

### Response to Welsh Government enquiry

#### **To examine the progress towards meeting the Welsh Governments Statutory targets for eradicating fuel poverty in Wales by 2018**

It is recognised that Tai Calon has a particularly challenging set of circumstances to cope with in terms of addressing fuel poverty, given the following information.

	Indicators	Percentage of stock affected	Consequences
1	High proportion of system built homes with very poor thermal characteristics	38%	High levels of fuel required to achieve comfort levels. Poor heat retention
2	Exposed nature of many estates/properties	75%	Seasonal weather extremes affects fuel usage pattern
3	High levels of unemployment	70%	Presence in home all day results in continuous running costs
4	High levels of benefit dependency	80%	Difficulty to manage budgets to meet exceptional heating costs
5	High proportion of elderly tenants	60%	Presence in home all day results in continuous running costs
6	High proportion of pre-payment meter customers	70%	Most expensive way of buying domestic fuel
7	Pattern of net outward migration		Proportion of elderly/incapacitated/unemployed tenants increasing

1. The major problem in meeting WG's targets is that 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 an implicit assumption in the approach adopted by WG that there is a linkage between fuel poverty and energy efficiency. Fuel poverty status is a dynamic entity, whereas the effects of energy efficiency works are permanent, albeit transferrable to new occupiers. 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 that increases in fuel prices.

It is estimated that more than 30% of our tenanted households, and over 35% of our most vulnerable tenants are in fuel poverty. This number has increased in line with the trebling of energy bills in the last 8 years. As fuel poverty is expressed in terms of the percentage of household income spent on fuel, the increase in fuel costs allied with reduction in benefits has resulted in moving some tenants into fuel poverty and moved some tenants **back** into fuel poverty despite the energy efficiency works which may have been carried out. The situation in Tai Calon's area is that there are households where fuel costs exceed 20% of income and are designated as being in 'severe fuel poverty'.

2. In the recent past we have received some funding for Energy Advisers. This proved to be highly successful. It was intended that our Housing Management staff would be able to carry on this work, but the volume of work arising from Welfare Reform Act and Universal Credit has rendered this impossible

**To consider the impact of the Welsh Governments existing energy programmes (Nest and Arbed) and the UK Government initiatives such as Green Deal**

3. The requirements of the Welsh Housing Quality Standard have under-pinned the approach Tai Calon has adopted to deal with regard to energy efficiency in our housing stock. Tai Calon recognises that properly heated and ventilated homes require less maintenance. Good energy efficiency works represent a sound investment.

4. During 2011/2012 Tai Calon successfully carried out an extensive Arbed 1 programme of external wall insulation to almost 200 properties. These properties were non-traditional properties. The work carried out – along with uprated central heating systems – resulted in the SAP Rating being lifted to 67-69. Based on the Energy Performance Certificates, the average annual running costs were £650, representing less than 10% of anticipated annual income at the lowest benefit entitlement.

5. In response to the WG's SAP commitment Tai Calon has set an ambitious target of achieving a **minimum** SAP rating of 65 for **all** properties by 2015 and 68 by 2017. Our financial inclusion team will strengthen its' resources to pursue energy reduction and control programmes.

6. During 2011-2013 it was planned to carry out an external wall insulation programme together with other measures under the CESP scheme on up to 1000 non-traditional properties. The contract was managed by one of the big 6 Energy Companies with their own designated Installer. Having completed just over half of the programme the Energy Company terminated their work programme and withdrew from site. The programme had quality and tenant satisfaction issues. There was an element of 'cherry picking' properties where those properties yielding the maximum carbon saving were prioritised, whereas other properties which presented structural or low carbon saving issues were omitted. The energy company then offered to complete the balance of the programme on revised terms. Tai Calon declined this offer in the light of the additional expenditure required and failure by the Main Contractor to satisfactorily deliver the programme.

7. This outcome was extremely disappointing and the view taken by the Board was that this delivery method would not be repeated.

8. As a general observation, the process of Arbed scheme development by Local Government, has not always reflected the priorities Tai Calon has identified. A more direct relationship would enable a more cohesive approach.

**To review the implementation to date by the major energy suppliers of the Energy Company Obligation (ECO) and any other measures to alleviate fuel poverty in Wales**

9. The ECO scheme was intended to follow on seamlessly from CESP. As it was, the CESP programme nationally overran by 7 months and even then, ECO was not ready to take the work forward. This coincided with price hikes by the Energy Companies, which they blamed in part on the 'green Levy' element of the bill. Lobbying by the Energy Companies resulted in this element on the average bill being removed, with the promise that Central Government would fund the difference, so that the programme could continue. The reality was that the Energy Companies took

the opportunity to reduce the carbon rate per tonne, spreading the programme over a longer period and being very selective in recognising schemes as being suitable.

Tai Calon experience was that their type of scheme attracted little ECO funding and it was not until March of this year that any offer was received.

10. Despite the paucity of this promised ECO funding, Tai Calon have embarked on an external wall insulation programme involving 550 non - traditional homes. By adopting a model of self management and sourcing materials directly, Tai Calon is confident that all of the properties within the programme will be completed within budget. Amongst this group of properties are some of the most challenging properties both in terms of structural type and location, but as they are some of the worst performing for thermal efficiency, it was resolved to tackle them and lift tenants out of fuel poverty. These actions are recognised as necessary and productive as identified in our draft Asset Management strategy 2014-17.

11. Such was the general disappointment surrounding ECO Tai Calon hosted a meeting in January 2014 to share experiences with other RSL's. Regrettably, the responses from all assembled were the same. They reflected broken promises and an atmosphere of inertia resulting from the changes made. That feeling persists.

12. Although Tai Calon is yet to benefit from the current Arbed scheme, there is encouragement that with its' whole house and mixed tenure approach, it is the way forward. Allied to the fact that it is to be managed on a regional basis we see a real chance of integrating with the delivery model we have devised. This will contain a lot of the expenditure in the area and retain the benefits in the community.

13. Tai Calon is also keen to source revenue funding to pursue an active programme of energy awareness and guidance amongst tenants, including looking to appointing energy champions internally and externally.

14. The whole house approach, along with the behavioural aspects of energy usage by tenants is the favoured approach. Because of the disproportionate high levels of prepayment meters, we are pursuing a programme of encouraging tenants to apply for credit meters. Additionally, Tai Calon has promoted the use of energy saving products including Radiator reflectors and LED lighting. Wherever possible Tai Calon will encourage the introduction of 'smart meters'.

15. Wales has lagged behind other parts of the UK in terms of funding for energy efficiency improvements. In the South East corner of Wales, away from the big conurbations the typical 'estate' is 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 British 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.