



# Fuel poverty and the Warm Homes Programme

## CIH Cymru inquiry response

This is a response to the Senedd's Equality and Social Justice committee's inquiry focussing on second fuel poverty and the Welsh Government's Warm Homes Programme.

### 1. Introduction

- 1.1 The availability, quality and cost of housing in Wales has received a huge boost in attention over the course of the Covid-19 pandemic. Sharp increases in house prices, coupled with demand outstripping supply in both the for sale and rental markets in addition to living cost increases has brought greater attention to the challenges many people face in finding a home that meets the needs of their household in a location and at a cost that fits with the resources they have available.
- 1.2 The striking increase in energy costs is one area where the pressing need to ensure homes perform as efficiently as possible, reducing the financial burden on households whilst in tandem addressing their impact on the environment is overwhelmingly apparent.
- 1.3 Of great concern, is the evidence around the difficult spending decisions households are currently having to make. The pinch is being felt with 2 in 3 households spending more on their energy and water costs between May and November 2021. During the same time period, 1 in 3 households were cutting back on heating, electricity and/or water.<sup>1</sup> More concerning still is the evidence that households were in tandem also having to cut back on other essentials such as clothing, food and transportation.<sup>2</sup>
- 1.4 This reality re-affirms the view that fuel poverty cannot and should not be considered in isolation. Our own work around housing affordability warned of an 'autumn cliff-edge' at the end of 2021, where a combination of the furlough scheme ending, local housing allowance rates continuing to be misaligned with actual rents, the removal of the £20 uplift to Universal Credit at a time where the cost of living for things such as energy continue a rise sharply.

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<sup>1</sup> <https://www.bevanfoundation.org/wp-content/uploads/2021/12/A-snapshot-of-poverty-in-winter-2021-.pdf>  
[Accessed 10/01/22].

<sup>2</sup> *Ibid*



- 1.5 The following response is based on the work of our members – housing professionals working across Wales. We have responded to the aspects of the terms of reference that fits with the work of our members.
- 2. Lessons from the Warm Homes Programme**
- 2.1 Given the attention afforded to better understanding the impact of the Warm Homes Programme (WHP), there is strong evidence around the need for change and to ensure the next iteration of the programme evolves from what has been offered to date. We believe the key lessons include:
- 2.2 Defining fuel poverty – The previous inquiry conducted in the fifth Senedd by the Climate Change Environment and Rural Affairs committee put forward a recommendation for the Welsh Government to re-consider its definition of fuel poverty. The Welsh Government’s ‘Tackling Fuel Poverty 2021-2035’ plan contains the following definition:
- “For the purpose of this plan and as defined in the Warm Homes and Energy Conservation Act 2000, a household is to be regarded as living “in fuel poverty” if a member of a household is living on a “lower income” in a home which cannot be kept “warm” at “reasonable cost.”*
- 2.3 The Scottish definition (which uses the residual model) of fuel poverty takes housing, childcare, disabled living and other costs into account when determining the level of income available to pay for fuel. This provides a more sensitive measurement of fuel poverty. That said, it is not immune to the challenge of capturing households who are under-heating, self-disconnecting and self-rationing. For example, a household which appears to be spending little on energy could be doing so due to a need to afford other essentials, such as food. Whilst we recognise the definition has been set we believe that an ongoing dialogue on its appropriateness is needed.
- 2.4 In terms of other definitions currently used by the Welsh Government in this area, the plan should be clear on whether the figures used to inform the definition of low-income households (the Household Below Average Income) is based on the UK or Wales figures.
- 2.5 Evaluation – The challenges in truly understanding the direct impact of the WHP previously has been the lack of clear data demonstrating how situations changed for households for the better following work through a scheme under WHP. We recognise and welcome that the Welsh Government in its plan ‘Tackling Fuel Poverty 2021-2035’ set out measures to improve evaluation efforts through for example establishing an administrative advisory board on fuel poverty to ‘monitor and review progress’ on tackling fuel poverty.



- 2.6 We feel there is a need for greater detail on how the process of 'monitor and review' will work in practice, the data sources that will be drawn from and importantly, how stakeholders – from contractors through to tenants/landlords/owners have their insight and experience used to inform and refine the approach.
- 2.7 Any evaluation mechanism, should in our view, take into consideration the broader impact of the WHP on poverty. Whilst it could be assumed that a household who saves money on their energy costs would then have greater financial resources to spend on other aspects of day to day living, creating a clearer picture of this would both help build a vivid evidence based underpinning the programme whilst demonstrating the value for money delivered by investment in this area further still.
- 2.8 Governance and administration – Some of our members, particularly those working within local authorities who have had a direct role in delivering the WHP outline the challenging timescales they have had to work to in disseminating the funding. In addition, whilst the support to develop a workforce amongst SMEs was a positive step there were clear challenges in attracting business to train personnel without having a more concrete guarantee of business as a result.
- 2.9 In addition the stringent focus on fuel poverty measures have meant that a whole-home approach to tackling fuel poverty and more broadly housing quality is a missed opportunity. The future of the programme should consider how it focuses on whole-house improvements, even if these don't fall within the remit of the programme to ensure that any intervention to improve the efficiency of a home is as effective as possible.

### **3. Rural fuel poverty**

- 3.1 Fuel poverty in more rural areas is likely to be contained to pockets, rather than areas and as such may require greater flexibility in how support is targeted within a locality. Rural locations are also more likely to have higher costs for works, and households are more likely to have issues with other infrastructure vital to day to day life, such as transportation and internet.
- 3.2 With properties in rural areas often being older, and more likely to be off-grid the interventions needed to improve the efficiency of these homes are more considerable than those the WHP may have considered for homes in more urban areas. Diversifying the options that can be delivered under the programme alongside appropriately weighted funding is vital.



#### 4. Supporting private landlords and tenants

- 4.1 Private landlords are already operating in a challenging environment where pressures on their business may act as barriers to having a long-term focus on things like energy efficiency and reducing fuel poverty. With the Minimum Energy Efficiency Standards (MEES) there is a clear baseline landlords have to work towards. But there is a risk that given the costs that achieving MEES could entail, landlords become unwilling to invest additional finance in improving a property beyond this – which at present would represent achievement of EPC C rating.
- 4.2 To compel landlords to continue on that journey of improvement a number of factors need to be considered:
- Financial support: The substantial costs involved in improving the efficiency of a home are likely to be prohibitive to some landlords. Financial support will need to be tailored to reflect the variety of business models private landlords operate under. For example, smaller landlords, with highly leveraged mortgages are unlikely to have sufficient funds available to invest over and above ongoing maintenance and improvement costs. In addition, compared to larger organisations undertaking similar improvements, smaller landlords are less likely to be able to carry risk and raise significant investment against their revenue streams. Landlords also do not directly benefit from lower energy bills and it is important therefore to consider how the broader impacts around tenant satisfaction, and tenancy sustainment are communicated effectively. In addition, the viability of retrofit will rely heavily on property values against costs, which will vary considerably between different areas.
  - Consumer advice and confidence: The consumer environment for new, sustainable forms of providing clean energy into homes can be confusing and be reliant on an individual having some expertise. For private landlords there is need for greater government support to understand the products available, de-mystify the technology and build a greater knowledge base amongst landlords of the overall benefits of investing in improvements. Within this there should also be greater links between the Welsh Government's Optimised Retrofit Programme and work to support private landlords and improve homes in the PRS.



- Housing Support Grant services: A key way to support tenants who may be living in fuel poverty and experiencing financial difficulty is through Housing Support Grant (formerly Supporting People services). Our work with private landlords suggests that awareness that services provided through HSG are tenure-neutral is not always well-known and could itself act as a barrier to tenants receiving timely support.
- Local authority engagement: As primary points of engagement with a local private landlord population, local authorities have an important role to play in providing information, having a dialogue about local issues and sign-posting to source of support. Whilst many local authorities operate private landlord forums, not all do and the level of engagement where these exist can be variable and heavily reliant on the staff resource available to facilitate it.

4.3 We have recently commissioned research through our Tyfu Tai Cymru project, focussing on what is needed to make homes in the private rented sector more environmentally friendly. Undertaking the work is a collaborative team including The Sustainable Design Collection, Severn Wye Energy, Sero and the Future Generations Commissioner for Wales. We look forward to sharing the full report with the committee in due course.

## **5. Advancing equality and social justice**

- 5.1 As one of the coalition partners of the 'Back the Bill' campaign alongside Tai Pawb and Shelter Cymru we have been at the forefront of the call to enshrine a right to adequate housing into Welsh law.
- 5.2 We strongly welcomed the commitment in the Welsh Labour-Plaid Cymru Co-operation Agreement to bring forward a white paper to begin formal cross-party consideration of how a right to adequate housing could look and work in practice. We believe the approach, if adopted, would support strides in reducing housing-related inequalities, providing citizens with an enforceable right to housing. Given that any right is likely to consider the adequacy of a home, it is natural that factors concerning the efficiency of housing will be considered within the scope of the work.

## **6. Alignment with decarbonisation**



- 6.1 The WAO, in their 2019 review of Welsh Government's fuel poverty activity highlighted the tensions between the ambition to decarbonise homes in Wales at pace and scale whilst addressing fuel poverty. The WAO noted that natural gas is the cheapest form of domestic energy – but is not the most carbon-efficient source of energy. Alignment therefore needs to be made with the broader approach around energy supply and creating a greener energy grid.
- 6.2 In their 2019 report 'Homes of Today for Tomorrow' a team from the Welsh School of Architecture have modelled a number of scenario's that set out the practical challenges ahead.
- 6.3 The capital costs for improving homes to EPC rating A fall within these ranges -
- Good practice narrative £17k to £32k
  - Best practice narrative £33.5k to £63.3k
  - Heritage narrative £10.8k to £25.5k
  - Rural narrative £39.4k to £66.8k
- 6.4 The report highlights that achievement of the rating is also reliant on other factors being progressed, including:
- Significant improvements to clean energy supply (with national grid supplying 60% at the middle level and 80% clean energy if most transformative changes undertaken)
  - Increases in energy costs (50% increase for the middle level change and 100% for the most transformative)
- 6.5 The support to decarbonise all homes needs to be made as clear as possible and be underpinned by clear and consistent communication with the public that breeds consumer confidence and willingness to take action in tandem with broader progress to action ambitious improvements to energy infrastructure.

### About CIH

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