive improvements to residents, staff and all stakeholders.



SHIFT

SHIFT carries out a full range of environmental reporting specialising in the social housing sector. We do:

- Post-Occupancy Evaluation – comparing actual performance in retrofit and new build with design performance
- SHIFT – environmental reporting and accreditation for existing homes, new build, supply chain and offices
- Environmental road mapping and strategy development – creating a path from a baseline to a truly sustainable housing stock whilst maximising financial benefits to the landlord
- Related consultancy

SHIFT services are delivered by Suss Housing Ltd

Please be in touch for a free consultation on any of the above. Contact Richard on 07718 647118 or richard@susshousing.co.uk

www.susshousing.co.uk

