

## **The development of an energy efficiency strategy for Wales**

### **Community Housing Cymru Group response**

#### **1. About Us**

**The Community Housing Cymru Group (CHC Group)** 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. In 2013/14, our members directly employed 8,400 people and spent almost £2bn (directly and indirectly) in the economy, with 81% of this spend retained in Wales. Our members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

#### **Our 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.

#### **Our vision is to be:**

- A dynamic, action-based advocate for the not-for-profit housing sector.
- A 'member centred' support provider, adding value to our members' activities by delivering the services and advice that they need in order to provide social housing, regeneration and care services.
- A knowledge-based social enterprise.

In 2010, CHC formed a group structure with Care & Repair Cymru and CREW Regeneration Wales in order to jointly champion not-for-profit housing, care and regeneration.

#### **CHC Group General Comments**

The CHC Group welcomes Welsh Governments plans to develop an energy efficiency strategy. CHC agrees that the opportunity for improving energy efficiency in Wales is "immense" and we feel that developing a clear energy efficiency strategy for Wales, accompanied by a detailed delivery plan, will help to deliver the visions outlined in the consultation paper. CHC supports the overall direction and intentions of the vision. The strategic role of the Welsh Government (WG) is vital and CHC and members continue to

work alongside WG, local government and other key stakeholders to tackle fuel poverty, climate change and promote social justice in particular.

Improving the energy efficiency of homes is one of the key levers to tackling fuel poverty and CHC feels quite strongly that the housing association sector and Care & Repair agencies are well placed to deliver energy efficiency improvements in communities to help meet the targets around fuel poverty. While low incomes and energy prices act as the main contributory factors to rising levels of fuel poor households (alongside the number of energy inefficient properties), they make the eradication of fuel poverty a real challenge. Household income is still under significant and substantial downward pressure and changes in people's income levels are working adversely. Furthermore, energy prices continue to rise. Therefore more needs to be done to ensure vulnerable households are paying the least possible price for their home energy needs. As well as focusing on the need to create employment and jobs, we must focus on the installation of energy efficiency measures to help improve the fabric of buildings. Beyond this, we need to improve the generation of energy through renewable technologies and also focus on consumption by offering education and behavioral change training to help negate and protect against any future increases in energy prices. There is scope for expanding the role of micro-generation in tackling fuel poverty and reducing carbon consumption. It is important to build upon the 3% annual carbon reductions. Housing is responsible for a significant amount of carbon dioxide emissions and any new homes we build will add to this carbon count.

The CHC Group and RSLs in Wales were key strategic partners with the Welsh Government in the delivery of Arbed phase 1. RSLs have played a key role in the Arbed programme and have proven experience in combining investment in energy saving measures with job creation. The majority of the works in the Arbed 1 scheme were commissioned and managed by housing associations which achieved significant regeneration outcomes by the use of binding social inclusion clauses in procurement contracts. From the total investment of over £68m in the delivery of Arbed phase 1, around £20m was invested by social housing providers and local authorities. Arbed investment has enabled a number of HA properties to install energy efficiency installations and has had a significant impact on improving the HA housing stock and supporting those in fuel poverty. The RSL sector in Wales has expert knowledge, experience and awareness of fuel poverty issues affecting tenants and householders across Wales and therefore we welcome this opportunity to respond to this consultation call.

Care & Repair agencies work with older people to improve the energy efficiency of their homes and maximise income, in order to lift people out of fuel poverty. Agencies are skilled in accessing all grants, charitable funds and fuel poverty schemes at local and national UK level to support older people to live in warmer, more comfortable homes. In 2013/14, Care & Repair agencies provided over 1800 people with energy advice and assistance and over 1000 older people were supported with issues of damp and energy inefficient housing. With Care and Repair's experience of working closely with older people, they are in a strong position to identify and support older home owners, entitled to energy efficiency funding, through the process and help to lift them out of fuel poverty. Care & Repair agencies utilise the Nest Portal system, in order to refer clients directly to the scheme, whilst visiting the

client in their own homes. The Nest partnership with Care & Repair helps ensure that the scheme is made accessible to vulnerable older people, living in their own homes.

Despite the CHC Group and its members continued work in raising the quality of the energy efficiency of its housing stock through the Welsh Housing Quality Standard (WHQS), ARBED and other energy efficiency programmes, significant amounts of tenants and householders remain or have become fuel poor. Whilst the WHQS sets good minimum standards, they rely on an assessment methodology which is very broad and does not necessarily tackle the problem of increasing energy costs or CO2 emissions. According to the Wales Fuel Poverty Projection Tool released in 2013, 31 percent of social housing tenants in Wales still lived in fuel poverty in 2012, equating to 70,000 households, which is a rise of 6 per cent from 2008 indicators. In 2012, 30% of households and 33% of vulnerable households in Wales were estimated to be in fuel poverty. The latest official figures from the Department for Energy and Climate Change reveal that 29% of households in Wales are in fuel poverty compared to 25% in Scotland and 15% in England.

The rise in fuel poverty since 2008 is to some degree a result of a number of mitigating circumstances. Since 2008, tenants living in HA properties have been affected significantly by rising fuel bills, benefit changes and the bedroom tax. High energy prices in Wales are compounded by the energy inefficiency of Welsh housing and lack of access to mains gas in rural areas. Recent information from the National Housing Federation has identified that 26% of 'bedroom tax' claimants have cut back on heating to pay for the cut in housing benefit. Tenants often face the choice between heating their home or eating and obviously, heating is the one that suffers quite considerably. One of the major problems in meeting Welsh Government's targets is the assumption that once tenants/owner occupiers are lifted out of fuel poverty that they remain there. As energy costs rise faster than wage or benefit increases the number of householders in fuel poverty increases. There is no permanent way to guarantee reduction in the number of tenants in fuel poverty aside from permanent increases in pay and benefits being at a higher rate than increases in fuel prices. With fuel poverty being expressed in terms of the percentage of household income spent on fuel, the increase in fuel costs allied with the reduction in benefits has resulted in moving some tenants into fuel poverty, as well as moving some tenants back into fuel poverty despite the energy efficiency works which may have been carried out. There are areas in Wales where there are households where fuel costs exceed 20% of income and people are designated as being in 'severe fuel poverty'. Fuel poverty status is a dynamic entity, whereas the effects of energy efficiency works are permanent, albeit transferrable to new occupiers.

Fuel poverty is a significant cause of excess winter deaths and in winter 2013/14, there were 1,100 excess winter deaths in Wales and the majority (73%) were over the age of 75. We know that around 30% (a conservative estimate) of these deaths can be attributed to cold homes. Although 1,100 people is a considerable decrease from last years figures of 1,900, it remains a significant issue. Last winter was relatively mild and many older people still faced difficult decisions about whether to heat their home or eat. Tenants and older people are more vulnerable to fuel poverty as they are often on fixed income and often spend more time in their homes. The rising costs of living, such as food and fuel affect them disproportionately. According to the Office of National Statistics retired households spend a greater percentage of their income on household fuel than non retired, even after accounting

for winter fuel payments. Research carried out by Age Cymru in 2014 found that energy bills were the greatest concern to older people. 57% were worried about affording gas and electricity bills and many were cutting back on other things in order to manage. Figures suggest that there are 140,000 pensioner households are in fuel poverty in Wales. The older people's wellbeing monitor for Wales indicated that 1 in 5 households containing someone over 60 were fuel poor, twice the rate of all households.

While CHC do not feel that the fuel poverty targets will be met, we think that we have made good strides in looking to retrofit and develop properties that are now more energy efficient. CHC feels that the Welsh Government continues to make a link between fuel poverty and energy efficiency. However, whilst CHC welcomes programmes such as ARBED and NEST, they are insufficient given the scale of the problem that needs to be addressed. Funding has been insufficient and there have been difficulties in the way that schemes have been run. We have therefore not been able to get a grip of the problem that needs to be addressed. The scale of the problem is far greater than the investment made at present.

**Potential impact. Do you have any evidence or experience you would like to share on the potential impact in Wales of energy efficiency on saving money and on supporting jobs and green growth?**

**Please send any measured evidence of impacts from energy efficiency schemes to CHC-ideally this includes actual fuel bill savings as opposed to what is estimated savings (although both would be useful for CHC) and how schemes have supported jobs and green growth.**

To make substantive cuts in emissions we need to tackle the existing stock of housing. According to statistics, new builds will make up 1/3 of all homes by 2050 - but 2/3rds of us will be living in existing homes. Please see **appendix 1** which contains examples of measured impacts from energy efficiency schemes in the social housing sector.

**Vision. Do you agree with the vision? If not, please explain your reasons.**

**People, communities, businesses and other organisations recognise the benefits of energy efficiency and take action**

**We have the supply chain that we need across Wales to deliver energy efficiency improvements to buildings, products and processes, and those businesses go on to grow and export their expertise and know how.**

**We have effective education and skills in place to deliver on the energy efficiency challenge, through from raising awareness in schools to a qualified and skilled workforce and investment in higher level skills to support R&D and innovation.**

**We support innovation in new energy efficiency products to deliver solutions in Wales; and our businesses benefit from the opportunities presented by the global challenge.**

**We have clear funding mechanisms, a sense of direction and a stable framework that is attractive to investors and consumers.**

Yes. It's important that we avoid any political barriers throughout the process of achieving this vision. A lack of clarity, a lack of long term plans and a lack of a clear roadmap from Government can be major barriers. It's vital that we continue with the whole house retrofit approach as recognized in ARBED, as in order for benefits to be wholly realised, an integrated, holistic and synergistic whole house approach is needed. The whole house approach, along with attempts to positively drive the behavioural aspects of energy usage by tenants is the favoured approach. Whole-systems thinking should be applied to delivery processes to optimize the building as a whole for resource and energy efficiency. Furthermore, a matrix of solutions by market segmentation, by tenure and subdivided by type of property and age is required. By putting in place both area-based and individual dwelling backstops, we can help ensure that the hardest to reach people and hardest to treat homes are included in retrofit programmes. Transparency, longevity and certainty in policy is required and there has in the past been a history of stop / start grants. CHC feels that RSLs can play a key role in coordinating and delivering the step change needed in refurbishment activity. Welsh Government needs to seek additional or separate powers in relation to energy. Whilst some areas are solely controlled by the UK Government, Wales will continue to be in the position of responding to changes rather than driving them. An example includes the latest round of the Green Deal Home Improvement Fund as an example. This fund as taken up in 1 day by a small number of organisations who had the processes in place and it is a missed opportunity to focus on community wide schemes in the areas most needed.

**Barriers to householders and communities. What do you think are the barriers to people recognising the benefits of energy efficiency and taking action? Do you have any suggestions for improving and extending household take up of energy efficiency? What are the current strengths and successes and how can they be developed further?**

There are significant barriers to householders and communities and if these barriers to consumer take-up can be overcome, a sizeable increase in demand and delivery may be realised. CHC feels that there needs to be more incentives, more funding, more awareness and information raising, more trust and less complexity. Here are some the barriers that CHC feels exist:

### **Economic barriers**

The current economic situation in the UK with high unemployment, less disposable income, higher energy prices and less consumer spending on renovation is a barrier in itself. Energy bills are becoming a bigger percentage of household expenditure. Funding can be difficult to access and access to low cost finance remains a barrier. The complexity and time taken in arranging grants and funding is also an issue. In considering access to capital, a key issue for RSLs is the level of gearing and the expected consequences of further borrowing. Whole house refurbishments are usually very expensive and payback periods are long.



Meanwhile, finding upfront capital is difficult. Technology may not be cost effective and energy efficiency investments can be high risk. RSLs have to spend significant amounts of money on the costs of gathering, assessing and applying information, the costs of negotiating with potential suppliers and partners, the costs of tenant engagement, the costs of assuming risk, the costs of reaching decisions, the costs of employing specialist people, the costs of reaching and enforcing agreements among parties, the cost of specification and tendering for capital works to manufacturers and contractors, the cost of disruptions and inconvenience, additional staff costs for maintenance and the costs of energy information systems (including: gathering of energy consumption data; analysing data, etc). Cost effectiveness has to be built into plans and assuming that a project is cost effective, RSLs have the ability to help some low income individuals who would otherwise find it very difficult to gain access to capital for efficiency investment.

Unless economies of scale can be achieved the cost of delivering programmes may be too high and additional government subsidy will be needed. There is a lack of community schemes and installation levels have not been high enough to meet targets. Please see CHC's response further below in regards to the question on financing to get more insight into economic barriers.

### **Targeting of vulnerable groups**

The ability to target vulnerable groups of people and hard to reach people is a barrier. The lower super-output areas on which ARBED is based do not necessarily correlate with the fuel poverty map for Wales. So, there will be areas, particularly rural areas, and marginal areas, that will not have qualified previously for grants because they are not in that lower % of lower super-output areas. Yet, fuel poverty does exist there and can be there in quite high levels. Longer-term planning around future energy needs must take more account of the fuel poverty map and potentially less account possibly of the lower super-output areas. Whilst the lower super-output areas help you to deal with the density of deprivation, deprivation is actually far more widespread so there should be flexibility to take account of this and the fuel poverty map for Wales to target hard to reach people.

Furthermore, the type of energy efficiency scheme that would support RSLs in the future is one that targets off gas areas. Whilst most funding is allocated in areas that sit in LSOA areas (where mains gas might be available), feedback from members has stated that not enough funding is allocated for towns and villages that are off the gas main. These properties are reliant on the most expensive forms on heating fuels (electricity, oil and lpg in general) and more investment is needed. In looking to connect as many properties as possible to the gas main, more support must be given for offsetting connection costs via fuel poverty vouchers. Priority must be given where possible to solid wall properties in off gas areas. In parts of Wales, the typical 'estate' can include small-scale, energy inefficient properties, with a wide range of non-traditional build types. The nature of relatively small developments in challenging environments does not fall into the large scheme/significant carbon reduction package both the UK Government the Energy Companies favour and unless there is concerted action to address properties such as those described above, fuel poverty will continue to grow. We therefore need to identify where gaps exist and where we aren't targeting. CHC would therefore welcome a new strategy extending support to households

who currently don't meet eligibility criteria for Nest/ARBED and who are struggling to get ECO funding. It's important to ask 'How can you best achieve the outcomes that you are seeking, and is the scheme currently designed to maximise that?'

Focusing on the fuel poverty map for Wales includes the need to focus on hard to reach people and the people we haven't reached, as well as people who have been reached and need support but can't access it because they don't live in an LSOA area. There are a range of affected groups that need to be targeted and one particularly affected group is low income, older owner occupiers dispersed in urban, suburban and rural areas across all of Wales. Finding these people requires more up front effort and targeting them for energy efficiency measures might not be as attractive to energy companies who have legal targets on the quantity of carbon emissions they need to reduce. As well as targeting geographic energy efficiency schemes at scale, RSLs and Care & repair Agencies, with the right support, would be able to form partnerships together, as well as partnerships with a wide range of other organisations so that these types of affected groups can have their properties included in energy efficiency schemes. These groups aren't necessarily favoured by the carbon emissions targets approach under schemes like ECO and therefore, an approach which is favourable to them needs to be discussed and considered.

## Prepayment meters

Many social housing tenants in Wales are using prepayment meters to pay for their gas and electricity bills. Many tenants have no option but to be put on prepayment meters, whilst others prefer them as it enables them to budget better. One HA based in the south Wales valleys estimates that approximately 70% of its tenants use prepayment meters. The benefit of having a prepayment meter is that it allows the tenant to budget the amount of electricity and gas that they use. However, prepayment meters are on the whole more expensive than a standard meter. For every £10 a tenant puts into a prepayment meter, approximately, £1 gets used before the tenants uses it. The most vulnerable and fuel poor tenants are likely to be on prepayment meters. The CHC Group and RSL members are concerned in the rise of prepayment meters in tenant homes and are keen to work with the Welsh and UK Governments, OFGEM and energy suppliers to make prepayment meters cheaper for tenants and develop alternative forms of gas and electric payment for fuel poor tenants and homeowners. Due of the disproportionate high levels of prepayment meters, some RSLs are pursuing a programme of encouraging tenants to apply for credit meters.

Even after their debt has been repaid, some consumers prefer to use PPMs as it helps them to budget and keep better control over their finances. They are wedded to their pre-payment meters; they do not want to get rid of them. They use them as a budgeting tool. CHC believes that as well as trying to persuade people to get rid of pre payment meters, a bigger emphasise has to be put on persuading the energy companies to be much more equitable in the tariffs that they impose on people in those situations. Ofgem is currently investigating the premiums people on prepayment meters pay as part of their Energy Supply Markets Probe, including addressing the problem of customers switching to more expensive PPM providers. There is a need for the Welsh and UK Governments, energy suppliers and OFGEM to make prepayment meters cheaper for tenants as well as develop alternative gas and electric payments for fuel poor tenants. According to research undertaken by Citizens advice,

statistics in their prepayment meters campaign literature state that on average prepayment meter users pay £80 more per year<sup>1</sup>. Customers need companies to provide them with a system that does not penalise them because that is how they want to manage their budgets.

Feedback from members has stated that some have seen an increase this year in tenants being unable to heat their homes due to the fairly warm/mild summer and autumn which has resulted in tenants not needing to put money on to token meters. This has had the result of arrears being built up through daily standing charges and then tenants are unable to heat their homes during the colder months due to the money that they are putting on being swallowed up by the meter. The real issue is that many tenants don't think/understand this process and so it is making the most vulnerable more vulnerable. There is a need for more community based assistance and more local and tailored support and delivery of energy efficiency schemes.

### **Behaviour change barriers**

If advice on behaviours is poor it can act as a barrier to performance. CHC would like to see more funding made available to support job roles such as energy wardens, (see appendix 1 for more information) in which RSLs can offer a way back to work for individuals who have been unemployed for a long time to visit homes in their area giving free advice about how to save money by reducing energy bills. Programmes such as energy warden programmes show how you can help people at a very basic level in terms of reducing their energy consumption as they do not understand the controls that they are using.

Householders can be unaware of simple energy saving measures as well as microgeneration technologies and how to use advanced controls for example. CHC would like to see significant amounts of revenue funding made available to pursue an active programme of energy awareness and guidance amongst tenants, including looking to appoint energy champions internally and externally to carry out training, advice, energy surgeries, etc. This includes training and advising RSL staff as well as tenants to raise awareness of energy saving initiatives. There is work that the RSL sector is doing around behavioural change that is very effective as a big focus has to be about how you use the system, and tenants need to be aware of that, otherwise it sometimes defeats the purpose of having the technology in the home. RSLs put a lot of work into following up these schemes by going into people's homes and showing them how to most effectively use the new measures that have been put in place. As noted above, CHC would like to see Welsh Government make some degree of revenue funding available to bodies such as housing associations that are well placed in their local communities to go to help these tenants to use what they have more effectively, perhaps, than they do at the moment.

Behaviour change principles can be applied to help customers understand and control their energy use as well as get customers interested in energy efficiency if they are not already engaged. If we want communities to be energy efficient we have to get people to take action. Behaviour change is more likely when the benefits of action outweigh the barriers to action. Our approach and marketing needs to make change attractive, easy and normal by reducing the barriers, and increasing the benefits, that matter to people. Furthermore, what

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<sup>1</sup> [http://www.citizensadvice.org.uk/index/campaigns/current\\_campaigns/fairprepay.htm](http://www.citizensadvice.org.uk/index/campaigns/current_campaigns/fairprepay.htm)



matters is different for different people as people are motivated by different things. People face different barriers and they are different for different actions. We must challenge our assumptions as to why people do what they do as if we do not know what matters to the different audiences, we can not design an effective campaign that creates favourable exchange.

A solution is to focus on different target groups or segments. The focused, segmented approach allows us to recognise that one size does not fit all and we can develop tailored messages, products and services that are more personal and relevant than ones designed for the general public, by targeting our efforts on prioritized groups for example. It is wasteful to appeal to everyone with the same message, or service and we have to focus on the problems people have and the benefits they are seeking, how and when they buy, their budget, who/what influences them, where they get their information from, what else they buy, their attitudes to your issue, demographics, lifestyle choices, their awareness, etc. Different actions have different barriers e.g. issues around the appearance of the property following external solid wall insulation, issues around reduced living space after internal solid wall works, lofts being full of junk, concerns that cavity wall will cause damp, etc. Barriers can be both practical and psychological (misperceptions). They can also be about the way things are promoted (e.g. door to door canvassing). There are lots of things we could do to create a favourable exchange and make energy efficiency more attractive. But what we do is dependent on knowing our audience and what matters to them.

People can value a benefit that arrives sooner over one that arrives later and we need to focus on the benefits that matter most to our audience segment. For example, it might be better to talk about what else people can do with the money rather than how much is saved. It might also be more suitable to some people to develop messages regarding what they are losing/wasting rather than what they will be saving (wasting money can be a more powerful, especially if people don't always realise they are wasting money and don't like waste). Conveying benefits such as increased comfort may be more immediate and more noticeable

There is a need to making it personal, local and urgent and having information tailored to the property (thermal imaging, etc). Other barriers can include inconvenience to the householder. Can the process be made easier and carried out alongside other home renovations/repairs and can a service be provided e.g. loft clearance to allow easy access, short waiting times, etc. Mistrust and misperception are also barriers. The power of social proof must not be underestimated, whether it's about encouraging people who have been through the experience to spread the word, making it competitive between neighbours, using more show homes, using trusted organisations such as RSLs, etc. Responsibility for behaviour change can't just sit with the end user. They have a role to play, but so do organisations throughout the process. Training contractors, for example, could have contractor job specifications which include the flexibility to do extra, simple, energy efficient works if identified when carrying out repairs. More needs to be done to integrate energy efficiency improvements with other household works and this includes investment in the up-skilling of small contractors. Research has shown that home owners are more likely to consider energy efficiency improvements to their homes when triggered by other home improvements, such as a leaking roof, installing a new kitchen, changing a window or fixing a broken boiler. There is an opportunity for Eco academies/DLO's to develop in house skills on a range of eco friendly construction, repair and maintenance skills. There's also the

potential and scope for the development of social enterprises around the energy agenda in terms of installation, repairs and training opportunities. Making it easier and normal for householders to act might involve organisations reviewing their own processes. Its important to ask 'What is stopping householders from acting?'

The installation of SMART metering and the piloting of new technology does offer opportunities. However, there are key questions and concerns around smart meters in particularly and far greater thought is needed around the way in which the programme will be rolled out. A report by the National right to fuel campaign outlines some of the challenges that we face in the installation of smart meters<sup>2</sup>. Notably, that greater clarity is necessary if vulnerable consumers are to understand the role of the smart meter in their home and the benefits of the roll out for them. To pick out a few key points from the report, the report states that smart meter rollout can deliver real and equal benefits to all households if it is done in a way that makes people confident that it is being done for them. The report rightly points out that the rollout of smart meters and delivery of a 'smart energy world' will be paid for by all consumers. This inevitably places the most vulnerable at risk of becoming even more affected by energy costs. The real challenge over the coming years will be to deliver 'smart' cost savings to consumers, particularly those in fuel poverty. Consideration must be given to "an extra help" scheme for fuel poor and vulnerable customers and to prioritising the fuel poor in the Smart Meter rollout. This is going to be a very costly programme and the anticipated behaviour change associated with smart meters will, in the medium term, only make a small difference to energy bills. A much bigger difference could be achieved through insulation and other household energy efficiency measures. It cannot be assumed that energy use will fall as a result of smart meters. One of the key areas for further discussion within the energy sector is whether the rollout of the smart meter will make it more difficult for customers to switch. Only when customers trust both the installation company and the technology will smart meter delivery be efficient and at least cost to the end consumer. Contractors will, therefore, require special training so that they are able to deliver different types of advice during the installation to vulnerable consumers. It's important to try and ensure that improved energy efficiency does not have multiple unintended consequences that have the potential to erode much of the anticipated energy savings. Energy efficiency improvements can sometimes increase aggregate energy consumption and carbon emissions and research on these 'rebound effects', has shown they could be highly significant<sup>3</sup>.

Care & Repair recognise that vulnerable customers require not only advice, but the support required for them to understand this advice and make changes. Whilst we appreciate the work of Nest, receiving advice on energy efficiency and behaviour changes over a telephone helpline, is often not sufficient for vulnerable people. Care & Repair agencies support older people, in their own homes to repair, maintain and improve energy efficiency. As trusted advisors Caseworkers and Technical Officers can help older people to navigate an ever more complicated energy market and support people to use the technology within their own homes more efficiently. A Welsh Government strategy needs to recognise the importance of supporting vulnerable people to change behaviours, make property improvements and understand energy efficiency, particularly in relation to impacting upon fuel poverty. A recent

<sup>2</sup> <http://www.right2fueluk.com/downloads/NRFCsmartmeterreport.pdf>

<sup>3</sup> <http://www.sussex.ac.uk/spru/impact/rebound>

report by Age Cymru, Life on a Low Income found that the rising cost of energy bills were the biggest concern for older people and that many of them were cutting back on spending in order to manage. It was also reported that 70% of pensioner households in poverty and 80% of households in severe poverty were not currently in receipt of any major state benefits (Pension Credit, Housing Benefit, Attendance Allowance or Disability Living Allowance). This highlights the importance of reaching those people and providing the financial support that they are likely entitled to but are not receiving.

Care & Repair agencies utilise the Nest Portal system, in order to refer clients directly to the scheme, whilst visiting clients in their own homes. The Nest partnership with Care & Repair ensures that the scheme is accessible to vulnerable older people, living in their own homes. Care & Repair Cymru carried out a survey to evaluate the Nest scheme, in terms of their relationship with Care & Repair and how the scheme worked to support older people to alleviate fuel poverty. The findings included both benefits and concerns.

#### Concerns:

Eligibility criteria it was felt that the eligibility criteria were too stringent and many people were vulnerable, but did not meet the criteria for support through Nest

#### Measures funded

–Of particular concern was that the scheme did not cover replacement windows or replace old, inefficient boilers. One comment read; ‘If the windows are old and inefficient and the roof leaks then a new central heating system will not fully meet the needs of the client.’

#### Application process

-complicated and difficult for vulnerable people (particularly those without support).

#### Benefits:

Respondents felt the benefits included;

Provision of heating, improving living conditions

A more fuel efficient home

Reduced fuel bills

Improved wellbeing

Works were fully funded for clients who would struggle to fund such works.

One Caseworker summarised the benefits as; ‘Clients who are disabled, elderly or with health problems and on low incomes are able to live more warmly, within their own homes and remain living in their own homes.

#### Consumer barriers

Consumer demand for energy efficient homes and whole house retrofit is an issue. There is a need for far greater levels of public engagement and appetite for low carbon technologies. Lack of information, consumer awareness, interest, and understanding are all still barriers, as well as awareness of the measures, solutions and technologies available. Consumers are also unaware of the benefits and opportunities available to them. There is a lack of a coordinated marketing approach and independent and consistent advice. Easy access to

clear and relevant information on energy issues and the support available is a critical element of tackling fuel poverty in Wales. This advice needs to reflect consumer needs and circumstances. There is currently a range of organisations that provide advice to consumers on energy issues. To avoid confusion the system needs to be simplified and better co-ordination is needed between these services. Other barriers can include quality assurance control, assurance of performance, a lack of information on the existing structures, potential hazardous components, location of utilities, access problems and disturbance (e.g. solid wall insulation, under floor insulation and noise and air pollution restrictions, etc) to and from the infrastructure, space constraints, measures reducing the living space such as internal wall insulation, appearance where there is a need to keep the street scene intact, such as with Victorian Terraces, barriers around technical complexity include hard to treat properties, complexities around measures (e.g. Internal Wall Insulation in kitchens, stairs, doorways, etc), knowledge of building physics, etc. If factors such as trust are absent from information on energy efficiency, inefficient choices may be made.

WG might find a report entitled “breaking barriers-An industry review of the barriers to Whole House Energy Efficiency Retrofit and the creation of an industry action plan” useful. A link to the summary report from March 2014 can be seen in the footnote below<sup>4</sup>.

The behaviours identified above present some of the key barriers not only to the achievement of sustainability but also to the delivery of high quality public services. We need to deliver services in ways which are thought through, joined up and offer what people need, with organisations working together with a focus on serving citizens, including the most marginalised and disadvantaged. The co-production and co-design agenda is important. In regeneration practice, there is long-term evidence of the value of community engagement and participation. Seeing this as co-production provides emphasis on the benefits which can be achieved by involving beneficiaries in the design, delivery and evaluation of programme and policies which affect them.

**Barriers to businesses. What do you think are the barriers to businesses recognising the benefits of energy efficiency and taking action? Do you have any suggestions for improving and extending business take up of energy efficiency? What are the current strengths and successes and how can they be developed further?**

Research has shown that the energy efficiency sector sees a strong prevalence of region based small businesses who often struggle to bid for large scale projects. This can mean an unequal coverage of the wide variety of measures across areas. Implementation, verification, accreditation and commercialization of new technology are often too onerous and costly for small businesses. Small business owners need help to gain access to capital for efficiency investment.

**Barriers to the public sector. What do you think are the barriers to the public sector recognising and acting to realise the benefits of energy efficiency? Do you have any suggestions for improving and extending public sector action on energy efficiency?**

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<sup>4</sup>  
[http://www.nef.org.uk/themes/site\\_themes/agile\\_records/images/uploads/BreakingBarriers\\_SummaryReport.pdf](http://www.nef.org.uk/themes/site_themes/agile_records/images/uploads/BreakingBarriers_SummaryReport.pdf)  
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## **What are the current strengths and successes and how can they be developed further?**

### **Supply Chain. What are the strengths and weaknesses of the supply chain and how can we build on the strengths and tackle the weaknesses?**

#### **Using local labour**

Using local suppliers and installers is key to keeping money in the Welsh economy. Through procurement consortia and other means, Welsh Housing Associations are already engaged in the process of working with local suppliers and contractors to build partnerships. This also makes a contribution to carbon reduction by reducing transport of materials and personnel. When considering the vision to organise the way we live in housing, carbon reduction can be affected not just through the analysis of production and consumption. Spatial factors, such as the location of new housing, access to public transport, employment sites and key services will also affect our collective carbon footprint in the future. There is also the issue of embodied energy which is the energy used in manufacture and movement of materials – there is a need to reduce carbon impacts from the manufacture and supply of construction materials, space and water heating, power for appliances and lighting, water and sewage treatment, and transport. It is vital that all agencies involved in development consider ways to reduce the carbon impact of construction and homes once completed – this will involve continuing to develop skills in the housing sector around energy efficiency, on-site energy provision and others. Effective procurement is a major part of what housing associations are doing.

The 3% annual reduction is considerable due to its annual cumulative nature. Meeting this target will require sustained focus, change management and major investment in design, infrastructure development (including manufacturing) affecting housing construction, as well as the marketing necessary to require behavioural change in energy consumption by residents to ensure the delivery of these savings. The need for zero carbon developments is therefore essential, but to make substantive cuts in emissions we need to tackle the existing stock of housing. New build will make up 1/3 of all homes by 2050 - but 2/3rds of us will be living in existing homes.

Welsh Government also have the opportunity to look at supply chain issues in regards to the duty in the wellbeing of Future Generations bill, which should explicitly recognise and give regard to the international impacts of Wales through the supply chains of the sectors in Wales (the activities of Welsh businesses abroad, and the carbon emissions produced in Wales). There is a need to achieve the wellbeing of people within the environmental limits of the planet in a way that does not compromise the wellbeing of future generations. The implications of Welsh sustainable development policy does not end in Wales, but rather extends globally. Investment in retro-fit can be a major catalyst for regeneration, providing economic impact with positive effects on supply chain SMEs and the labour market, when linked to training and skill development.



We propose that the Welsh Government's established work on Community Benefits is developed into a legal requirement, through the wellbeing of Future Generations bill, to ensure that all public bodies in Wales consider how their procurement activities contribute to sustainable development and environmental, social and economic benefits. There are already a number of examples throughout Wales of purchasers securing additional social, economic and environmental benefits as part of procurement processes. Community Benefits can contribute to growth through the recruitment and training of economically inactive people and through opening up contract opportunities for smaller organisations. The CHC Group supports the continued development of the i2i approach and the Can Do Toolkit, and its extended application across the public sector in Wales. In the years between September 2008 and December 2011, i2i have calculated that this work led to the creation of 2,581 job and training opportunities. Therefore, CHC welcomes the development of the Can Do Toolkit 2 – SME-friendly procurement. Linking regeneration to housing development, renewal and refurbishment can contribute significantly to the economic recovery of communities by providing targeted recruitment and training opportunities at a local level. We should be promoting ethical, fair trade and sustainable procurement practices and deliver public services which meet the social justice and equality needs of the citizens of Wales. WG could also consider enabling pan-Wales procurement of key construction materials to drive down costs.

In order to future proof the supply chain, we must make sure that the supply chain is not underdeveloped and fragmented. There can be limited amounts of time to develop projects and gaps between large energy efficiency programmes can have negative impacts on supply chains. We must have long-term thinking, trust in joint working, one stop shops, coordination, cooperation, quality standards and control over the interface. We must not have piecemeal delivery. Renovation for energy efficiency must be coordinated with building system renovation to avoid poor use of resources and inefficient building performance. Suppliers only provide half the solution - not always noting the downsides and how to get around problems. Necessary building and industry capacity, the size of the supply chain and a lack of reliable suppliers available to assist with planning and carrying out work are all barriers to whole house retrofit. Solution development, design integrity, coordination and the sharing of best practice are key factors to helping develop the supply chain. The supply chain needs to be sufficiently geared up to produce and recognise whole house plans and be able to deliver whole house retrofits cost effectively over the lifetime of the dwelling. Whole house retrofits should be implemented in a manner that is not wasteful and is able to capitalise on the opportunity to protect against future climate change impacts (flooding, overheating etc.) and also ensure occupants can lead a more sustainable lifestyle e.g. through the provision of recycling, water harvesting, vegetable growing facilities, etc. In order to work together, bridges must be built between the industry players (e.g. manufacturers, distributors and installers) and markets (e.g. social housing landlords)

**Skills and Education. What opportunities and barriers are there for skills and education to develop a qualified and skilled workforce in the field of energy efficiency?**

**Barriers to taking more long-term, joined-up decisions? What actions need to be taken, and by who, to reduce or remove these barriers?**

Issues such as climate change and energy efficiency need to be part of the curriculum in schools and we need more climate change young people's champions. Furthermore, there should be a promotion of ECO schools.

Whilst it is important to maximise energy efficiency and renewable technology installations as priorities to create jobs, reduce fuel poverty, increase our energy security and reduce carbon emissions, research has identified that there are a number of skills and knowledge gaps likely to impede our capacity to meet energy efficiency targets<sup>5</sup>. The report referenced to in the footnote below provides a range of useful recommendations in order to help us meet energy efficiency targets. It is clear from the report that we need increasing awareness of environmental technologies and training providers primed to step up and supply the required training. We need a strong drive forward and a clear direction and incentives for employers to take action. CREW Regeneration Wales' research into the skills gaps for professional practitioners clearly illustrated that this issue is not limited to the trade level of skills development but identifies critical skill gaps in the professional services sector in key provision including planners, architects, engineers, road designers and landscape architects.<sup>6</sup> There is a need for professional education. Meeting targets will require sustained focus, change management and major investment in design, infrastructure development as well as the marketing necessary to require the necessary behavioural change. Design is seen as a barrier, including the design of systems, having no integrated provision of design and delivery, the lack of holistic thinking and a whole house plan. Furthermore, there needs to be improvement in the number of people who can create and deliver a plan and awareness of architects along with an understanding of the full range of measures available-do designers understand how the measures work together and the detrimental impacts of some actions when combining measures? Installers need to understand from the outset that every home is unique and that there won't be a one size fits all energy retrofit solution.

CHC would like to reference the work that the BRE in Wales have been undertaking in relation to Understanding heat losses from solid Walls, investigating how solid walls work, their real 'U' values and how moisture tracks through them. This work should help to inform policy at Governmental level and also highlight 'Un-intended Consequences' of conventional interventions. Furthermore, Peter Draper at Rounded Developments has been undertaking research into the Responsible Retrofit of Traditional Buildings-this work is also important for understanding how well solid walls perform and any skills gaps that need to be addressed in undertaking energy efficiency works to properties.

It is essential that energy efficiency measures are installed correctly for the full benefits to be realised. Incorrect installation can lead to detrimental impacts rather than improved conditions for householders and reduced CO2 emissions. To ensure that technical problems can be overcome, installation of low carbon technologies should involve a good quality, consistent pre-works survey to establish the standard and requirements of properties before site works commence. Furthermore, an appropriate design then needs to be conveyed to those undertaking the works on site so that time taken to provide good quality design detail is

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<sup>5</sup> <http://www.buildupskillsuk.org/94/BUSUKFinalReportMay2012.pdf.pdf>

<sup>6</sup> <http://www.regenwales.org/en/resources/publications/>

not lost on site. Good quality workmanship is also essential to allow design to perform as planned. Attention must be paid to intricate detailing e.g. the difficulties when dealing with solid walled properties to avoid water penetration, etc. This can be time consuming to apply on site.

The issue of 'hard to treat' homes remains a difficult problem in Wales, largely due to the high number of urban properties built before 1920 and the number of poorly constructed rural properties with solid walls. The challenge from the existing stock is enormous and one which poses problems across Wales due to the various age ranges of the stock and the varying degrees to energy saving techniques adopted. Hard-to-heat homes are going to be the hardest to upgrade. The WG needs to work with its partners to address skills gaps in the energy sector in particular. The particular age profile and state of existing housing stock, still including solid walled dwellings – requires grant targeting and specific regeneration schemes.

One has to pose the question of whether we have the right skills to help organisations in Wales take advantage of opportunities in terms of in-depth home energy advice, identifying the most appropriate solutions for particular buildings (new/existing/older buildings), and installing more expensive measures like solid wall insulation and micro generation. It is also necessary to consider whether energy efficiency skills and knowledge amongst builders and other trades people can be improved to allow them to encourage building owners and householders to consider energy efficient solutions. Obviously, for this to work, trades people need to understand the benefits to them of providing such advice. The public therefore need to trust them and they must be able to refer on to independent advice where appropriate. Trades people need to understand how and when to offer information. There is a lack of / shortage of skills with few trades people experienced in retrofit.

There are few experts that understand all the issues and whole house retrofit requires installers that are multi-skilled. Other barriers include the technical skills of surveyors and designers and installer expertise. Lack of knowledge can also be a barrier including whether we know enough about how whole house retrofit actually works / affects buildings? Installers need to understand what training is available and how to access it. As well as upskilling Installers, there is a need to introduce training and apprenticeship schemes to make sure installation skills are not lost to the industry. This includes improving links to schools/education, educational programs at all levels (including professional training and development), improvements to education and training throughout the industry in order to replicate the design and construction skills, knowledge and experience gained through experimental retrofit projects, the increased presence of skills on the government agenda, more education around fabric first, more retrofit related CPD, development of a comprehensive skills strategy to help provide the skilled workforce that will be required, relevant accreditation and education and training in the use of sustainable energy technologies and their economic, social and environmental benefits. Education is needed for suppliers, installers, surveyors, designers, project managers (how to run advanced renovation projects) and architects. There is a need to implement educational programs for in-house consultants, planners and on site workers and/or invest in technology clustering as a way to overcome technology dependant lack of skills and competences.

A key opportunity for developing skills and education is the ability to learn from each other and share best practice. This includes sharing intelligence, raising awareness, seminars to share knowledge, promotion of case studies, using demonstration projects and open days at properties as showcases and learning opportunities, determining the barriers and best practice for discussion at workshops, establishing stakeholder communities, more participation in research, making the tools and acquired experience available to all actors, a medium of proactively disseminating information to stakeholders and focused, regular collection of information from stakeholders, involvement of experienced research teams in whole house retrofit projects to minimise the gap between predicted and actual performance and more. CHC welcomes the work of the Energy Saving Trusts supply chain team and generate Wales network in particular. Action at the community scale is vital for engagement and motivation of people to take action. Effective community engagement requires an ongoing process with trained professionals. RSLs have played a key role in the Arbed programme and have proven experience in combining investment in energy saving measures with job creation. The majority of the works in the Arbed scheme were commissioned and managed by housing associations which achieved significant regeneration outcomes by the use of binding social inclusion clauses in procurement contracts.

## **Renewable technologies**

There are barriers to the design, installation, operation and maintenance of renewable energy systems in particular. Research has shown that renewable energy projects which have involved the community in their development from the outset have seen a positive behaviour change and view of renewables of over 90%, compared to those renewable energy projects in which the community is not directly involved (30%). Community developed micro-energy schemes can have significant social and economic impacts, as demonstrated by recent research by CREW Regeneration Wales, the University of South Wales and the University of Glamorgan (this research can be viewed on CREW's website in February 2015). Despite a significant increase in skills, interest and funding in Wales for Community renewable energy over the past 5 years, there are significant barriers to communities developing their own micro RE systems. Many of these significant barriers lie in the planning system, often resulting in over 5 -10 year delays. More assistance, training and advice for both communities and relevant planning officers would facilitate community – led energy projects.

Planning permission requirements can be a barrier e.g. listed buildings with Areas of Outstanding Natural Beauty (AONB) restrictions can be in conflict with whole house retrofit. RSLs have the ability to start addressing these barriers to design, installation, operation and maintenance of renewable heating systems in particular through the relevant expertise in the sector and the willingness to evaluate the effectiveness of such technologies and engage and inform tenants. Due to many reasons (including the cost and the need for renewable heating to be used more widely and be more universally acceptable), from liaising with members, renewable heating projects within the social housing sector in Wales have tended to be small and usually pilots without procurement in large quantities. RSLs are still assessing the effectiveness, running costs and tenant satisfaction from this/last year's

installations. What is evident from projects is that householder education is an important factor to improve both the acceptance and operation of renewable heating systems.

### **Innovation. What are the opportunities for innovation to help remove the barriers to improving our energy efficiency in Wales?**

CHC encourages innovation in developing green technologies. This includes the development of products which will make the task more secure and less disruptive. CHC feels that we should be increasing the amount of energy efficiency retrofit works as well as the amount of energy that we generate through renewable technologies. Government should keep the cost of capital for investment in low carbon technologies low. Schemes such as the feed in tariff and renewable heat incentive are good examples of innovative schemes that we need more of.

With around a quarter of Welsh homes now considered to be in fuel poverty, the CHC Group believes that more investment from the EU structural funds is required to reduce our carbon footprint and fight fuel poverty. EU funding could be used to develop innovative solutions. It is vital that we continue to deliver meaningful regeneration outcomes for the most deprived communities in Wales. This includes finding appropriate routes into work for the long term economically inactive, as well as developing improvements in public services which drive a renewed focus on education and health in our poorest communities. The challenge of achieving long-term sustainable economic growth should be seen as an opportunity to tackle poverty and disadvantage in some of the most deprived communities in Wales. Development of local energy production and food supplies can provide employment and sustainable economic development at community level and contribute to improved GDP and GVA performance whilst challenging joblessness and economic inactivity.

### **Finance. Are there any particular gaps in financing to support the take up of energy efficiency? Which financing models work best to address the energy efficiency needs in Wales for different target audiences?**

A lot of funding that complements RSLs investment for energy efficiency improvements and makes it go further has either been cut or reduced. This has meant that the neighbourhood approach has been more difficult to achieve. An example includes the cuts to the energy company obligation and cuts such as this make it much more difficult for the sector to install energy efficiency measures, particularly more expensive measures such as external wall insulation. Solid walls have low pay back periods and are technically complex. The result is that some tenants in most need will either have to wait longer or even miss out altogether on these much-needed improvements. The aspiration and investment of many in the sector needs to be matched by government stepping up to the plate. WG should look at future funding models for RSLs to ensure that we are able to deliver the best possible standards for housing. This may include underwriting of private sector loans, and grants that both require and enable us to ensure that whole life costing of housing is taken into full consideration. Funding energy efficiency retrofit works as well as the amount of energy that we generate through renewable technologies should be infrastructure investment priorities and infrastructure investment should be benchmarked for their environmental impact. The Wales Infrastructure Investment Plan (WIIP) provides a significant opportunity to ensure that large



capital projects fulfil sustainable development criteria at every level from carbon impact to community benefit.

The CHC Group welcomed the additional £2.3million to the Arbed programme in 2013 which provided grants to create a network of Green Deal Demonstration Homes/Schemes in Wales. This early funding allowed HAs to take advantage of ECO funding to improve and target it's hard to treat properties in Wales. The CHC Group and HAs would like Welsh Government to work closer with the sector on such initiatives when considering releasing funding under Arbed or other funding streams. Ideally, the release of funding needs to be planned, allowing HAs time to consult and develop effective energy efficiency projects.

The changes in ECO and the UK Government's decision to reduce the solid wall insulation target in particular has impacted the sectors ability to fund properties that do not result in significant carbon savings e.g. mid terrace solid wall properties. This has had a huge impact on RSLs in Wales. As a consequence of UK Government changes, a number of energy companies withdrew their ECO funding offers which have affected RSLs ability to deliver energy efficiency housing improvement schemes. Many RSLs had spent many months preparing ECO partnerships, many of which, all the contractors and energy companies, effectively, walked away from. RSLs now have to recast projects at much lower levels of support from the energy companies. RSLs had done enabling work on properties where perhaps new windows were put into properties and properties were prepared to have external wall insulation schemes delivered, only to find that the EWI partners, because of the change in ECO, were no longer prepared to enter into contracts. There were instances where over the winter, RSLs had tenants whose homes had been prepared for installations that RSLs had to maintain watertight over the winter while RSLs were waiting to try to rebuild schemes this year. That was a real impediment and was not a good service to tenant. This in turn can damage the reputation of schemes in the wider community. That is where the Welsh Government, both in terms of its own policy (in terms of operationalising policy) and in terms of trying to influence UK policy, could have a really significant supporting role and leading role to play in trying to change the way in which schemes are implemented and changed going forward. CHC would like to see Welsh Government support available when, for example, UK government funding is either withdrawn or doesn't materialise. However, where RSLs have been able to secure ECO deals, RSLs have undertaken communication with the local community because they know that local community and have also been able to deal with local contractors when possible putting targeted recruitment and training into projects, so that schemes can take on apprentices, local people, etc. It is important that quality work is done as locally as possible.

Changes to ECO targets and the withdrawal of ECO offers from energy companies have hit HAs who were reliant on ECO funding to improve its hard to treat housing stock. Uncertainty in income arising from the recent changes to ECO has meant that HAs have been unable to plan ahead their energy efficiency and maintenance programmes to treat their hard to treat housing stock. Feedback from members has suggested that some ECO funders want to take control over schemes that are already being managed by the HA's. As a consequence to changes, more tenants across Wales could remain in fuel poverty and live in hard to treat homes. CHC would like to work with Welsh Government to put pressure on the UK Government to create a regional target on the number of solid wall properties an energy

supplier must target in Wales, as well as work on the design on investment programmes to help tackle the energy efficiency of housing stock. The latest Department of Energy and Climate Change (DECC) statistics published for the period to June 2014 state that out of a provisional 891,669 measures installed under ECO, six per cent were in Wales (52,252)<sup>7</sup>. ECO has taken an inordinately long time to get the deals done. Delays and policy changes have been probably the strongest characteristic for the slow uptake or slow delivery of schemes. This, in turn, causes breaks with the supply chain, it causes breaks with construction partners, and it causes starts and stops on procurements. Stop-starts between different policies does not help. Equally, the sector was caught when the feed-in tariffs were changed a couple of years ago. It caught the sector out as well as the whole construction and supply sectors. Having a more joined-up approach to individual energy management and energy efficiency policies when policy changes is needed, as well as having forward dates for policy changes rather than drop-dead dates, would also help tremendously in being able to devise and then deliver programmes. Programmes need more longevity so that we can plan better to get the economies of scale and get those works completed in far more properties. RSLs have a long-term interest in the stewardship of their communities and actually planning these programmes has been difficult in many instances in the past.

The CHC Group is supportive of the role the Welsh Government is doing to maximise ECO in Wales. The CHC Group represented the RSL sector on the Maximising ECO Core Working Group and welcomes the Welsh Government's £70m commitment to encourage energy companies to invest in energy efficiency projects and maximise ECO investment in Wales. The Welsh Government needs to ensure that a partnership approach, particularly between local authorities, RSLs, the private sector and Care & Repair Agencies is a key element in awarding funding for ARBED, the maximising ECO grants and other energy efficiency funding streams. WG should ensure that local authorities are having those discussions with their partners.

Arbed Phase 2 has seen a community focussed implementation in some of the most deprived areas in Wales. It has also seen resources concentrated on the most sustainable outcomes in relation to social, economic and environmental drivers – community benefits, investment focussed on Welsh organisations, employment & training and promoting the use of the Value Wales Community Benefit Measurement Tool in demonstrating the value of the investment to Wales, its citizens and its economy. South Wales Scheme Managers can report over 350 jobs created or sustained (which equates to around 10 jobs for each £1 million spend) 60,000+ hours of training delivered and behaviour change assistance for householders. This has been achieved through focussed and targeted implementation rather than by distributing monies on a piecemeal basis. The Arbed 2 scheme in South and West Wales, in addition to seeing works secured by Welsh Business, has also been responsible for new jobs and business in the Green Sector. This includes new insulation companies being formed, new green and surveying companies being formed and SME's stepping up into the principle contractor role. The Arbed project takes an inclusive approach including local authorities, HA's, community groups etc. This means that it has the greatest potential to get to the most 'difficult to reach' sections of communities. Additionally, as it is 'backed' by Welsh Government and Local Authorities customers can have more confidence in the

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<sup>7</sup> <https://www.gov.uk/government/statistics/green-deal-energy-company-obligation-eco-and-insulation-levels-in-great-britain-quarterly-report-to-june-2014>

process, quality of work and outcomes they can expect to achieve. The value of money invested can be readily identified in relation to value to the Welsh Economy, the affects on fuel poverty, employment, training, community benefits etc. The ARBED Phase 2 scheme can demonstrate (through calculations and through data collected from households) that Welsh households are saving an average of £350+ per annum, with some households saving in excess of £600 per annum. The RSL movement in Wales is ideally suited to deliver such programmes.

However, at current levels, it will take decades to be able to make every home that is currently performing very poorly more efficient. Much more significant investment is needed from Welsh Government than is currently in place. Furthermore, the delivery mechanism for ARBED phase 2 i.e. being led by local authorities has meant that less HA energy inefficient properties have been supported in this ARBED phase compared to phase 1. While we recognise that ARBED is a programme which should apply cross tenure we believe that the change in the application process from Arbed phase 1 and 2 has led to a patchy approach in some areas which is too dependent on local government priorities and processes. In some areas good partnership bids have been developed, but in others, some HAs have not been involved in bids for funding. Various HAs have indicated issues with the delivery of Arbed phase 2 in particular in North and rural areas of Wales, including communication issues and using the local supply chain, which are obviously key aims of ARBED. Feedback from a member based in North Wales suggests that some local contactors have struggled to meet the criteria set out in the current Arbed2 format. An RSL based in South Wales felt that one of the main issues relating to Arbed 2 was the initial uncertainty as to where the funding was to be focused as they are an RSL working across 5 Local Authority areas, which can lead to uncertainty and difficulties in planning retrofit upgrade programmes across a diverse portfolio of stock.

It is not just about the relationship between the RSL and LA, but also about capacity issues as well within the local authority, which we anticipate are likely to be challenged further in the future. Local Authorities are squeezed in terms of finances and resources, have complex procurement issues and at a time when they are being squeezed to deliver core services only, they are not well suited to delivering a large scale complex programme. Housing Associations have the ability and the core ethos to deliver these schemes in the most cost effective ways with the additional assurance that they are not for profit – any surplus that may be generated are ploughed back into projects and schemes that benefit communities across Wales. ARBED 2 has suffered in areas from an absence of a multitenure approach and more could have been achieved if there had been blended funding. There are a lot of skills and experience out there to make use of. RSLs benefit from knowing not just their tenants, but also their communities and RSLs are well-placed to deliver that multitenure approach. Blended funding will enable that to happen. In rural areas, while there is dispersed stock, RSLs are well-placed to target private owners as well and retrofit homes with energy efficiency technologies in those areas. Some RSL schemes have reported 100% uptake among private households when they have carried out combined schemes, working in partnership with the local authority. This approach has been very effective, both in terms of the planning bid preparation and delivery on the ground, with both the LA and RSL working to utilise the other's skills to best effect, to enable blended funding to carry out works to mixed tenure schemes. This also brings with it scale and rather than a pepper-pot

effect in neighbourhoods, you have a whole street scene where every property may be done and you can look at the whole village. The anecdotal evidence of going to those neighbourhoods and talking to the tenants who live there, and to the other residents who live there, is that the difference it has made, not just to fuel poverty, but to their lives, is astronomical.

In terms of the cost of dealing with one home, you need to save money by covering as many homes as possible at once. We must help ensure that we maximize the amount of energy efficiency funding provided in Wales going forward alongside UK Government funding and alongside contributions from social landlords, so that the pot is bigger. That will enable us to create larger-scale programmes, which helps to address some of the issues around dispersement of stock. A mixed tenure scheme has a fantastic regeneration impact in terms of the vernacular and the street scene in communities because whole streets are being done at the same time.

There should be a medium-to-long-term strategy, as physical measures are worked through the stock, to start to look at other ways that we can reduce the cost of energy to our tenants. In particular, there are a number of RSLs in the sector now who are starting to look at how we support community renewable energy initiatives and the expansion of solar for example, so that people start to get free power, rather than having to pay for it at all. The feed-in tariff schemes work very well where they have been installed, but there is a lot more to be done now around enabling communities to generate their own power and thereby have a greater control over future fuel usage and costs. We also need to challenge the status quo in terms of the amount invested in energy efficiency. If you look at the experience in France, under the 2007-2013 structural funds programming period, each French region allocated up to 4% of their Operational Programme to energy efficiency investments and greater use of renewable energy in existing housing. Looking at Germany's energy production, Germany has seen a huge increase in renewables from 6% in 2000 to 20% in 2011, with the aim of getting this to 35% by 2020. That scale of spending is happening in Wales and that is the kind of investment we should be aiming towards to get to grips with the challenges we face in Wales. For example, estimates in a Bevan report<sup>8</sup> on poverty states that it will take 78 years for Nest to reach each and every home suffering from fuel poverty in Wales

Schemes such as the feed in tariffs and renewable heat incentives present the sector with an opportunity to take advantage of an attractive financial incentive, reduce the cost of electricity for our tenants, potentially generate income in future years and the potential for growing social enterprise around the future maintenance of installations. The schemes offer the opportunity for our members to drive this uptake in renewables with the price of oil and concern for the environment being strong drivers for our members. Social landlords can and should play a vital role in the roll out and eventual mainstreaming of renewable technologies. More incentives such as these are needed. The key objective in the first instance should be to increase the uptake and public acceptance of renewable technologies in the early days and social landlords have an important part to play in achieving this objective. Several of our members have been piloting the installation of renewable heating systems for example and several have been successful under UK Government initiatives. Significant costs have

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<sup>8</sup> <http://www.bevanfoundation.org/publications/rethinking-poverty/>



resulted in the need to engage with tenants following renewable heat installations. It can be accepted that renewable heat technologies are generally less well known and there are more hassle factors associated with their installation, which increases the barriers to installation. Therefore, bearing in mind the experience of social landlords in installing renewable heating systems, social landlords have the skills and expertise to work with the industry to accelerate this process, but only with the right incentives.

Appropriate subsidies help make a business case for replacing fossil fuel heating systems with more expensive renewable ones. With an appropriate incentive, with RSLs having large percentages of tenants in receipt of benefits or low incomes, schemes and further incentives would enable RSLs to install renewable technologies into their properties and in communities at a faster rate due to the subsidies available in order to help reduce fuel poverty. While housing associations remain firmly committed to environmental investment, they require increased certainty and realistic timescales in order to proceed with projects, due to the fact that projects take time to get off the ground due to the need for agreements with lenders, consultations with tenants, legal agreements, board approvals and many other considerations. Certainty and long lead in time is key as well as the need for schemes to be designed to ensure administration is fairly simple. Housing associations' experience with the rapid and dramatic reductions in FITs for PV resulted in many schemes being abandoned and significant abortive costs at times. We strongly suggest attractive incentives exist for social housing providers in order to support the social housing business model and stop schemes becoming regressive in their application. Incentives should form an important part of the process and this could include financial incentives as well as other incentives. Regulatory drivers should include the need for financial incentives and disincentives introduced by Government (including forms of subsidy), stronger enforcement, council tax reductions, etc. Many projects that housing associations are planning are very costly as housing associations have the added expense of the cost of finance i.e. interest and loan arrangement fees, the cost of due diligence, operational, financial and legal, tax, both corporation and vat (and that the income is taxable without any capital allowances), costs of long term project management (costs of consent, etc) and maintenance and consultations with tenants/legal agreements.

To give an example, housing associations would usually be required to borrow in order to undertake certain schemes with the cost of capital amounting to around 6%, meaning that if social housing schemes were to receive low tariffs or no incentives at all to install renewable systems, then it would make it difficult for the scheme to cover costs. From past experience, if an association did happen to buy products at scale, then savings may be lost in the time and resources that have to be put in to staff training, tenant engagement and follow up in order to ensure that the system is correctly operated and achieving the intended goals of reduced bills and lower carbon emissions. Many of our members have commented that lenders are unlikely to consent to borrowing in light of low incentives and low tariff rates because of the increased financial risk and the lower profit margins. Therefore, it is vital that financial analysis reflects the social business model of schemes in the HA sector. The balance of responsibility for energy costs between landlord and tenant needs to be taken into account when designing appropriate incentives for RSLs. RSLs can target those most in need. There are limits on access to cheaper finance because associations are constrained by the amount of on-balance sheet funding they can accept. Housing associations have to



make the additional capital investment to fund installations without benefitting from reduced bills directly and so require support if they are to fund installations on a significant scale. One of our members reported that they have completed an option appraisal at one of their estates with failed solar thermal that was installed at the time of construction. The results of their study concluded that without any subsidy, the most financially viable scheme to proceed with was solar PV.

**General. We have asked a number of specific questions. If you have any related issues that we have not specifically addressed, please use this space to report them:**

CHC feels that efforts to tackle fuel poverty must not be disconnected from work that is being taken forward in many other linked areas – such as financial inclusion, child poverty, older people issues, etc. People living in fuel poverty are also more likely to live in poverty, be financially and digitally excluded, live in poor quality housing and suffer from poor health. Social housing tenants account for 30% of the economically inactive total in Wales. Average incomes for social housing tenants tend to be a lot lower when compared to incomes for owner occupiers and 8 out of 10 of financially excluded people are social tenants. Households in social housing are likely to be more vulnerable to fuel poverty due to lower incomes and/or other personal circumstances. Social housing makes up approximately a fifth of the homes in Wales and also houses those in society who are at most risk of being fuel poor. Welsh housing associations own approximately 158,000 homes with around 68% of tenants claiming some kind of income support. Therefore, our members have the ability to target hard to reach people who are exposed to fuel poverty and an improvement in the energy performance of these homes has the dual effect of reducing energy poverty and also lowering our collective carbon footprint as a sector.

CHC has long recognised fuel poverty as being a major contributor to / indicator of financial exclusion. Improving the energy efficiency of properties and making sure vulnerable households are in receipt of all the benefits they are entitled to are the main components of current efforts to tackle fuel poverty. Housing associations, recognising that a large proportion of their tenants are some of the most in need, are becoming increasingly involved in financial inclusion work and tackling fuel poverty is starting to become part of this agenda. Holistic advice and partnership approaches have to form the vision moving forward. CHC's Your Benefits Are Changing campaign (YBAC) involves over 70 organisations raising awareness of welfare reform changes. CHC lead on the campaign using television, social media, newspapers and radio to raise awareness. The preventative advice team at CHC supports the YBAC helpline where callers are given information and advice on changes and any possible solutions. The network of organisations involved in the campaign allows advisors to signpost to other supporting agencies if required. One area of success has been the identification of the Warm Home Discount. The number of callers currently claiming a qualifying benefit is 94% and therefore last year we successfully assisted over 914 people to claim a rebate which equates to an annual sum of £127,960 (of which 250 people have also been added to the priority services register). Initiatives such as the warm home discount are crucial in assisting people who are in fuel poverty. However, there are 19 different companies running that scheme and feedback from members suggests that they all have different timetables and different guidelines. There is no consistent message being provided

for as to why people are being turned down for that. We need to review that system to improve it.

Approximately 70% of tenants in Wales claim some kind of income support. Our members are proactive in supporting fuel poor tenants obtain their entitled benefits that relieves them of fuel poverty. Our members are spending a lot of resources in focussing on dealing with the impacts of welfare reform. Our members provide benefit advice, helping tenant's secure warm home discounts 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. RSLs hold community affordable warmth events where various energy matters are discussed with tenants to allow opportunities to address concerns and issues. This added value support can result in tenants who were in significant amounts of credit gaining a refund, behavioural change advice and Welsh Water support for example. Improving communication and advising tenants of the support they are potentially eligible for is a vital service and opportunity. For many households, who might, for example, just narrowly miss meeting eligibility criteria on a whole raft of support measures can still benefit from energy efficiency advice. These households who sometimes slip through the net and are very much so on the periphery and narrowly miss the thresholds for funding can still very much so need support as they find it difficult to pay their fuel bills.

Communities where housing associations work can benefit from training opportunities and work. Local contractors and suppliers can make the most of the investment in improving homes, maximising the benefit for the local economy. It is vital therefore that energy programmes fully integrate advice on income maximisation, tariffs, energy advice and switching to ensure households receive a range of advice to help ensure that fuel poverty is alleviated. CHC Group is supportive of collective fuel switching and of the Cyd Cymru's scheme in particular. A number of HA's in Wales were partners in the scheme and a number of tenants signed up to the scheme. There is need for a package of measures to help the fuel poor that includes ensuring the household is paying the lowest possible tariff their supplier provides based on their circumstances and that people get better fuel deals (dual fuel options, etc) – in addition to energy efficiency measures and income maximisation programmes. One in four of households were affected by the bedroom tax, and there are not smaller sized properties in the private sector for them to move to. Much of the work members do is based around assisting people to maximise their income through applying for the warm home discount for example or applying for grants to assist with energy efficient improvements, which might not in themselves guarantee to save the tenant money. Solutions need to be a mix of short terms solutions and long terms solutions.

## **Rural issues**

In Wales fuel poverty can be more of an issue for people living in rural areas than for those living in urban locations. Therefore action to tackle fuel poverty needs to reflect this and not be separated into single issues that fall under different policy silos, as this bears little resemblance to the everyday circumstances of people living in this situation. The CHC Group feels that rural fuel poverty needs to be recognised and addressed specifically by the Welsh Government. There is a need for the Welsh Government to develop specific rural fuel poverty policies to support rural tenants in fuel poverty. 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. Many of our members operate in rural areas of Wales where fuel poverty can be distinctive due to the number of hard to treat properties and the number of properties off the gas grid which house many vulnerable tenants. Wales as a whole has a high proportion of hard to treat properties. These are properties where low cost solutions to improving energy efficiency such as cavity wall insulation and loft insulation are not appropriate, for example, buildings with solid stone walls such as traditional tenements, multi-storey flats and timber frame buildings. Wales also has a high proportion of properties that are off the gas network and households that do not have access to mains gas are more likely to experience fuel poverty than households who do, because of the higher costs of other fuels.

Rural traditional HAs have a smaller number of stock and members have stated that this affects their ability to attract energy efficiency funding for energy inefficient housing stock. A number of our member's housing in rural areas is hard to treat housing with low SAP ratings. Many householders and tenants living in rural areas off gas areas do not have the choice on the type of fuel they can have in their properties and have to rely on costlier oil and LRG gas to heat their homes. The cost of oil and LPG gas is a problem for many tenants; it is harder to budget compared to gas and other heating systems. Rural HA's also have the highest proportion of homes off grid with higher energy costs. One HA in South West Wales has 451 off grid properties, amounting to 19% of its total stock. Various member HAs working in rural areas are continually looking at new technology (including renewable technologies) to address rural heating of new and existing houses and deal with the tenants in rural fuel poverty. The CHC Group and members are keen to work with the Welsh Government to develop specific rural fuel poverty policies to support rural tenants and homeowners in fuel poverty. The CHC Group and its members also wish to work with the Welsh Government to develop a targeted energy efficiency programme targeting rural off gas areas.

A report from the construction council in the UK states that at least a million off-gas solid walls need to be targeted for energy efficiency improvements. CHC would assume that the figure is even higher and that a large percentage of that is in rural Wales. At the moment, there is no real solution to that problem and feedback from members suggest that current and past energy efficiency programmes do/did not sufficiently target those areas. ECO started to help address these particular problems but as noted above, the changes and cuts to ECO have impacted the sector hugely. When you are working in rural areas, housing stock is more dispersed. It costs more, therefore, to run programmes and it is harder to put programmes together. There is recognition that there is a premium to delivering improvement programmes in some areas of rural Wales. There is also a much lower construction capacity in those areas in terms of expertise and skill. Therefore, further support for rural areas is required to enable those programmes.

CHC believes that renewable energy technologies have a greater part to play in tackling fuel poverty than is being implemented at present. While the use of more clean renewable energy has to be a priority, for those fuel poor households who are currently using domestic oil for the foreseeable future, more needs to be done to develop and promote affordable payment plans. As many domestic oil distributors in Wales are small, family-run businesses, the possibility of financial assistance from the main oil suppliers and/or Government to help

cover the costs involved in setting up such plans should be explored. Communities should be advised on how to set-up bulk-buying groups to help minimise delivery costs for smaller amounts of oil. These have already been successfully implemented in some areas. There are current issues surrounding filling central heating oil tanks, tenants struggling to finance this approach, etc.

## Energy efficiency and impacts on health

Fuel poverty can have massive impacts on people's health and wellbeing and the impact of cold housing on health and the stresses brought on by living in fuel poverty have been recognised for decades by researchers, medical professionals and policy makers alike. A report by Age UK claims that illness related to living in a cold home costs the NHS £1.36bn every year. Living in a cold home has huge implications for health and is detrimental to physical health and social and emotional well-being. CHC noted the number of excess winter deaths in Wales earlier in this consultation response. We need to do more to protect individuals and communities from the effects of severe winter weather due to cold housing. A good practice example includes the warm homes healthy people fund which was actually established by the Department of Health in the UK Government. These are funds for local initiatives that demonstrate how local authorities will reduce deaths over the winter months. It provides funding to deliver energy efficiency and heating improvements to the most vulnerable people, provides residents with benefits advice, ensures better public awareness of the impacts of cold weather and provides staff and volunteers with fuel poverty/cold weather awareness training. More funding like this should be made available for organizations in Wales, including RSLs and Care & Repair Agencies.

As part of their 'Fighting Fuel Poverty' winter campaign, Care & Repair Cymru has set up a hardship fund with 100% of funds going directly to help older people living in cold homes. They are urging better off pensioners who don't need their Winter Fuel Payment, a payment of between £100 and £300 which is paid automatically to pensioners each year, to donate it to Care & Repair to provide more solutions to those in real need. If people were to donate their Winter Fuel Payment to Care & Repair, they would ensure that it is used to help those who need it most. As we head into this winter, Governments need a rebalancing of policy focus to ensure that tackling fuel poverty and stopping winter deaths of older people receives as much attention as reducing CO2 emissions. There is a lot of confusion among older people in particular about what help and support is available and people are missing out. The current system needs to be improved because we still have people dying in winter due to fuel poverty, who wouldn't be dying in other months of the year.

Further evidencing the impacts of energy efficiency on health might well lead to the potential for funding energy efficiency works from health budgets as well as other budgets. Good practice schemes exist which could potentially be replicated in Wales. As well as the warm homes healthy people fund, schemes such as the 'Boiler on prescription' scheme exist which can transform lives and save the NHS money. This scheme includes family doctors prescribing double glazing and loft insulation for patients living in cold, damp homes. The scheme has the ability to slash the huge sums spent by the NHS on cold-related ill health according to a ground-breaking trial. The pilot project in Sunderland found GP and outpatient visits plummeted by a third after patients' homes were made warmer and cheaper



to heat to the tune of hundreds of pounds a year. The impact of cold weather on health is estimated to cost the NHS £1.5bn a year and over 18,000 people died prematurely last winter. However, energy bills have soared in recent years, leaving millions of people in fuel poverty and unable to heat their homes properly.

The idea for the trial began after Gentoo social housing and sustainability Group, which has 28,500 homes in Sunderland, noticed that tenants said they felt happier after their homes were made more energy efficient. Gentoo contacted Sunderland's clinical commissioning group, which agreed to provide £50,000 for a proper trial. They selected 12 homes with very poor insulation and lived in by people with chronic obstructive pulmonary disease (COPD), which is a serious lung condition made worse by cold, damp conditions and which affects over 1m people in the UK. Half the homes received £5,000-worth of double glazing, efficient boilers and loft, cavity and wall insulation, improving their energy efficiency rating from a G Rating up to D. To ensure the trial was objective, the people in the study were not themselves Gentoo customers. The results of the first six months showed those in the warmer, drier homes visited their GP, outpatients and A&E departments significantly less, while there was no change in the control group. While energy bills dropped by £30 a month, the temperature in people's living rooms and bedrooms rose by over 3C. The work had made a "massive" difference to people's quality of life. The scheme is proof positive that warmer homes cut the costs to the NHS and transform people's lives as saving £30 per month is a life-changing sum of money for many vulnerable customers.

Outpatient appointments are estimated to cost the NHS about £100, GP visits about £20, while an emergency hospital admission costs £2,500. Peoples' home and social circumstance play a big role. Life expectancy in the less affluent districts of Sunderland where the trial took place is 67 years, compared to 80 years just a couple of miles away in richer parts of the city. Cold homes can have direct effects on hypothermia, particularly in older people and impact respiratory conditions, with asthma and COPD patients suffering particularly badly in cold, damp houses. It also damages mental health and wellbeing. The success of the pilot in improving health and cutting NHS costs has attracted interest from other clinical commissioning groups in the North East and interest in setting up schemes to enable GPs to prescribe energy efficiency across the country. A recent report from the International Energy Agency<sup>9</sup> highlighted the benefits to physical and mental health of warmer homes, on top of lower bills and reduced carbon emissions. It cited a retrofit programme for low-income households with existing health problems in New Zealand, which showed a benefit-cost ratio of 4 to 1, with up to 90% of the benefit coming through better health. In the UK, the National Institute for Health and Care Excellence (NICE) have been consulting on new guidelines on reducing cold-related deaths and illness since July 2013<sup>10</sup>, but have yet to publish them. The links between many diseases that are caused or worsened by living in cold conditions are now clear. However, we are still seeing many thousands of vulnerable people perish each year because of cold and damp housing with many people still dying from excess winter deaths due to living in cold damp housing.

## Conclusions

<sup>9</sup> [http://www.iea.org/publications/insights/ee\\_improvements.pdf](http://www.iea.org/publications/insights/ee_improvements.pdf)

<sup>10</sup> <http://www.nice.org.uk/guidance/gid-phg70/documents/excess-winter-deaths-and-illnessess-call-for-evidence>



The CHC Group and members 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 raise more people out of fuel poverty. CHC welcomes the opportunity to discuss the future design and delivery of new energy efficiency programmes. The CHC Group believes that RSLs in Wales are best placed to lead and deliver future Welsh Government energy efficiency programmes. RSLs in Wales have shown in their delivery of Arbed phase 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.

The CHC Group and its members also wish to work with the Welsh Government to develop a targeted energy efficiency programme targeting rural off gas areas. The CHC Group and members are also keen to work with the Welsh Government to ensure that we take full advantage of the next phase of European structural funds investments to utilise investment opportunities to improve the energy efficiency of homes in Wales. In response to the economic downturn, we need a system that incentivises more action to fight poverty, less carbon and more jobs. We should be focusing on the nature of change, and designing change will need to involve leadership from across sectors, with interventions designed to shift behaviours and establish routes to quickly address barriers. At the local level there is the need for a more targeted approach to identify and reach the fuel poor. There is also the need for the better co-ordination of advice and other support services. The relevance of switching and competition in the new energy market is in urgent need of review. As noted in the general comments in our response, whilst CHC welcomes programmes such as ARBED and NEST, they are not sufficient enough given the scale of the problem that needs to be addressed. WG needs to increase its commitment to energy efficiency and fuel poverty schemes to aim to get as close as possible to meeting the targets to eradicate fuel poverty. Greater co-operation is needed between Welsh Government schemes to help ensure that all those who live in fuel poverty in Wales can access funding and support and gain maximum benefit from the main funding streams available under this agenda. While there have been numerous successful grant schemes to help make energy improvements to people's homes, many of the schemes are target driven but not always reaching those in greatest need.

**Community Housing Cymru Group**  
**January 2015**