

## Cynulliad Cenedlaethol Cymru | National Assembly for Wales

Y Pwyllgor Newid Hinsawdd, Amgylchedd a Materion Gwledig

Climate Change, Environment and Rural Affairs Committee

Ymchwiliad i Dlodi Tanwydd | Inquiry into Fuel Poverty

FP 28

Ymateb gan : Community Housing Cymru (CHC)

Evidence from : Cartrefi Cymunedol Cymru (CCC)

### About Us

**Community Housing Cymru (CHC)** is the representative body for housing associations and community mutuals in Wales, which are all not-for profit organisations. Our members provide over 158,000 homes and related housing services across Wales for around 10% of the population.

CHC launched its twenty-year 'Housing Horizons' vision for Welsh housing associations in November 2017. Our vision is a Wales where good housing is a basic right for all, and the vision's commitments include a pledge to build 75,000 new homes by 2036.

Our members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

#### **CHC's objectives are to:**

- Be the leading voice of the social housing sector.
- Promote the social housing sector in Wales.
- Promote the relief of financial hardship through the sector's provision of low cost social housing.
- Provide services, education, training, information, advice and support to members.
- Encourage and facilitate the provision, construction, improvement and management of low cost social housing by housing associations in Wales.

CHC welcomes the opportunity to provide written evidence on fuel poverty on behalf of the sector for the Climate Change Environment and Rural Affairs Committee.

## The scale and impacts of fuel poverty in Wales

CHC is pleased to see that the number of social housing tenants living in fuel poverty has continued on a downward trend. According to the fuel poverty estimates for Wales 2018<sup>1</sup>, 9% of social housing tenants were living in fuel poverty, compared to 20% of privately rented households and 11% of owner occupiers. The percentage of households in the social housing sector living in fuel poverty decreased from 26% in 2008 to 9% in 2018. A rise in incomes since 2008 and a reduction in household energy consumption have contributed to this downward trend.

Despite housing association's (HA's) continued work in improving the energy efficiency of its housing stock through WHQS, Arbed and other energy efficiency programmes, some social housing tenants remain or have become fuel poor. The scale of social housing tenants living in fuel poverty equates to approximately 20,000 households across Wales, and, this continues to be an issue felt most prominently by the most vulnerable members of society, including older tenants and the unemployed, as they are often on fixed income and spend disproportionately more time in their homes.

Fuel poverty causes long term health issues which tend to be felt more so by older people who are more likely to be at risk of heart and lung disease, as well as worsening conditions like arthritis and rheumatism. A report produced by Public Health Wales, BRE and Community Housing Cymru in 2019 found that 10% of excess winter deaths can be attributed directly to fuel poverty<sup>2</sup>. Living in a cold home can also lead to social isolation, stress and worry about heating bills and debt. This can affect children as well as adults and have a negative impact on various aspects of life, including mental health, growth, and attainment at school.

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<sup>1</sup> Fuel Poverty estimates for Wales, 2018 <https://gov.wales/fuel-poverty-estimates-wales>

## **Why the Welsh Government failed to meet its statutory target of eradicating fuel poverty in Wales by 2018**

In 2003 the Welsh Government set an ambitious target to eradicate fuel poverty in social housing by 2012, and in Wales by 2018. Whilst there has been significant reduction in the incidence of fuel poverty within the social housing sector, CHC members have expressed that despite the good intentions of the 2010 Welsh Government Fuel Poverty programme, the scale of change could have been greater. Lessons were learnt from Arbed 1 and Arbed 2 but the potential of the programmes were limited. The competitive and laborious bidding process for Arbed 1 and Arbed 2 funding meant that many HA's (particularly smaller housing associations), who had intended to use the programme to support large scale retrofit of existing homes, were unsuccessful and unable to proceed with their ambitions.

The Arbed programme and WHQS requirements naturally led to activity being focussed on measures that provided the best value for money and improved the energy performance rating of properties, which mainly included boiler replacements, cavity wall insulation and external wall insulation. Whilst these measures did lead to significant improvement in the energy performance of properties and comfort for many social housing tenants (the majority of properties improved from EPC rating F to a C), our members have reported that the measurement and evaluation of these programmes did not show positive outcomes for lowering energy costs and overcoming fuel poverty. Whilst tenants felt an improvement in comfort in their home this did not necessarily lead to a reduction in their energy consumption, and the cycle of paying a disproportionately higher amount on energy bills compared to income therefore continued for some. This demonstrates the importance of wrap around support and advice to tenants on energy switching, managing finances, and (if applicable) access to welfare, in addition to the improvement in the fabric of the property.

In addition, the scale of impact was particularly limited for 'hard to treat' properties that still require significant levels of intervention, and funding, to improve their stock condition. Pre-1920 and rural housing are the least energy efficient homes due to their age and the complexity and expense of the measures required to improve their energy performance. This includes the

installation of internal wall insulation and air or ground source heat pumps for off-grid properties. These properties are still unable to be supported through existing Welsh Government programmes and further research is required to identify a suite of measures that effectively improve the energy performance of these properties, whilst providing value for money for tenants and housing associations.

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<sup>2</sup> Making a Difference Housing and Health: A Case for Investment 2019. BRE, Community Housing Cymru and Public Health Wales. <https://phw.nhs.wales/news-and-publications/publications/making-a-difference-housing-and-health-publications/phw-making-a-difference-housing-and-health-a-case-for-investment-pdf/>

## How Welsh Government action to date has helped to combat fuel poverty, in particular, the impact of the Warm Homes Programme (including Nest and Arbed) and the Welsh Housing Quality Standard

CHC and HAs in Wales were key strategic partners, with the Welsh Government, in the delivery of both Arbed phase 1 and 2. The Welsh Government invested £30m towards the delivery of Arbed phase 1 with an additional £32m from HAs own budgets and match funding from energy efficiency programmes. HAs in Wales successfully delivered phase 1 on behalf of the Welsh Government using its own local suppliers and Welsh based installers sourced from their Welsh HA supply chain and installer network.

Arbed investment enabled a large number of HA's to install energy efficiency measures, taking a significant number of tenants out of fuel poverty which is evidenced by the significant decline in fuel poverty amongst social housing tenants in recent years. Welsh Government benefited from Melin Homes acting as one of the Arbed scheme managers. Melin Homes previously calculated that for every £1 invested through Arbed phase 2, £2 went back into the community<sup>3</sup>.

Arbed phase 1 model was successful in targeting the householders and areas most in need and in fuel poverty. Using local suppliers and installers kept money in Wales. Through Arbed phase 1, funding HAs and homeowners benefited significantly from investment in the installation of a mix of energy efficient measures including solid wall insulation, solar PV, new boilers, communal solar thermal systems and other technologies. As a direct result, a significant number of tenant and homeowner beneficiaries were lifted out of fuel poverty.<sup>4</sup>

Arbed phase 2 was delivered differently to Arbed phase 1, instead focusing on the private rented/owner occupied sector and led by local authorities. Local authorities were required to work with HAs and other partners to develop their bids. The delivery mechanism for Arbed phase 2, targeting homeowner properties over HA owned properties and being led by local authorities meant that less HA energy inefficient properties were supported in this phase. While we recognise that Arbed is a programme which should apply across tenures, we believe that the change in the application process from Arbed phase 1 and

2 led to a patchy approach which is too dependent on local government priorities and processes. In some areas good partnership bids were developed, but in others, some HAs were not involved in bids for funding. Various HAs have indicated issues with the delivery of Arbed phase 2 in particular in North Wales, including communication issues and not using the local supply chain, one of the main aims of Arbed.

The Welsh Housing Quality Standard requires all social landlords to improve their housing stock to an acceptable level by 2020. As part of the standard, social housing providers are required to increase their energy SAP rating to 65 and above. As of March 2018, 99 per cent of HA's in Wales were compliant with the WHQS (including acceptable fails), including raising the SAP rating of its tenanted properties to 65 and above. Along with the WHQS, our members have specific long term targets to improve the energy efficiency of its housing stock and reduce the fuel poverty of its tenants.

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<sup>3</sup> Ricardo Report for Welsh Government on the Arbed EU project, page 23

<https://gweddill.gov.wales/docs/desh/publications/171106-welsh-government-warm-homes-arbed-eu-project-final-report-en.pdf>

<sup>4</sup> Ricardo Report for Welsh Government on the Arbed EU project, page 4

<https://gweddill.gov.wales/docs/desh/publications/171106-welsh-government-warm-homes-arbed-eu-project-final-report-en.pdf>

## **How the Welsh Government's successor to the fuel poverty strategy (due for consultation in Autumn 2019) should differ from its 2010 strategy**

CHC welcomes the Welsh Government's decarbonisation ambitions and the recommendations introduced by the Decarbonisation of Homes in Wales Advisory Group' in the Better Homes, Better Wales, Better World report<sup>5</sup>. Of particular relevance to the successor fuel poverty strategy is the following recommendation from the advisory group: "The Welsh Government should urgently commence a 10-year programme to prioritise the retrofit of certain homes. The Welsh Government should set a target of EPC Band A for homes in social ownership and homes in fuel poverty". CHC welcomes this recommendation; however this ambition can only be achieved if extensive research and modelling is undertaken to identify the true scale of the costs and the types of measures required for all social housing dwellings to meet EPC A. We expect the cost to be significant, particularly for 'hard to treat' properties, as explained earlier in this response.

Collaboration across local authorities and housing associations, and significant investment and support from Welsh Government would be required to meet this ambition. As a sector we are up for the challenge and our commitment and the potential of housing associations has been demonstrated by our work during Arbed 1 and Arbed 2 and through meeting WHQS.

**We would like to take this opportunity to highlight that the Welsh Government's successor fuel poverty strategy must fully compliment the Welsh Government's decarbonisation programme and its ambitions. With the recent surge of support for climate change action there is a coalition of the willing, particularly in the social housing sector, to support these ambitions. Any funding from Welsh Government to support decarbonisation must allow all housing associations to access the fund in a fair and equitable way.**

Many HAs have responded to CHC to state that rural fuel poverty needs to be recognised and addressed specifically by the Welsh Government. The cost of living in rural areas is higher than in more densely populated areas. Tenants and homeowners living in rural areas are more likely to be in fuel poverty as they are required to pay more for energy, transport and food.

Rural traditional HAs have a smaller number of stock and members have stated that this affects their ability to attract energy efficiency funding and tackle energy inefficient housing stock. A number of our member's housing in rural areas is hard to treat with low SAP ratings.

Many householders and tenants living in rural off gas areas do not have a choice on the type of fuel they can have in their properties and have to rely on costly oil and LRG gas to heat their homes. Rural HAs also have the highest proportion of homes off grid with higher energy costs. HAs working in rural areas are continually looking at new technology to address rural heating of new and existing houses to assist tenants in rural fuel poverty.

**CHC are keen to work with the Welsh Government to develop specific rural fuel poverty policies to support rural tenants living in fuel poverty.**

The new fuel poverty strategy should also support the delivery of a holistic programme that directly, and equally, targets the three determinants of fuel poverty: housing condition, the financial circumstances of the occupant, and energy behaviour. The 2010 strategy largely focussed on improving the condition of housing, and whilst we recognise that this work needs to continue, we believe that a gap in services exists to support households with income maximisation, switching energy providers and behaviour change. Local, community based services rather than call centre advice services are essential to proactively identify tenants in need of support (often through word of mouth) and provide wrap around support.

CHC members provide this type of local community based support and are proactive in supporting fuel poor tenants to obtain their entitled benefits that relieves them of fuel poverty, helping tenants secure the Warm Home Discount and Winter Fuel Payments. Our members also provide tenant fuel debt advice by supporting them, for example in negotiating re-payments of gas and electric debts with energy providers (Appendix 1).

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<sup>5</sup> Independent review on decarbonising Welsh Homes, Better Homes, Better Wales, Better World <https://gov.wales/sites/default/files/publications/2019-07/independent-review-on-decarbonising-welsh-homes-report.pdf>



Some housing associations have gone a step further and developed specific energy efficiency advice programmes aimed at reducing fuel poverty and reducing energy consumption. A number of these projects have been successful in training and employing unemployed tenants to become energy advisors and mentors and install small scale energy efficiency improvements. These projects have had positive results in terms of encouraging tenants to become more energy efficient, saving them money, and changing their behaviour. Information about specific projects and support provided by HAs is provided in Appendix 1.

Lessons should also be learnt from the evaluation findings of the Arbed and Nest programmes. In 2019 Public Health Wales, Community Housing Cymru and BRE published the report 'Making a Difference: Housing and Health'<sup>6</sup> which identified the most successful housing related measures for improving health. The report highlights the differing outcomes of the Nest and Arbed programmes. Nest targeted individuals at-risk of fuel poverty whereas Arbed targeted areas containing low-income households. An evaluation of Arbed found that while the interventions raised indoor temperatures, reduced energy use, and improved subjective well-being and a number of psychosocial outcomes, the study found no evidence of changes in physical health or reduction in health service usage. However, an evaluation of the Nest scheme found that energy efficiency measures provided a health protective effect, decreasing the number of GP visits for respiratory conditions in the intervention group by 3.9%, compared to a 9.8% increase for the control group.

Comparing these findings it appears that a targeted approach assisting vulnerable households is more effective than an area-based approach, which should be considered in the development of Welsh Government's successor fuel poverty programme. Welsh Government should explore how the data available from Smart Meters (high/low usage consumers) could also be used to target vulnerable households.

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<sup>6</sup> Making a Difference Housing and Health: A Case for Investment 2019. BRE, Community Housing Cymru and Public Health Wales <https://phw.nhs.wales/news-and-publications/publications/making-a-difference-housing-and-health-publications/phw-making-a-difference-housing-and-health-a-case-for-investment-pdf/>

CHC's 'Making a Difference: Housing and Health'<sup>7</sup> report also highlights the type of measures that provide the biggest impact in terms of improved health and wellbeing. Insulating existing older houses in low-income communities has been found to increase indoor temperatures whilst reducing energy consumption and reducing hospital admissions from respiratory conditions. Investing in mitigating against excess cold in homes results in the initial investment being paid back in 7 years as a result of reduced fuel costs, health care costs and improved health-related quality of life.

Effectively identifying people with poor health who are or are at risk of living in fuel poverty requires closer alignment of housing, health and social care, to maximise benefits of collaboration and integration. This requires a greater recognition by the health and care sectors of the significant contribution housing brings in improving health and wellbeing both at an individual and population level.

**CHC would like to take this opportunity to reiterate the housing quality recommendations presented in our joint report with Public Health Wales and BRE.** The case for continued support and investment from Welsh Government to alleviate fuel poverty is profound, and we urge Welsh Government to consider the following proposals during the development of the successor fuel poverty programme:

#### **1) Expand the housing domain of the WIMD**

The housing domain of the Wales Index of Multiple Deprivation (WIMD) is limited to two indicators (people living in overcrowded households; people living in households with no central heating).

Additional indicators that could increase the robustness of this domain include inadequate housing conditions, fuel poverty and lack of affordable housing. Whilst some housing associations have programmes to assist those experiencing fuel poverty who have approached the HA, access to improved data on the incidence and location of fuel poverty would assist with targeting support to those who may go undetected in the system. This is especially important now that we are reaching particularly low levels of those in fuel poverty, most of whom are likely to have so far been undetected and targeted

## 2) Consider the WHCS findings

Findings from the latest Welsh Housing Conditions Survey (2018) can be used to better understand and develop further evidence of the impact of poor housing quality on health and societal costs.

## 3) Appropriate targeting

The biggest returns on investment rely on targeting the vulnerable groups and households most in need, rather than on an area-based approach. Identifying groups with greatest need requires cross organisational working and sharing of intelligence.

**CHC believe that the Welsh Government needs to continue developing energy efficiency and fuel poverty programmes that improve the energy efficiency of tenanted and homeowner properties in Wales and alleviate fuel poverty. CHC and our members have expert knowledge, experience and awareness of fuel poverty issues, and we welcome the opportunity to discuss the future delivery and design of new fuel poverty programmes.**

**CHC believe that Welsh HAs are well placed to lead and delivery future Welsh Government fuel poverty and energy efficiency programmes. CHC members have demonstrated in the delivery of Arbed 1 their flexibility in developing and running successful energy efficiency schemes. They also have valuable knowledge, skills and experience of installing and dealing with hard to treat properties in Wales.**

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<sup>7</sup> Making a Difference Housing and Health: A Case for Investment 2019. BRE, Community Housing Cymru and Public Health Wales <https://phw.nhs.wales/news-and-publications/publications/making-a-difference-housing-and-health-publications/phw-making-a-difference-housing-and-health-a-case-for-investment-pdf/>

**What steps the Welsh Government should take to ensure that new-build homes, as well as existing homes, are highly energy efficient to prevent them causing fuel poverty in the future**

CHC and its members are committed to develop highly energy efficient homes and we believe that good quality housing will prevent fuel poverty in the future. HA's have been instrumental in the delivery of highly energy efficient homes across Wales, including social housing built to Passivhaus standard.

The Welsh Government's flagship Innovative Housing Programme (IHP) has supported housing associations and local authorities to develop high quality housing that tackles poverty by providing homes which are more energy efficient and cheaper to run. The £90m investment from Welsh Government into the IHP programme provided the opportunity for the housing sector to test and develop a range of building techniques including battery technology, solar panels, air source heat pumps, timber construction and modular housing.

Developing low-carbon and highly energy efficient affordable homes is one of the biggest challenges for the housing sector. Developing smart homes that act as power stations, producing more energy than is consumed, will help us meet that challenge. HA's including Pobl Group are leading the way in this area and have developed 16 "active homes" in Neath (further information provided in Appendix 2). These homes are being monitored post-completion to see how the systems perform.

Housing associations in Wales have ambitions to build 75,000 new homes by 2036, and earlier this year, an Independent Review of Affordable Housing recognised that additional investment was needed to meet that ambition. Further collaboration is needed across Local Authorities and HA's to meet these ambitions, as well as a grant system and rent policy that encourages long term planning and sustainability. **We need to see investment in new low carbon energy efficient homes remain as a priority for the Welsh Government to continue the momentum already achieved by the sector.**

**We urge the Welsh Government to consider and review the success of innovative energy efficient developments in terms of carbon production, energy usage and value for money, so that the sector has a good**

**understanding of the construction techniques and their suitability for the local community.**

## Appendix

### Appendix 1 – Examples of HA energy efficiency projects

#### **Newport City Homes (NCH) and Switch2 Energy:**

- More than 750 homes connected to NCH's Duffryn district heating scheme have halved their energy consumption by using Switch2 Energy's G6 smart energy pay-as-you-go meters.
- Previously, residents paid a fixed weekly charge for their heating and hot water, but now they have control over their usage and costs, which allows them to budget better and save money.

More information [here](#).

#### **Cartrefi Conwy:**

- Work began in early 2019 to produce low energy homes with Norfolk-based Beattie Passive. The homes which are part of their strategy to create 250 new homes by 2020 are estimated to save residents up to 90% in annual energy costs.

More information [here](#).

#### **Trivallis money advice service:**

- Over the last three years, Trivallis' money advice service has saved its customers over £210,000 through providing energy advice, assisting customers to switch energy supplier and access various entitlements and discounts to reduce their energy costs.
- All members of Trivallis' Money Advice Team hold the National Energy Action (NEA) Level 3 Award in energy advice.
- Trivallis also has members of staff with further training in fuel debt advice, home energy advice and behaviour change.

- Examples of where significant behaviour change could reduce a household's fuel costs by up to £150 over the course of a year
- Communications campaign to promote energy advice online and through social media relating to smart meter rollout, energy switching advice and warm home discounts.

More information about Trivallis, [here](#)

### **Merthyr Tydfil Housing Association – helping tenants tackle fuel poverty:**

- Assisting in the application for a warm home discount if it's offered by their supplier (£140 credit to the account).
- Price comparisons and helping to switch suppliers to ensure the best tariffs.
- If there's debt, working with utility providers to get repayments to a manageable repayment.
- Liaising with utility companies to change meters to credit meters rather than prepayment so that better tariffs are available
- Helping tenants set up direct debits so they are getting the best deal and more tariffs are available to those paying by direct debit..
- Helping where there are billing/meter issues and claiming compensation
- Getting eligible tenants onto the priority register.
- Save money in other areas such as Welsh Water Helpu Scheme to save tenants money so they have more available money.

More information about Merthyr Tydfil Housing Association [here](#).

### **Grŵp Cynffin – Energy Wardens project (reviewed 1<sup>st</sup> April 2018 – 31<sup>st</sup> March 2019):**

- Targeted locations in North Wales where examples of fuel poverty were already prevalent.
- A total of 102 warm home discount applications were submitted, providing an overall saving of £14,280.
- The energy wardens supported 2 tenants recently regarding Welsh Water

Helpu applications providing a saving of £280.

More information about Grŵp Cynefin [here](#).

## **Appendix 2- HA Smart Homes example**

### **Pobl Group – Active Homes model:**

- Partnership with Neath Port Talbot Council and SPECIFIC which integrates innovative technology developed into the homes.
- Builds beyond the concept of carbon neutral homes towards overproduction of energy giving multiple options on how those funds can be reinvested.
- Tenants to receive training on how to use the technology.
- Energy bills are expected to be significantly lower than other houses.

More information [here](#).