

# National Energy Action (NEA) response to MHCLG's Consultation "A New Deal for Social Housing"



Action for Warm Homes

## About National Energy Action (NEA)

NEA<sup>1</sup> works across England, Wales and Northern Ireland to ensure that everyone in the UK<sup>2</sup> can afford to live in a warm, dry home. To achieve this we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives. This practical insight plays a crucial part in enhancing the authenticity and insights within NEA's national advocacy.

## Background to this response

Living in cold, damp and unhealthy homes continues to cause shocking levels of unnecessary hardship and premature mortality. Across the UK, at least 9,700 people die each year due to a cold home, the same as the number of people who die from breast or prostate cancer<sup>3</sup>. As well as the devastating impacts cold homes have on their occupant's lives, this problem extends to all of us; needless health & social care costs<sup>4</sup>, queues at GPs and A&E as well as delaying the discharge of the most vulnerable patients from hospital<sup>5</sup>. NEA believes dramatically improving domestic energy efficiency levels remains the most enduring solution to addressing energy affordability<sup>6</sup>, and is a key part in providing a decent standard of housing.

### Key recommendations made in this response

1. Social housing needs to be energy efficient in order to ensure that occupants can keep themselves warm & avoid the risks associated with a cold home. Making social housing energy efficient also can provide reduction in voids, the length of void periods, rent arrears and other costs faced by landlords. As a result, NEA believes that the Decent Homes Standard should include the removal of all Category 1 (serious) and Category 2 (more minor) hazards under Housing Health and Safety Rating System (HHSRS) and a reasonable degree of thermal comfort. This should include a minimum energy efficiency rating of C by 2030. This will also directly support the Government's own fuel poverty commitments for England, ensuring that nearly 500, 000 fuel poor social tenants benefit from warmer, more comfortable living conditions.
2. Given the huge potential for technical innovation and cost reduction potential of delivering energy efficiency improvement in social housing at scale, the C target should be reviewed in 2025 to see if it is cost effective to meet a higher passive house or zero carbon homes standard within this timeframe.
3. Social Landlords should invest their own capital to increase the efficiency of their properties. As noted above, social landlords have seen huge benefits associated with upgrading homes. As a result, social housing tenants should not be asked to pay for these improvements via the Green Deal Finance Mechanism or Pay as You Save (Pays) as this can increase the risk of self-disconnection. As a minimum this arrangement should only be the case for insulation measures or where the landlord is prepared to pay the GDF charge or the energy bill is covered by the rent. This will ensure highly cost-effective ways of reducing carbon emissions and creating energy savings are not made more costly and less attractive or less effective to deploy.

4. NEA calls on MHCLG and social landlords who receive any direct support from central Government to improve the energy efficiency of their stock, to also ensure this investment benefits those who taken up the right to buy their homes as they often do not have the capital to achieve a higher energy efficiency standard themselves.
5. For new build social housing, MHCLG should consider restoring the zero-carbon standard for new homes and promote the use of Community Infrastructure Levy (CIL), offset funds and section 106 agreements to improve energy efficiency in existing homes.

## **Our response to this consultation**

Our response does not address any single question in particular, but broadly addresses the questions posed in the first section of the consultation (questions 1-4).

Question 1 - How can residents best be supported in this important role of working with landlords to ensure homes are safe?

Question 2 - Should new safety measures in the private rented sector also apply to social housing?

Question 3 - Are there any changes to what constitutes a Decent Home that we should consider?

Question 4 - Do we need additional measures to make sure social homes are safe and decent?

## **The Need for Energy Efficient Properties**

During the Coalition Government, NEA welcomed the energy efficiency based Fuel Poverty (England) Regulations 2014 which are a legal requirement the UK Government is still bound by<sup>7</sup>. More recently, NEA also welcomed that these commitments were reaffirmed in both the Conservative Manifesto<sup>8</sup> and the Clean Growth Strategy<sup>9</sup>. As a result, the UK Government is still dedicated to ensuring fuel poor homes in England achieve a minimum energy efficiency rating of Band C by 31 December 2030 - broadly the same energy efficiency performance as a modern home<sup>10</sup>.

Currently however less than 10% of fuel poor households meet the band C requirement in England and whilst progress is being made towards two fuel poverty strategy 'milestones'<sup>11</sup> there will still be around 175,000 fuel poor households living in Band F and G properties in England by 2020. Many of the fuel poor households in the worst Band F and G properties will be suffering from the worst extremes of fuel poverty and have annual fuel needs well in excess of £1,000 per year above those not living in poverty<sup>12</sup>.

Below, we have summarised some of the impacts that are felt by those living in fuel poverty:

- Whichever definition of fuel poverty is applied<sup>13</sup>, the physical impacts of living in a cold, damp and inefficient home are well documented and cause unnecessary suffering, premature mortality and across the UK continue to kill as many people as smoking, lack of exercise and alcohol abuse<sup>14</sup>
- A baby born today and living in cold housing is also almost three times more likely to suffer from coughing, wheezing and respiratory illness. Existing evidence also highlights infants living in cold conditions have a 30% greater risk of admission to hospital or primary care facilities<sup>15</sup>
- As the child develops, this in turn impacts on long-term educational attainment, either through increased school absence through illness or because they are unable to find a quiet, warm place to study in the home<sup>16</sup>. In adolescence, one in four teenagers living in cold housing are at risk of multiple mental health problems<sup>17</sup>
- Home energy improvements help to tackle these issues and one detailed study showed an 80% decrease in the rate of sickness absence from school for children with asthma and recurrent respiratory infections<sup>18</sup>. Despite this progress, almost one in five households with a child under 16 lives in fuel poverty and the risk increases for lone parent households, one in four of whom are fuel poor<sup>19</sup>
- As noted above, as an adult enters work, low wages and sluggish growth currently mean many are in-work but still struggle to afford the increasing cost of living, including heating and powering their homes<sup>20</sup>. Fuel poverty mirrors this trend with 47% of fuel poor households in full or part-time work<sup>21</sup>
- Many other low-income households also face increasingly unmanageable situations; repaying large or growing debts whilst being excluded from signing up to the cheapest energy deals<sup>22</sup>. This can create huge anxiety which exacerbates existing mental health problems, leading to further depression and potentially suicide;<sup>23</sup>
- In later life, the impact of a cold home often compounds poor physical health and loneliness. The cold badly enhances the risks of health conditions including cardiovascular and respiratory diseases, falls and injuries and mental ill health, costing the NHS an estimated £1.36 billion each year.<sup>24</sup>
- Cold, damp homes are also a significant contributor to Excess Winter Deaths (EWDs) that occur each winter across the UK<sup>25</sup>. Within the last month, new ONS figures revealed the second highest EWDs in England and Wales for 5 years<sup>26</sup> and we estimate at least 10,290 of these were attributable to cold homes.
- Despite being unpalatable premature mortality has a clear cost<sup>41</sup>. Conversely more comfortable internal temperatures in homes will lead to fewer premature winter deaths and reduce costs to mental health and social care services

**NEA believes that the Decent Homes Standard should include the removal of all Category 1 (serious) and Category 2 (more minor) hazards under Housing Health and Safety Rating System (HHSRS) and a reasonable degree of thermal comfort. This should include a minimum energy efficiency rating of C by 2030. This will also directly support the Government's own fuel poverty commitments for England, ensuring that nearly 500, 000 fuel poor social tenants benefit from warmer, more conformable living conditions.**

There is huge potential for technical innovation and cost reduction within energy efficiency improvements. Throughout 2016-17, NEA awarded 175 grants to other organisations to support new & innovative approaches to tackling fuel poverty in local communities. We have trained a massive 3981 people who will cascade their

knowledge to an estimated 955,440 million people. NEA also provides the secretariat for the All-Party Parliamentary Fuel Poverty & Energy Efficiency Group to raise awareness of the problem of fuel poverty and the policies needed to eradicate it. This work programme is a prime example of the efforts that are being put in to innovate and reduce the cost of energy technologies such as park home insulation, district heating, domestic CHP and biomass, new heating control systems; voltage performance optimisation units, heat stores, battery stores and heat recovery systems. In addition to our own efforts, many other groups are investigating energy technologies with the aim of innovating and reducing costs, including through the Low Carbon Network Fund, Energy Systems Catapult and ESPRC National Centre for Energy Systems Integration. **Given the huge potential for technical innovation and cost reduction potential of delivering energy efficiency improvement in social housing at scale, the C target should be reviewed in 2025 to see if it is cost effective to meet a higher passive house or zero carbon homes standard within this timeframe.**

**Social Landlords should invest their own capital to increase the efficiency of their properties – there is a business benefit for social landlords who do so**

Alongside the rules that govern the quality of new housing stock, NEA strongly believe that any uptake in energy efficiency measures by social landlords should not be limited to those that are funded without landlord contributions. Social landlords should be using at least some of their own money to improve the efficiency of their housing stock, as this will improve the capital value of the property and there is also solid evidence that energy efficiency improvements help to reduce rent arrears and void periods for landlords<sup>27</sup>. This finding was as a result of detailed research with twenty-five social landlords managing over 500,000 homes in England and Wales to investigate whether energy efficiency improvements to homes that reduce energy bills provide any reduction in voids, rent arrears and other costs faced by landlords. The results are very promising and have helped quantify the following impacts:

- There is a correlation between the energy efficiency of the homes and the number of void days. As homes become more energy efficient they are void for a shorter length of time - on average band B properties remained void for 31% less time than those in bands E and F;
- Administration costs are considerable for voids. Landlords with more energy efficient stock are spending less on refurbishing void homes, less on repairs and less on staff time to manage voids;
- The levels of rent arrears experienced by landlords ranged between 3.5% and 28%, with an average of 14% and there is a correlation between length of time in arrears and energy efficiency of homes;
- Colder homes, especially those in band F, have on average two weeks more rent arrears than the rest of the bands each year. The highest performing band A properties spent 30% less time in arrears compared with the worst performing homes;
- An analysis of further costs incurred shows that time spent seeking overdue rent payments, legal costs and court costs decline by around 35% for more energy efficient homes.

This demonstrates that there can be a strong business case for landlords continuing to maintain invest in their stock, particularly the least efficient homes. NEA believes that a near-term priority must be to urgently improve the remaining stock not improved by the national Decent Homes programme.

## **Those who have taken up the right to buy their homes should be eligible for support**

In considering any provisions for social landlords, the UK Government should also stress the need for social landlords to consider helping support private low income households that have exercised their 'right to buy' within larger areas of social housing but may not have any of their own capital to invest in improving the energy efficiency of their own homes. In addition, given the need for both social and private landlords to meet their responsibilities for financing energy saving measures themselves (and not rely on tenants to fund these measures through their energy bills), NEA suggest the Government should also urgently clarify that the PaYs option should only be deployed in privately rented sector (PRS) if a property has not been served or is subject to a statutory enforcement order through the housing health and safety rating system (HHSRS) procedure. If social housing tenants are also to be targeted for new PAYs as a minimum this should only be the case for insulation measures or where the landlord is prepared to pay the PaYs charge or the energy bill is covered by the rent. This will ensure highly cost-effective ways of reducing carbon emissions and creating energy savings are not made more costly and less attractive or less effective to deploy.

In addition to the above, the UK Government must also ensure domestic consumers connected to district heating networks (especially within social housing schemes) are protected by adequate consumer protection.

## **Promote the use of Community Infrastructure Levy (CIL), offset funds and section 106 agreements to improve energy efficiency in existing homes**

Another key opportunity, already being acted upon a few London boroughs, is for MHCLG to influence how Section 106, and contributions to the Community Infrastructure Levy (CIL) are used to help improve existing homes. Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as s106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be palatable. S106 agreements are often referred to as 'developer contributions' and are now paid into a CIL. Under the CIL regulations there is a wider range of opinions regarding what funds can be spent on locally. Whilst a few local councils are using s106 agreements or their CIL funds to help deliver valuable local projects (like local energy efficiency projects), often it is not clear how councils spend the incomes collected from CIL and it is absorbed into the council's capital programme in order to subsidise the services they deliver. NEA therefore seeks clarity on how this money is spent, and at least an ambition for this money to be spent on energy efficiency measures to ensure that every existing home can be brought up to an appropriate standard of energy efficiency. For new build social housing, **MHCLG should therefore consider restoring the zero-carbon standard for these new homes and promote the use of Community Infrastructure Levy (CIL), offset funds and section 106 agreements to improve energy efficiency in existing homes within the vicinity of the new development.**

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<sup>1</sup> For more information visit: [www.nea.org.uk](http://www.nea.org.uk).

<sup>2</sup> NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

<sup>3</sup> NEA's recent joint briefing with E3G highlighted the UK has the sixth-worst long-term rate of excess winter mortality out of 30 European countries. Over the last five years there has been an average of 32,000 excess winter deaths in the UK every year. Of these, 9,700 die due to a cold home – the same as the number of people who die from breast or prostate cancer each year. The new analysis was released on Fuel Poverty Awareness Day the national day highlighting the problems faced by those struggling to keep warm in their homes. To read the press release and the full copy of the report visit: <http://www.nea.org.uk/media/news/230218/>

<sup>4</sup> 6 In 2016 BRE released its revised Cost of Poor Housing (COPH) report, which estimated the cost of poor housing to the NHS based on EHS and NHS treatment costs from 2011 and includes treatment and care costs beyond the first year. It also includes additional societal costs including the impact on educational and employment attainment. Finally, it provides information in terms of QALYs (Quality adjusted life years) as well as cost benefits, and to compare with other health impacts. The report estimates that the overall cost of poor housing is £2bn, with up to 40% of the total cost to society of treating HHSRS Category 1 hazards falling on the NHS. Overall, the cost to the NHS from injuries and illness directly attributed to sub-standard homes was estimated at £1.4 billion, and the total costs to society as £18.6 billion.<sup>6</sup> Research by the BRE in 2013 suggested that if all of the English housing stock with a SAP below the historic average of 41 was to be brought up to at least the current average of 51 through heating and insulation improvements, the health cost-benefit to the NHS would be some £750 million per annum.<sup>6</sup> Other estimates put the costs to the NHS of energy inefficient housing at £192 million (£35 million of which was in the private rented sector). Use of the BRE category 1 calculator put the estimated private rented sector costs to the NHS at between £37 and £674 million depending on SAP rating and occupancy level.

<sup>5</sup> Elliot AJ, Cross KW, Fleming DM. Acute respiratory infections and winter pressures on hospital admissions in England and Wales 1990-2005. *J Public Health (Oxf)*. 2008 30(1):91-8.

<sup>6</sup> NEA stresses to the UK Government the central importance of domestic energy efficiency remaining the most enduring solution to achieve collective goals; ending fuel poverty, a successful industrial strategy<sup>8</sup>, supporting small business growth in every region, helping to achieve carbon emissions reductions, improving local air quality, reducing health & social care costs whilst providing real benefits to households who are struggling financially. In this context, NEA has warmly welcomed the publication of the National Infrastructure Commission's (NIC) interim National Infrastructure Assessment (NIA). The interim NIA rightly identifies the need to urgently address the energy wastage in UK homes and states dramatically enhancing energy efficiency must be a key national infrastructure priority. NEA is also an active member of the Energy Efficiency Infrastructure Group who strongly support this approach. This approach is also currently supported by a growing number of Non-Departmental Public Bodies, academics, industry and NGOs. They all highlight why ending cold homes and reducing needless emissions via improving domestic energy efficiency must be a priority; no other form of investment can deliver so much.

<sup>7</sup> The Fuel Poverty (England) Regulations 2014: <http://www.legislation.gov.uk/uk/si/2014/3220/made>

<sup>8</sup> The Conservative and Unionist Party Manifesto 2017, Forward, Together: Our Plan for a Stronger Britain and a Prosperous Future, 'Fair Energy Markets', page 60.

<sup>9</sup> The Clean Growth Strategy, Leading the way to a low carbon future, HM Government, page 77.

<sup>10</sup> EPC certificates compare current ratings of properties to see which are more energy efficient. They help tenants, landlords or home owners find out how they can save energy and money by installing improvement measures. The EPC certificate shows how much the average household would spend in this property for heating, lighting and hot water. It's graded from A to G, with A meaning an energy efficient, well-insulated, probably modern home, and G meaning a draughty old building where the wind rattles the walls. Typically, an older property with no retrofitted energy-saving technology will be around a D grade and an A-C rated home, the average new home built in England, requires about half as much energy per square meter as the average existing home. Previous research from Consumer Focus also found that on projected rates of house building, the previous Allowable Solution fund could have provided around £190 million pa nationally, enough to improve the energy efficiency levels of 397,000 low income households' homes, up to EPC C by 2025.

<sup>11</sup> Upgrading as many fuel poor homes as is reasonably practicable to Energy Performance Certificate Band E by 2020 and to Band D by 2025.

<sup>12</sup> The median annual income of a fuel poor household in England after housing costs is £10,118. This is £2,815 below the poverty line.

<sup>13</sup> The Warm Homes and Energy Conservation Act 2000 states that a person is to be regarded as living "in fuel poverty" if they are a member of a household, living on a low income, in a home which cannot be kept warm at reasonable cost. Although fuel poverty is now measured differently across the UK nations, there are significant similarities between the characteristics of households considered to be in fuel poverty. Since 2011, fuel poverty in England is defined using the Low Income High Cost (LIHC) definition to measure progress. This states that an individual is considered fuel poor where they have fuel costs that are above average (the national median level) and, were they to spend that amount they would be left with an income below the poverty line. Progress to monitor fuel poverty across the other three UK nations is still measured using the previous 10% definition. The number of households in fuel poverty in England under the Low Income High Cost (LIHC) definition is not improving and has increased by over 100,000 in 2015 - the most recent year that statistics are available for. Fuel Poverty now affects around 2.50 million households, representing approximately 11% of all English households compared to 2.38 million households (or 10.6% of all households) in England in 2014. This too was a small increase from 2.35 million households in 2013, the level of fuel poverty prior to the fuel poverty strategy being passed in Parliament. The fuel poverty gap – an estimation of the additional amount that those in fuel poverty need to pay to heat their homes adequately compared to average households – has not shown any real progress either, and remains at around £884 million.

<sup>14</sup> Association for the Conservation of Energy (March 2015) Chilled to Death: The Human Cost of Cold Homes, page 2. Last year the BBC's Panorama also highlighted people are still getting ill and 9,000 people died needlessly because of cold homes in England

<sup>15</sup> Child Health Impact Working Group (2006) Unhealthy Consequences: Energy Costs and Child Health. Boston, MA: CHIWG.

<sup>16</sup> NEA (2013) The Many Faces of Fuel Poverty. Page 5.

<sup>17</sup> NEA (2013) The Many Faces of Fuel Poverty. Page 5.

<sup>18</sup> Somerville M et al. 2000. Housing and health: does installing heating in their homes improve the health of children with asthma? *Public Health*; 114, 434-39.

<sup>19</sup> Children's Society, the families behind fuel poverty statistics, 19 February 2016

<sup>20</sup> NEA estimates that some families in fuel poverty are facing an income shortfall of up to £9,331 per year (£778 per month) to cover basic essentials, including energy. As noted below, NEA has also warned many low income households could miss out on energy rebates and the proposed new safeguard price cap. The findings are included as part of our "Bridging the Gap" report which highlights the scale of the impossible choices families will be making this winter. The report also illustrates the catastrophic impact Universal Credit could have on these families who have no savings to insulate them from falling into debt, going hungry and not heating their homes over the current 6 week waiting period.

<sup>21</sup> Across the UK, 22% of individuals (14 million people) are in relative poverty after housing costs (they have a household income below 60% of the median). Net disposal income after housing costs of a low income household is £248 per week (£12,933 per year), equating to 60% of the UK median of £413 per week. The income after housing costs of a fuel poor household is even lower: £10,118 per year, equating to a net disposal weekly income of £194.

Investigating income deciles shows the poorest 10% of UK society have a gross average weekly household income of £130 (£6,760 per year). Fuel poor households overwhelmingly comprise the poorest fifth of society: 85% of households in fuel poverty in England are located in the first and second income deciles and 78% of English households in those two deciles are fuel poor.

<sup>22</sup> Many low income and vulnerable consumers, have a poor credit history; they are worried about losing out on support like the Warm Home Discount; or they face cost barriers if they attempt to switch back to a standard meter.

<sup>23</sup> Christians Against Poverty (2015) The poor pay more: Prepayment meters and self-disconnection.

<sup>24</sup> Age UK. 2012. [The cost of cold: Why we need to protect the health of older people in winter.](#)

<sup>25</sup> Worry about high fuel bills and fuel debt also continues to significantly damage mental health, which is affecting an increasing number of households. The cost of morbidity also places a huge burden on the NHS. In England alone it costs health services approximately £3.6 million per day treating cold related morbidity and in the past four years alone over £5 billion of tax payers' money has been spent treating the symptoms of cold. Conversely, addressing these costs through further action on energy efficiency will help save money. Previous estimates suggest that each £1 invested to enable affordable warmth at home generates 42p in cost savings for the NHS.

<sup>26</sup> While large fluctuations in the number of excess winter deaths is common and the relationship between EWM, temperature and influenza rates is complex, this year's provisional figures for the winter of 2016/17 show that excess winter deaths are 39.5% higher than last year (up by almost 10,000 from 24,580). You access the full ONS data release [here](#). Using the World Health Organisation (WHO)'s estimate that 30% of winter deaths are caused by cold housing, NEA estimate over 10,000 households died needlessly last year in England and Wales and over 9,600 frail and vulnerable people across the UK are dying on average throughout the winter months due to cold homes; 80 people per day

<sup>27</sup> 1 Along with Rockwool and British Gas, NEA sponsored a new piece of research with Sustainable Homes "Touching the voids report: The impact of energy efficiency on landlord income and business plans"