HOUSE OF COMMONS

Business, Energy and Industrial Strategy Committee

Oral evidence: Energy Efficiency, HC 1730

Tuesday 26 February 2019

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Watch the meeting

Members present: Rachel Reeves (Chair); Mr Tanmanjeet Singh Dhesi; Drew Hendry; Peter Kyle; Ian Liddell-Grainger; Sir Patrick McLoughlin; Albert Owen; Mark Pawsey; Antoinette Sandbach; Anna Turley.

Questions 1 - 87

Witnesses

I: Lawrence Slade, Chief Executive, Energy UK, Dhara Vyas, Head of Future Energy Services, Citizens Advice, Peter Smith, Director of Policy and Research, National Energy Action, and Philip Sellwood, Chief Executive, Energy Saving Trust.

II: Amy Simmons, Head of Policy, National Housing Federation, Dr Joanne Wade, Deputy Director, Association for Decentralised Energy, Polly Billington, Director, UK100, and Shirley Rodrigues, Deputy Mayor, Environment and Energy, Greater London Authority.

Examination of witnesses

Witnesses: Lawrence Slade, Dhara Vyas, Peter Smith and Philip Sellwood.

Chair: Thank you very much to the four of you for coming in to give evidence this morning on energy efficiency. We have two sessions this morning, back to back, so we are going to try to spend 45 minutes on each, which means that members of the Committee and our witnesses should try to be as brief as possible. Do not feel that you need to come in to agree with somebody who has already spoken, if that is okay. We will start the questions with Mark Pawsey.

Q1 **Mark Pawsey:** Good morning. I would like to ask first for our witnesses' views on the approach to improving energy efficiency through the energy savings obligations that have been placed on energy suppliers. Is it your view that the energy company obligation is the best way of dealing with this issue? Perhaps we can start with Lawrence Slade and move across.

Lawrence Slade: The ECO and previous obligations have played a role in terms of the number of measures they have delivered. Is it a perfect scheme? No, I do not think it is. It has some significant funding challenges and the way the scheme is set up is quite regressive, in that it is carried on the electricity bill, which often means that those people who can least afford it have to pay for measures that they are not necessarily benefiting from. Also, the number of obligated suppliers in the market has almost trebled since the introduction of company obligations, which means we are dealing with a much more complex environment. As you work your way through easier-to-install measures and easy-to-identify households, the challenges and costs of identifying qualifying households becomes that much harder.

Philip Sellwood: I will not repeat what Lawrence has said, but I will just add that we believe that, while ECO works for a group or groups of people, the opportunity for other actors, such as local authorities, to be involved—as takes place in Scotland and to a lesser degree in Wales, but significantly in Scotland—allows the funding available to be used more effectively, particularly in rural areas.

Dhara Vyas: The targeting for ECO does not work very well at the moment. Despite nominally being fully targeted at fuel poverty, only around 30% of the scheme goes to fuel-poor households. There is no guaranteed support to customers or transparency about what is on offer and suppliers have incentives to help those who are easy to treat and easiest to reach, which means that the really hard-to-reach homes that would possibly benefit the most are not treated. There is also a huge question about trust in energy efficiency schemes, and customers having trust in being able to approach them, accessing information, advice and support, and monitoring and enforcement for when things go wrong, as well as ADR schemes.

Peter Smith: Historically, energy efficiency schemes delivered by suppliers have worked quite effectively. When they are married to national energy efficiency schemes, as is the case in Scotland and Wales, they continue to work effectively. In England, we are solely reliant on suppliers to deliver energy efficiency improvements and that has been a point of concern that we have marked and noted at various committee sessions. The big concern is not only the level of funding—clearly there are limitations to what you can recover from consumer bills to pay for energy efficiency measures—but the accessibility of those programmes, as has been noted. Particularly when you are trying to encourage the most vulnerable people to come forward for support, there is no communication of a clear offer to those households. Even if you are eligible for assistance, you are not guaranteed to receive any measures, so it makes the promotion of those types of schemes very difficult for the most vulnerable consumers.

Q2 **Mark Pawsey:** Mr Sellwood, you spoke about other actors. Who do you mean by "other actors" and, in your view, are there other people who would be better placed to identify those in need of support and get the support to them?

Philip Sellwood: The reason I raised that is to address Dhara's point about reaching people who really need help. You cannot do that through a national scheme through energy companies alone; you have to work with social services, the health service and champions on the ground who know their communities. In that way, you can make much better use and better target it to the people who really need it.

Q3 **Mark Pawsey:** Would you argue that the suppliers are not best suited? Is that an argument for taking this obligation away from suppliers and giving it to others?

Philip Sellwood: What suppliers do is deliver a very cost-effective programme. To that extent it is successful, but in my view it will never reach that 60% or 70% of customers and clients who need the most help, particularly those in non-urban areas.

Q4 **Mark Pawsey:** Ms Vyas, you spoke about trust and information. Do people not trust the suppliers then? Is that what you are saying?

Dhara Vyas: It is not just suppliers; it is also the people who are installing energy efficiency measures. If something was to go wrong with your cavity wall installation—perhaps it should not have been fitted in that home, and it leads to mould—where do you go? How do you get information, advice and support? What happens if something goes wrong? Is there an ombudsman scheme? It is quite difficult.

Q5 **Mark Pawsey:** Are you arguing that those should exist?

Dhara Vyas: These two things are both issues.

Q6 **Mark Pawsey:** So there should be an ombudsman scheme and more independent advice.

Dhara Vyas: The customer journey for customers who have had an energy efficiency treatment for their home is difficult to navigate. You are often at risk of a stranded customer because, if they have something done to their home, they often do not know where to go. If the trader goes out of business, there is little recourse for these customers.

Peter Smith: I would urge a bit of caution around simply thinking this can be solved by transferring ownership of delivery from one agency to another, as I mentioned in my opening remarks. The challenge we have is the sole focus of energy efficiency being delivered through suppliers. With a complementary theme that could compensate for some of those weaknesses, we could see a really decent picture for energy efficiency policy. Just transferring it away from one party to another and there not being any coherent transition around that would be fraught with risks. I just stress that it is the only remaining energy efficiency programme, and we would be very reluctant to fundamentally reform it unless there is a guarantee about what we are moving to.

Q7 **Mark Pawsey:** Mr Slade, going back to your opening remarks, you said there were limitations on the scheme. Is that because of insufficient funding? Why is it not having greater effect?

Lawrence Slade: Just to build on colleagues' comments, a theme we will come back to during this session is that, undoubtedly, the scheme is underfunded. It is a central facet that, if we are to reach out to everyone and deal with fuel poverty, more money is needed. That is unarguable, as has been proved by many different parties. That is the first point.

The second point, however, is that as we try to reach out to more people outside of the easy-to-reach households, it will become harder and more costly. Ultimately, we will have to find a way for multiple parties to work together to deliver this scheme. Everyone has a responsibility to make sure they can get measures to those people who need them most. It is about working together with people on the ground and companies such as suppliers that, over many decades, have developed an expertise in delivering it. We have to pull everyone together to make it work.

Q8 **Mark Pawsey:** There is a staged approach here, is there not? We try to move houses up from one band to another. Is the weakness of that that we are not dealing with the problem sufficiently at one time and we have to come back and attend to installations that were done a few years ago? Is that a problem with it?

Lawrence Slade: That certainly can be an issue, yes. There is a constant debate over the whole-house approach and whether you can do everything in one installation, but also with the cost associated with pulling that house up. These are constant areas of debate.

Q9 **Mark Pawsey:** Mr Smith, would you rather see a change to a more drastic approach, so that we deal with moving a house from the bottom to the top band, rather than going through stages?

Peter Smith: Think about the people involved in that process. You may be dealing with someone who has a lot of things going on in their life, who is very vulnerable and is perhaps suffering from an existing mental or physical health condition. The upheaval of having one energy efficiency intervention versus three being done at the same time, in a coherent way, where the contractors speak to each other to minimise the disruption to households, is infinitely preferable to coming back over a three to 10-year time horizon, several times, just to nudge them through those bands. We would start the efficiency from the householder's perspective in that whole-house approach.

Philip Sellwood: I will raise one point of caution about that. I broadly agree with Peter about the whole-house approach, but sometimes—more often than we care to think—we approach a home that needs a new boiler or new central heating system, say, but because of the criteria under the various schemes does not necessarily qualify to go up two EPC ratings. Therefore, we walk away from that home, unable to help that vulnerable customer. Greater flexibility is probably the answer, rather than saying, "It is either all or nothing."

Q10 **Peter Kyle:** Lawrence Slade, how are customers targeted right now?

Lawrence Slade: Customers are targeted by a number of means. It is either by reaching out to the companies or by working with local partners, but it is not the most effective way possible. There is some element of data-matching involved, but that could be expanded further. You can work through your own references in terms of who you have on you priority services register and your core group for the warm home discount; you can work through these ways, or you can work with subcontractors to deliver it.

Q11 **Peter Kyle:** What proportion of the ECO budget is spent on targeting?

Lawrence Slade: It is an increasing amount. The number I have in my mind is that around 10% to 15% of the cost is associated with finding the right groups of people. The fear is that you will see that cost increase as we start trying to find more harder-to-reach homes.

Q12 **Peter Kyle:** Philip, what options are available to customers who do not qualify for ECO funding?

Philip Sellwood: There are very few options today. Just to marry those two points together, clients' access to targeted help is now extremely constrained in England because, for the first time in 26 years, there is no national energy advice system in England. That completely contrasts with what happens in Scotland, Wales and Northern Ireland. If you are a customer in need, apart from a digital assisted service, which we are fully on board with, there is no tailored, personalised advice for vulnerable or indeed non-vulnerable customers to access. That is a major gap in the provision, because it is one thing to spend 10% or 15% on targeting but, if you could do that more cost-effectively, as I believe we can, through tailored and personalised advice, removing that service at the point when we need it most seems remiss.

Q13 **Peter Kyle:** Thank you; that is incredibly helpful. Dhara, you spoke earlier about the fact that the ones who need it the most are being excluded, for whatever reason, and you outlined those too. What practically could be done to make sure that targeting is done more efficiently and effectively, and that the people who need it the most get the support they need?

Dhara Vyas: The Government should report on the proportion of the scheme that goes to households in fuel poverty, as a starting point.

Q14 **Peter Kyle:** Is reporting strong enough?

Dhara Vyas: I do not think it will fix it, but it will give us an understanding of who is in fuel poverty and who is being treated by ECO. As Lawrence said, they have expanded the definition of low-income to people who can be treated using ECO. Unless you have a baseline understanding of those in deepest fuel poverty who are receiving energy efficiency treatments to their home via ECO, you will not know how to build on it. Philip also talked about working with the local authorities and the networks, taking a geographic-based approach to households.

Q15 **Peter Kyle:** I was expecting you to say something a bit more assertive. Peter, you were nodding away then. Is there anything that you feel should be done that would make a difference in terms of getting the investment where it is needed most?

Peter Smith: There is a certain amount you can do on ECO-eligibility criteria. We supported the Committee on Fuel Poverty's position that the new targeting for ECO, although it is supposed to focus more on fuel-poor households, is actually quite loose. There are people who are eligible just by virtue of being on disability living allowance, for instance. They might be very affluent. A sensible income cap for that, without cutting the support away too finely, would really help. Equally, local authority flexibility, which enables local authorities to target that assistance at eligible households that they define, could be tightened. It is great that local authorities have more flexibility, but there needs to be more precision with that to make sure it is not going to all households.

Peter Kyle: What you said earlier was that almost 70% of the people who need it are not getting it. Tightening up and a little more precision do not sound enough.

Peter Smith: There is a huge gap in the provision for low-income households that are not on means-tested benefits. We are trying to reach those households through LA flexibility. We need to get through to those households and find a sensible way to support them, because they are the big elephant in the room. It is a huge cohort of people who are not receiving any help at all.

Q16 **Mr Dhesi:** I want to delve into how we are going to deal with fuel poverty in rural areas. We all know that there are issues with regard to off-gas grid, and that 16% of fuel-poor properties are actually off-gas grid. Solid wall insulation is more costly and 17% of fuel-poor homes have solid walls but without the required insulation. We have other issues with regard to access and so on. Under the existing schemes, are households adequately supported, Mr Sellwood?

Philip Sellwood: Without making Scotland seem like nirvana—certain Members might think that—we run a programme in Scotland called Warmer Homes Scotland. The reason we believe that this is an exemplar for rural communities is that the one underpinning criterion for that scheme is that it acts as the geographic last resort. That means that, if I am an islander or in rural Dumfries, I have the same right of access to that programme as I would in the centre of an urban area such as Glasgow. The scheme has to deliver, and that has been one of the criteria that makes it such a successful scheme. Clearly they are much more expensive to reach. Prior to this scheme, people going to a rural community with perhaps only a couple of jobs, as opposed to an area of density, were losing out. It is notable, if you go and look at the Warmer Homes website, how geographically spread across rural and urban communities that scheme is. To my knowledge, that is the only scheme that has set rurality as a base criterion.

Q17 **Mr Dhesi:** Thank you very much. I know that Drew is very happy with regard to the Scottish nirvana. Mr Slade, can you advise us about England and what is happening to address fuel poverty in rural England?

Lawrence Slade: It is a very valid point to raise, because we are not doing enough to address fuel poverty in rural England, because of the complexities, which have already been touched on, relating to how we identify people. It is not as easy to do a street-by-street approach in rural locations as it is in a city centre, for example, and there is the general cost of delivery on top of the type of housing that you tend to find there. Although having a percentage going towards rural communities is welcome, we are not doing enough there to help these people, who are often in some of the worst housing in the country. There is an argument that says that more funding is needed there or more focus needs to be put on them.

To build on the earlier point about how we find and target people, the lower the cost of finding someone, the more money you have to spend on actual measures when you get to the house. There is also work that can be done to look at how we can utilise data-matching better and use the powers under the Digital Economy Act 2017 to start using more data from the DWP, for example, to start using proxies and work with other databases of properties to identify houses much faster and more efficiently. Ultimately, every pound you do not spend on identification is money to spend on actual house measures.

Q18 **Mr Dhesi:** Ms Vyas, I have highlighted some issues, such as off-gas grid, solid wall insulation and the cost of access. It is a lot more expensive to access rural properties, but what are the other challenges, in your opinion, with regard to helping rural households with energy efficiency through the energy company obligation?

Dhara Vyas: You have highlighted the main ones and, for fear of sounding like a broken record, the move away from the supplier obligation could possibly benefit people in rural communities. For example, I know that the Committee on Fuel Poverty has proposed the clean growth challenge fund, which I am sure you know about. It is an opportunity to trial innovative alternative approaches. In my view, they should be whole-house approaches.

Another thing that might help is a more restrictive Office for National Statistics definition of rural areas. The definition is quite broad right now and includes a lot of communities that are actually on the gas grid. If you can tighten that definition, you should be able to identify households that need help, and possibly the households that are in the deepest fuel poverty.

Q19 **Mr Dhesi:** What is your opinion about the focus on low-cost delivery, given that it is a lot costlier to accessing rural areas? At the moment, the definition and just generally the focus is on low-cost delivery. Do you think that is having an impact?

Dhara Vyas: Yes, it absolutely is. The solution should not be thought about in terms of sub-targets within the ECO; it should be about the nature of the treatment that is being given to the home. I am sure you are all aware that improving energy efficiency in households has far-reaching and quite dramatic impacts on people's livelihoods, whether by lowering bills, which can help the purse, but also mental health, physical health and well-being. It can also contribute to fighting climate change. It is a win-win and these are the households that need it the most.

Q20 **Mr Dhesi:** Mr Smith, given that context, what more could the Government be doing to ensure that these households are supported?

Peter Smith: One of the policies we have not spoken about yet is the renewable heat incentive. We were initially very optimistic that that would provide access to low-cost, low-carbon forms of heating for low-income households. That has not materialised, mainly because it is an operational incentive and does not provide the up-front capital you need to invest in the kit. We were told, "Do not worry; there will be capitalisation models that come into the market, which means that someone can assign your payment to somebody and they will provide the kit up front." That has not materialised either. The Government committed to refocusing the RHI on low-income and vulnerable households, but that did not happen, so there is still a huge gap in provision on the heating side.

On some of the comments that have been made, we would absolutely support a rural challenge fund. We ran a series of rural seminars this year, which highlighted an enthusiasm to get involved in those schemes. An important final point from me is to say that it should not just pay for the capital kit; it should also pay for some revenue to support engagement in rural communities. There is a lot of isolation within those communities and people need to be brought up the curve to understand how they can take part in these schemes, and that requires investment in community interest groups, and local authorities' outreach workers to do that engagement.

Q21 **Antoinette Sandbach:** Dhara, you spoke about there being a lack of trust in some of the energy efficiency schemes. How can the Government encourage that trust? Obviously you have spoken about an ombudsman, but are there other steps that could be taken?

Dhara Vyas: In a survey of our local advice offices, we found that over half of advisers who had helped clients with ECO had experienced problems with the scheme. Among them, over 40% said that clients had found the applications too complicated.

Q22 **Antoinette Sandbach:** I have that evidence, but I am asking what should be done to encourage trust, bearing in mind that you have established it is not there.

Dhara Vyas: Because trust has been undermined for so long, we need an investment in a customer journey that does not leave a customer stranded, so something that can take someone and hold their hand through the process. Philip commented on the lack of advice provision right now for customers in England. We should have stronger guarantees. We should be considering whether an ADR scheme would help customers. Right now, it is complicated and messy for any customer to navigate. For those who are in vulnerable circumstances, it is even harder. Energy more broadly is quite a difficult market to navigate as a customer and you have to be motivated to engage with the energy efficiency market.

Q23 **Antoinette Sandbach:** Philip, what do you think could be done? I know that the Energy Saving Trust works very closely with the Welsh Government.

Philip Sellwood: The reality is that we have taken a decision that is very far-reaching, which is to decide that customers can make their own way in the energy efficiency sector, by withdrawing support for a national advice service that was trusted and was seen as independent and impartial. That will be seen as a very significant turning point.

Another point I want to make is that when the Each Home Counts review was launched, it was said that one of the things that would be done would be a national replacement service for an information portal. I would like the Committee to be calling the Government to account on where that information hub is. Where is that advice for customers, whether they are vulnerable or not? For the relatively small amount of money to deliver that advice system, you rebuild trust in the energy efficiency sector.

Q24 **Antoinette Sandbach:** In terms of Ofgem's regulation, do you think there is sufficient transparency requiring suppliers to disclose how much they are requesting in top-up fees for their ECO installations, Peter?

Peter Smith: An important point was raised by the National Audit Office on this question. Without that transparency, not only do households not know whether they are getting a good deal or not but, equally, Government and Ofgem are unable adequately to assess cost and cost of delivery. We absolutely support further transparency on capital contributions. Any requirement to make capital contributions prohibits the poorest taking part in those schemes. In an ideal world you would prohibit them overall, but at least in a periodic and rigorous way you could monitor the capital contributions that are being sought. That could be done without adding any increased cost to the administrator through the existing sign-off process. We would really support that. It would also make it a lot easier further down the line, or hopefully by the end of this year, to work out what leverage you are getting for any central investment, as well. Essentially what you would be doing is topping up the requirement to make a capital contribution, and you would know whether that was happening effectively.

Q25 **Antoinette Sandbach:** To come back on fuel-poor households briefly, with a 30% requirement to address fuel-poor households, the Committee on Fuel Poverty told us that, on average, those in deepest rural fuel poverty are paying £1,000 more a year. Is there sufficient transparency from the regulator, and indeed the supplier companies, on how they are tackling fuel-poor rural households and achieving that 30% target?

Peter Smith: There is very little focus on that within the regulator.

Dhara Vyas: No, there is not enough.

Philip Sellwood: There is none.

Q26 **Antoinette Sandbach:** So we take it on trust, do we, that they are dealing with so-called fuel-poor rural households? There is no underlying data to show that. Philip, you are shaking your head. For the record, we need you to speak.

Philip Sellwood: I am sorry; the answer is no.

Peter Smith: There is a focus on the worst-served customers, from the point of view of security of supply and the lights going out down the wiggly line in rural areas. There is a focus on that, but there is no rigorous process of assessing distribution impacts across the board, particularly for those hardest hit, such as electrically heated customers, which tend to be rural households or other groups that are badly hit.

Antoinette Sandbach: They are off-grid customers, are they not?

Peter Smith: They are off-grid customers, yes.

Dhara Vyas: It comes back to my earlier point that we need a better understanding and the Government need more reporting on who is receiving treatments. Without that, it is really hard to start planning how to address the problems.

Q27 **Drew Hendry:** How should funds for energy efficiency be raised?

Lawrence Slade: This echoes my earlier comment that we feel, at the moment, that having energy efficiency funds as part of the electricity bill is rather regressive. If you follow that through, it would make sense to have energy efficiency dealt with at a national level, as part of a national infrastructure priority, so it could be judged across the whole nation against other infrastructure projects that we need to do. The built environment is very much part of our infrastructure and people's lives, and that leads you down the line of saying that more of this needs to come from central fundraising, where the money can be spent in a much more progressive manner and can be directed very clearly at those people who need the funding most.

Echoing other points, we have to bear in mind that ECO, as designed at the moment, prioritises efficient delivery of the scheme. Actually, there are some tough decisions that you have to make, in terms of saying, "That that house and that family really needs more money spent on them, as a priority, to improve their quality of life and give them access to a modern style of living". Some of the scheme's current design does not currently incentivise suppliers to deal with some of the issues that Ms Sandbach was referring to.

Q28 **Drew Hendry:** I will come back to suppliers in a moment, but you talk about central Government funding for these schemes. Should players such as landlords be involved in making a contribution?

Lawrence Slade: We were very clear in our support that we felt landlords should have a higher limit. We support the £5,000 contribution from landlords. We are happy that it is £3,500 but, yes, landlords should have some responsibility.

Drew Hendry: But the main thrust would be from central Government.

Philip Sellwood: We are not happy with £3,500, because the evidence suggests that, at a £3,500 cap, less than 50% of homes will qualify, so it should be £5,000.

Drew Hendry: You are all nodding at that.

Peter Smith: It is worth emphasising that the consequence of that is that we are not going to meet the fuel poverty milestones that we have set, because there are more fuel-poor households in the private rented sector in F and G than in any other concentration. By virtue of missing that 50%, a lot of those are in fuel poverty, so we will not meet our nearterm fuel poverty milestone. That is hugely concerning to us in a context where we have already missed the duty to eradicate fuel poverty by 2016 in England.

Q29 **Drew Hendry:** Given what you have already said and the comments you made about the contrasts and significant progress in Scotland earlier, just so we can have the answer to this, do you all believe that energy efficiency for the fuel-poor should be a national infrastructure priority.

Lawrence Slade: Yes.

Philip Sellwood: Yes.

Dhara Vyas: Yes.

Q30 **Drew Hendry:** That is unanimous. Coming back to the commercial operator, should network companies, which benefit from reduced capacity in the network, also contribute to funding energy efficiency?

Philip Sellwood: If we are to expect DNOs to become DSOs, one of the fundamental reasons is for them to engage with their consumers. It would seem illogical at least to suggest that they should not therefore be part of that landscape of funding for energy efficiency. I have one additional point: we should not lose the fact that, today, Scotland spends four times per head on energy efficiency than England, Wales two times, and Northern Ireland one and a half times. Whatever way you cut it, there is not enough money

Q31 **Chair:** Is it right that the DNOs do not make any contribution?

Peter Smith: There are a few projects on innovation funding, which has meant that they look to energy efficiency in contrast to business-as-usual reinforcement, which is something the regulator could encourage in the next price control. Similarly, GDNs have a huge role to play in energy efficiency. At the moment, they are condemning a lot of boilers as part of the smart meter roll-out and there is nothing to support the installation of new boilers when they do that, so they have a key role there as well.

Q32 **Albert Owen:** Mr Sellwood talked about the DNOs becoming DSOs and taking responsibility. Would that help the fuel-poor in rural areas off-grid, for the first time? Would that bring them on board in equal parity?

Philip Sellwood: A really good example is a scheme we run with WPD in Wales, which exactly targets those customers in rural off-gas grid areas, with advice, support and implementation. It brings them central to their communities.

Albert Owen: It must not be linked to dual fuel, because some do not have the opportunity to have a dual fuel rebate, as it stands now.

Dhara Vyas: While we are focusing on fuel policy, there is a need to talk about not only access to funding, but access to low-cost finance for people who are not in fuel poverty but cannot afford to pay to improve their homes anyway. The vast majority of people fall into that. They may not be in receipt of certain benefits that would make them eligible but, equally, they cannot afford to improve their homes. Access to sensible, low-cost finance over a long time would make a huge difference.

Q33 **Antoinette Sandbach:** That brings me nicely to the minimum energy standards, and you have all given evidence that the £3,500 cap for landlords is not enough. Dhara, you just said that there ought to be low-cost finance, and of course that was one of the failings around the Green Deal: that the interest rate at 8% was far higher than the interest rates applying at the time. Given that many of these hard-to-treat homes will be in rural areas and may also be owned by landlords, why can a landlord not claim the entire cost?

Philip Sellwood: There are two things I would say first. One is to remind everybody that the cost cap and the EPC cap are set very low, at E, so we have an ambition to have houses that are E-rated. That is not enough. In our view, we should have a trajectory to take it to C by 2030. There is no reason why we could not use the tax system to incentivise landlords through tax relief, so that they could claim all of that, rather than just £3,500, £5,000 or whatever. We know that, in some of the most difficult off-gas grid areas, particularly with older properties, even that will not be sufficient to future-proof those homes.

Lawrence Slade: For example, when this was previously looked at with landlords, the Treasury had the LESA scheme—the landlord's energy saving allowance. This would be a perfect example of carrot and stick: "Yes, you have to invest in the properties you own, but actually there is a tax-saving opportunity for you there." The Government have missed a trick in not looking at that again.

Peter Smith: Going back to the point that was made earlier about doing things in increments, with the reintroduction of LESA you would want to encourage targeting of those landlords at F and G, and perhaps bring them straight up to C. Therefore, you are getting a certain amount of additionality from the reintroduction of that policy, which you would not be getting if you just got them out of F and G, but up to D.

Q34 **Antoinette Sandbach:** For example, solid wall insulation might cost a landlord £11,000. In a rural area, they may only get £3,500 or £4,000 a year rent. That is almost three years' rental income lost. Given that is the issue or problem, how should it be dealt with, given the importance of the private rented sector to achieving the targets?

Peter Smith: There is a consensus on the reintroduction of LESA. It is also important to say that ECO access has been restrictive from private landlords who were F and G-rated. That puts the emphasis back on the reintroduction of LESA in a big way.

Q35 **Antoinette Sandbach:** Are tenants aware of their rights around energy efficiency? Secondly—I refer to my entry in the register of interests—but what happens if a tenant refuses to have energy efficiency measures fitted?

Peter Smith: There is an exemptions framework that recognises the tenant's ability to refuse measures. They would just be granted an exemption, if there was written evidence to that effect. I do not think tenants are fully aware of their existing rights from housing standards. We see a lot of good practice from local authorities that are proactive on this side, but a lot are not and rely on the tenant to come forward to lead a complaint against their landlord, in a way they are hugely reluctant to do because of worries about retaliatory eviction.

Philip Sellwood: It is also worth re-emphasising that local authorities have no means of accessing the appropriate data to enforce compliance of MEES. At the moment, we have a policy without compliance, which, to refer to your earlier point, means that tenants do not know where they are.

Q36 **Antoinette Sandbach:** Is it not a requirement that the energy efficiency of a property has to be advertised at the time of letting?

Dhara Vyas: It does but, if you are desperate for a home, it will not be the main thing you are looking at. More broadly speaking, tenants are often not aware of their rights across the energy market. There is a lot of confusion around whether they can get a smart meter and who is responsible for the bills. Generally, there is a lack of awareness around both tenants' rights and responsibilities. Also, you have probably heard from the Committee on Fuel Poverty about the nationwide landlord licensing scheme, which could possibly help with giving local authorities powers to ban landlords who do not fix things in their homes and make them more energy efficient.

Q37 **Chair:** How many complaints do you get about these sorts of issues, Dhara?

Dhara Vyas: We are still doing the numbers for 2018, but for 2017 we had over 230,000 contacts about energy issues. That is broad; it could be any issue with your supplier or something to do with health that is related to a lack of efficiency in your home. I can get the Committee a breakdown on energy efficiency.

Chair: That would be helpful. Thank you.

Peter Smith: I was just going to say that the issue with disclosure at the point of letting does not deal with long-term tenancies. You see a lot of vulnerable people who have rented a property for a long period, who will not be aware of the EPC. That is the importance of the 2020 backstop date for the minimum energy efficiency standard, because everybody is supposed to be out of F and G at that point, regardless of short-term tenancies.

Chair: I hope you are not making an argument for shorter-term tenancies.

Peter Smith: No, not at all.

Chair: Thank you very much. It has been a really interesting and useful session to kick off our inquiry into energy efficiency, so thank you all for your time this morning.

Examination of witnesses

Witnesses: Amy Simmons, Dr Joanne Wade, Polly Billington and Shirley Rodrigues.

Chair: Thank you very much for coming this morning. All four of you were in the room for at least part of the earlier session, so I hope you found that as interesting and useful as we did. We look forward to your evidence now as well. As I said at the beginning of the previous session, obviously there is a lot to get through this morning, with the two sessions and lots of witnesses, so we are trying to keep the questioning as efficient as possible. If you could also help us by not repeating each other's answers and getting to the point, that would be incredibly helpful for everybody. We will start the questions to this panel with Drew Hendry.

Q38 **Drew Hendry:** Good morning. To meet UK Government targets for all homes to reach EPC band C by 2035, what scale of change will be required?

Dr Wade: We are talking about a level of investment of around £7 billion to £8 billion a year. We need to improve nearly 17 million homes. That is the number that are below band C at the moment. If you compare that with the current Government target of improvements to 1 million homes over five years, we are spending £640 million a year through ECO, approximately. There is not much happening outside of that programme. In that sense, it is a huge change, but you could also look at it another way. Over the last five years, we have spent £8 billion a year on doing up our homes. People have spent that much. We do spend on doing up our homes, so somehow we need to tap into that, as well as all of the things we are doing for fuel poverty. It is a big challenge, but it is a doable one.

Amy Simmons: For our members, which are our housing associations, it is a significant challenge. They have already done an enormous amount of work—in the region of 50% of housing association homes already meet band C. There is approximately 40% in band D and then a small percentage in bands E and F. The change from moving those homes that are in band D to C is really significant. It is not a linear relationship. Whilst our members are planning strategically and spending money on energy efficiency, they are trying to spend the money in the most effective way possible. It is part of the way they plan their cyclical maintenance and the way they plan their repairs.

They want to spend the money properly and do it once. They are massively aware of the disruption to residents and what that means for them. It was spoken about in the last evidence session. They recognise the challenge and are absolutely on board with doing more, being more innovative and trying to do the best they can, but there is a real need for additional funding to help them make that change. There are quite challenging choices about what they choose to spend their money on. Ultimately, if money is taken away from the supply of new homes, that can be a challenge.

Q39 **Drew Hendry:** Polly, what are your thoughts on the scale of change required to meet the band scheme?

Polly Billington: I would reiterate what Joanne said about the scale of it and how long it will take unless we speed things up and make a significant amount of commitment in terms of money. A couple of years ago the Green Investment Bank identified that there was about £30 billion-worth of low carbon investment required between now and 2020, and £3 billion of that would just be the EE retrofit and the deep retrofit. What Dr Joanne had said about the scale of it is really important.

I would also say that the local authorities have particular challenges on being able to make this happen now. When you do things is really important for local authorities. You were talking about your asset management strategy. Anybody who has had to deal with their own local authorities will know that Grenfell has cast a big shadow over your asset management strategy and when you manage to do that work. Also, we all know that nobody likes having disruption in their home—the less builders' dust you have, the better. If you are going to be interfered with in your home, particularly the social housing that local authorities have control over, you want to be doing that once and not many times.

The consequences of Grenfell have actually slowed down an enormous amount of investment and transformation of the homes in many of our local authorities. You will have things like kitchens and bathrooms being done now, and then fire safety will be done when Grenfell is sorted. After that, there will be energy efficiency standards put in. We cannot afford that in terms of the energy efficiency standards.

If we are talking about what we need to be able to do to meet our carbon budgets and our clean growth strategy, energy efficiency is the first, early, no-regrets stuff. You need to get it done between now and 2025. That £3 billion that the Green Investment Bank assessed was between 2017 and 2020. We are now halfway through and that money has not been invested. That is not just about the fuel poor; it is about money being spent on energy that could be spent on something else. That also is about money and the demand on energy on our grid, and our grid is going to change significantly. We are not anticipating any of that in terms of the way that our economy can grow. That is a real shame.

Q40 **Drew Hendry:** Shirley, what opportunities would addressing this significant change unlock?

Shirley Rodrigues: It would unlock huge opportunities. In London we have done a climate action plan. Looking at our carbon targets and doing the modelling, we think we need to get to EPC C by 2030, not 2035. The scale of the challenge in London is such that in the order of 160,000 homes a year would need to be retrofitted—these are current homes, not new ones—in the late 2020s. That is a big challenge. The retrofits that we are seeing, just through ECO, is in the order of thousands, so it is a massive challenge and a massive cost.

In terms of the opportunities of moving to a greater retrofit programme or refurbishment programme, there are lots of benefits from jobs, which are skilled jobs, in terms of retrofitting homes, through to the environmental benefits and health benefits. We know that the Mayor's Warmer Homes programme has been redesigned to focus on fuel poverty but also to look at issues around health impacts and air quality, so taking a more holistic approach.

Previously there were the quick wins of putting boilers in or just doing simple energy efficiency measures to your windows and so on; we are now taking a much deeper approach and looking to see how you can make sure that the measures that go in are much more effective. Often you put something in, but there is a big bit of damp that cancels out the efficiency of the boiler and in fact the air quality improvement of the boiler that that would bring as well. We are taking a slightly more holistic approach, which is more expensive and takes more time, but if you have a good supplier working with the resident, you can really make a difference to people's lives.

The Mayor's Warmer Homes programme is trying to do that. We have installed over 400 measures at the moment. We have had thousands of people applying and we are working through those at the moment. That funding is insufficient. We really need a change to the funding structure, which I think you talked about in the earlier session, which would really accelerate the change we need.

Q41 **Drew Hendry:** Moving on from that, we heard earlier a lot of praise for the approach by the Scottish Government in Scotland and also the approach in Wales in terms of national infrastructure. Should energy efficiency be considered a national priority, as it is in Scotland? What difference would it make here?

Shirley Rodrigues: It would be a huge difference. Definitely the Mayor and others—many of the people that you have had speaking here today are in our Fuel Poverty Partnership, which includes the suppliers—absolutely think that it should be a national infrastructure priority, not least because of the ability to tackle fuel poverty. It will help our carbon targets, provide jobs and so on.

The problem that we have when we talk about that is about where you target it and where the funding comes from. What we are trying to do in London is to couple a really good London-wide energy service that tries to identify who really needs help because resources are scarce—so targeting that on people in fuel poverty and giving them energy advice in the meantime—with then taking them and directing them to our Warmer Homes programme, which will then give them some measures.

Q42 **Drew Hendry:** A national infrastructure priority would aid that.

Shirley Rodrigues: I think so, if that was a model that was accelerated, but you need financing, tax allowances and all those sorts of things.

Q43 **Drew Hendry:** Perhaps I could hear from Dr Joanne and Polly as well.

Dr Wade: Yes, it should be a priority, absolutely. If you look at the definition of infrastructure, it is about supporting wellbeing and supporting productivity. It does that, so therefore it should be. Most importantly, it gives us that mechanism for prioritising, for tracking progress and actually for changing the attitudes towards homes. So many of our homes, as the Committee on Climate Change said last week, are not fit for the future. Why do we just bumble along thinking that is acceptable? Why is the conversation not, "This has to change"? Making it an infrastructure priority actually indicates that and indicates to the population as a whole that this is something that is not right.

Polly Billington: Around 8% of the UK's GDP is spent on energy and fuel. The National Infrastructure Commission itself says that if you reduce the amount that we spend on energy and fuel we need to build flexibility into the system and efficient use of assets. All of that is what you do if you increase energy efficiency. If you had an opportunity to be able to reduce what you spend on something that you would rather spend on something else, as a homeowner you would do that and as a country you should do that. You are talking about saving consumers £8 billion by 2030. Again, that is money that some people might save, but most people would spend. They would spend it in their communities.

That is why local authorities think it is so important that, rather than energy efficiency measures being seen as a split incentive, it is seen that the money goes in to somebody and they benefit from it. The institution that has spent the money does not get the benefit, and we need to be able to see that in the round. Unfortunately, local authorities' finance departments tend to be run by accountants rather than economists, so we need to be seeing this more as an economic strategy for retaining value.

Drew Hendry: Amy, confirm that it is unanimous.

Amy Simmons: Yes, absolutely; we would agree that it should be a national infrastructure priority. There is a real opportunity by doing that to think strategically about target-setting and ambition as well, because it is only through that sort of clarity for those who are working within the sector—landlords and others—that you can start to drive the supply market of services and the way that some of these challenges are progressed. That needs to be everything from building regulation to the new-build, to the targets that you set for energy efficiency for existing homes. There is a real need for joined-up governance. We are here talking to you today, but actually a lot of the housing policy that we interact with is set by MHCLG. This is a real plea to actually think about things sensibly so that they are deliverable and so that there is clarity. Once you have clarity, you can plan accordingly and fit the work to the programme. It is then a level playing field for everyone in the private sector and the social sector. It is a real plea for that, please.

Q44 **Mark Pawsey:** We heard in the previous evidence session things that central Government can do to improve things. What I want to do is focus on what local government can do. Shirley, you are a big player in local government. Have you got enough powers? Are you using them effectively? How can you move the dial on this? You spoke about your ambition to get to EPC C by 2030 instead of 2035. What measures are you going to put in place to achieve that?

Shirley Rodrigues: We do not have enough powers. The Mayor and other city leaders have been calling for the devolution of powers, for example.

Q45 **Mark Pawsey:** What powers specifically would you like?

Shirley Rodrigues: Setting minimum energy efficiency standards and being able to enforce them properly, with the appropriate funding for local authorities to properly enforce.

Q46 **Mark Pawsey:** We heard in the earlier session that one of the problems was that we are not doing enforcement effectively. How would you do that? Would you have an army of inspectors?

Shirley Rodrigues: The problem is that local authorities are under-funded. If you are going to give them the powers, you have to provide funding so that they can employ environmental health officers and trading standards officers who can go into homes and do that.

Q47 **Mark Pawsey:** Are these officers who carry out other duties as well, or would you have a dedicated team focused specifically on energy efficiency?

Shirley Rodrigues: There are lots of ways you could do it. You could have hit squads. You could do, for example, a rolling programme.

Q48 **Mark Pawsey:** But you have a very ambitious plan. You have 160,000 homes that you have to do in the next 11 years. Are you telling me that you are just talking about idea, or are you actually implementing ideas?

Shirley Rodrigues: Just to clarify, the 160,000 is a modelled figure. To retrofit all of the homes in London, and in order to meet our carbon target, which is a 1.5 degree compliant target, it would need 160,000 homes every year from the late 2020s to be retrofitted. The Mayor in no way can do that. That would need funding and the powers to devolve that. That is why we need, for example, national infrastructure priority being given to energy efficiency, as well as those powers that I have talked about being devolved to the Mayor and other city leaders and the appropriate funding to do that, coupled with incentives to the private rented sector. I heard you talking about landlords and so on. It needs to be coupled with incentives as well.

What we have in London is a programme to do what we can do within the limited powers that the Mayor has, which is more of a programme where we are providing funding and we are working with the boroughs, trying to facilitate improvements. We are working with the energy companies, Energy UK and its members. To be absolutely clear, the Mayor is not saying that he is going to deliver 160,000 homes retrofitted every year from the late 2020s. There is no way that can be done without that being set as a national infrastructure priority.

Q49 **Mark Pawsey:** Polly Billington, are local government using their existing powers adequately? Do they need more?

Polly Billington: I would concur with Shirley that there is not currently the capacity for them to be able to enforce. This is also a responsibility for the developers as well and the construction sector, because performance standards are not really as good as they should be. Although people are quite often saying that they are delivering to a certain standard, making sure when they are built that they are good enough. These are new-builds, let alone retrofits.

Q50 **Mark Pawsey:** It is the job of local authorities to make sure that house builders are delivering what they are supposed to be delivering. Are you telling us that local authorities are failing?

Polly Billington: The local authorities do not have the capacity at the moment to be able to ensure that that retrofit is done properly and that the standards are enforced. That is a real weakness for them. They will want to do that as much as they can, but then you need to be able to make sure that they are performing when they are being used. This can be something that sometimes gets a bit unpopular amongst the energy efficiency sector, and the green lobby quite often, because it is about how people use their homes. Sometimes what we do is have homes retrofitted in a way that is perfect for an engineer but is not perfect for the people who live in them.

Q51 **Mark Pawsey:** Just develop that. Explain the differences.

Polly Billington: For example, if you live in a draughty home and then it suddenly gets sealed up, you will find that you get condensation and damp in a way that you previously did not do.

Q52 **Mark Pawsey:** What is the solution?

Polly Billington: You need to be able to make sure that you are designing your energy efficiency to work with people, so that they understand how they can use their homes. It is literally how they use their homes. That is another part of it.

Q53 **Mark Pawsey:** Effectively, are you saying that the standards are inappropriate in some way?

Polly Billington: It is not so much that the standards are inappropriate. What is happening is that standards are being set by people who do the stuff rather than the people who use the stuff. For example, no one in the commercial sector, when they are designing kitchens, would think about doing it without making sure that people who use the kitchen use it properly.

Q54 **Mark Pawsey:** How do you change that?

Polly Billington: You have a proper dialogue with the sector to make sure that they understand better.

Q55 **Mark Pawsey:** Does this need the change in the standards? Do these categories A, B, C and D all need rethinking?

Polly Billington: At the moment what you have got is a set of standards and then the delivery of them. Sometimes you can find that the delivery of them does not meet how people want to be able to use their homes. We would need to do more work on that.

Q56 **Mr Dhesi:** The Committee on Climate Change, in their report last week, UK housing: Fit for the future?", noted that local authorities do not have the resources to address these concerns. The recent revisions to the national planning policy framework have removed the requirement for local authorities to give active support to energy efficiency improvements. Given that context, Dr Wade, what are the main barriers for local government in improving residential energy efficiency?

Dr Wade: You have already said it yourself: they just do not have the resources. It is not just money; it is that they do not have enough money and they do not have enough expertise. It is very hard for a planning officer to actually keep up to date with all the latest developments in technology. Planning officers often feel at a bit of a disadvantage when they are talking to a developer. They do not feel that they have the same back-up in terms of knowledge.

They also do not necessarily have access to the data that they need to do this. You talked earlier with the previous panel about enforcement, knowing where the private rented sector is and that kind of thing. There is a whole series of things where better access to data would help local authorities. Let us look to Scotland again and the requirement in Scotland for local energy planning by local authorities. Having something like that as a driver, and the resourcing to go with it, is the sort of thing that we need to look at for local authorities.

Q57 **Mr Dhesi:** Ms Rodrigues, in your experience do you think that local authorities have that access to finance for energy efficiency?

Shirley Rodrigues: There is quite a lot of capital finance around. The real problem that local authorities have is back to both what Joanne and Polly have alluded to. It is local authorities' ability and staffing to actually look at the projects that need to be done, mobilise the business case and find their sources of funding. This comes back down to revenue funding, essentially. We have been providing some technical assistance with the help of the European Commission, for both energy efficiency retrofits for the public sector, for social housing and for domestic homes. That has made a big difference in seeing the pipeline of energy efficiency projects coming through London.

Without that energy efficiency revenue case-building, you do get already, as it is—and you would get an increase—a patchwork-nature approach, which will not deal with the pace and scale of change that has been alluded to and that is needed to tackle fuel poverty or reduction in carbon emissions. Capital money is always welcome. We have made available finance schemes and so on, but tackling that revenue funding for local authorities or city strategic authorities would be really helpful.

Polly Billington: There are a couple of good example of where money from the Government has been used in a strategic way by local authorities. The Better Homes Yorkshire programme, for example, has £672,000 from the combined authority and the LEP, which has come from the growth deal money, and that is being used specifically for energy efficiency measures across the whole of the West Yorkshire region.

You have places such as Nottingham, which has accessed that European money. It is now becoming a crisis point in terms of what will replace that money. They have, for example, done a retrofit at different scales, demonstrated it under the Horizon 2020 scheme and also have got ELENA money. They have been using the Energiesprong model, which I am sure you are already familiar with, at demonstrator level, which they are now looking to be able to do at greater scale. That is where the tenant actually pays back over a long period of time. That enables you to be able to get stuff paid back.

What I am now going to say does not necessarily apply to people's homes and residential energy efficiency. You must remember that there is Salix available and public sector buildings are not really using as much of that as they could do. There is £500 million of projects to 14,000 different public sector bodies. If you think about what there is available in Salix, there is no obligation for schools, for example, to access Salix money.

Bearing in mind how stretched school budgets are, the fact is that they do not have the capacity at school level. Maybe they will be able to do that strategically at academy chain or local authority level. No one is asking them to do audits. No one is obliging them to apply for Salix money. They are spending money on energy work bills that they could be spending on education. There are lots of elements of the public sector that could access money that is around.

I will say one more thing on finance. Ultimately, if we see energy efficiency simply in a silo, we are missing out on how we are going to be able to reach our carbon budgets. This does require local authorities to think in a more entrepreneurial way than they have previously been used to. That is a massive challenge. It also goes to previous conversations about DNOs switching to DSOs. Local authorities could start to be able to develop ways of generating electricity and power and energy in order to be able to create an income stream, which could then be spent on doing your retrofit of your energy efficiency.

If you ask a local authority how they would spend £100 million, most of them will say that they will spend it on fuel poverty—money in, money out—and they will feel that they have made their case. However, there is an argument now, particularly for the need for decentralised energy, for us to be more resilient and for less demand on the grid, for energy to be generated locally, for that income generated to be used locally and for that income to be used in a really progressive way.

Q58 **Mr Dhesi:** Ms Simmons, I am going to use the B-word now, because the Committee on Climate Change said that Brexit will impact local authorities' access to EU funding sources and networks, such as the European Investment Bank and the European structural and investment funds. Do you think that local government's work on residential energy efficiency will be impacted by loss of access to EU funding after Brexit?

Amy Simmons: Having listened to the other panel members' responses, yes, I think it will. You have to look at where some of that money goes and the areas that it is spent in. They have challenges around getting the support they need to have energy requirements. We have actually been doing a project called Great Places, which looks at areas in the north—I can send some more information on that. For housing associations, the way forward around some of the financial implications is in terms of the potential to talk to the sector about what the challenges are, the scale of support required and how they can work with us to get over some of these challenges around where there are gaps in funding or working with local authorities.

Actually, our members are delivering a lot of these projects and pilots on the ground. In the past they had done a lot of innovative work. They have piloted a lot of schemes. They know where the challenges are, and the perverse incentives or the unintended consequences. There will be challenges, but there are ways around it, basically through more collaboration and really focusing on the delivery side of things.

Q59 **Mr Dhesi:** Dr Wade, given the limited resources, do you think that local government should be prioritising energy efficiency over other issues?

Dr Wade: I have two answers to that. The first is yes, because of the benefit that it brings to local communities. When you look at the health and wellbeing, employment and skills benefits that it brings to local communities, there is a clear argument. I would also say that local government probably should know best what it should prioritise. Energy efficiency should definitely be a priority, but I would not like to dictate what every local authority should put at the top of its list.

Q60 **Peter Kyle:** Polly, it is good to see you. Is there a specific policy that you would like to see in the upcoming action plan, particularly with regard to residential housing and efficiency?

Polly Billington: I would like to be able to see something further on the EPC standard. What is important to understand is that if you have the obligation to enforce that, then you also need to be able to have the resources to do it too. An obligation to enforce that and resources would be able to really drive this. However, there needs to be an understanding that at the moment we have a lot of long-term targets and not a great amount of clarity on how you would do it at a local authority level when you are thinking about how you manage yourself.

Q61 **Peter Kyle:** You said you would like to see something. Can you be specific? What specifically would you like to see in the action plan?

Polly Billington: If there was one thing I was going to have—let me have a look. I should have prepared this. It is the one thing I always tell people to prepare. Give Joanne a chance and I will come back to you.

Dr Wade: I would like to see a local energy plan requirement for local authorities. Though I say I do not want to dictate to them what they do, I do think they should have a local energy plan. Local authorities know best what the energy system in their area should look like. I want to see that.

Q62 **Peter Kyle:** Do you think there should be a duty on local authorities to do such a plan?

Dr Wade: Yes.

Q63 **Peter Kyle:** Amy, do you agree?

Amy Simmons: It would be really helpful for our members, because that would give them the clarity they need in the areas they develop.

Q64 **Peter Kyle:** Do you think it should be a duty, rather than it being voluntary or recommended? Do you think that they should be compelled to do so?

Amy Simmons: It should link back to national standards, really. If you are looking at national standards, you have to be able to deliver them locally.

Q65 **Peter Kyle:** Shirley, you are nodding. As a local authority, you believe you should be compelled to do so as well.

Shirley Rodrigues: We are not quite a local authority at the GLA, but we set the standards and a framework. There is the planning framework and the health plans that local authorities have to prepare. I would argue that we should really be making sure that energy efficiency is really integrated through all of those schemes, because we know it has health benefits and job benefits. We are preparing a local industrial strategy in London. How can that help the supply chain?

In terms of the thing I would say that we should really be getting MHCLG to be thinking about, it is reintroducing the zero-carbon homes standard. We have that in London. The code for sustainable homes was ended elsewhere. We have had that recent report showing that the loss to people is £200 on their energy bills because of that lack of enforcement on energy efficiency standards. In London, we are extending that zero-carbon homes requirement to non-residential developments, so hotels and so on. The idea is that you have to tackle the homes that are being built now. That is absolutely important, because they are going to be standing for hundreds of years. We also need to be doing what we were talking about in terms of retrofitting our existing homes, which is absolutely critical.

Q66 **Peter Kyle:** Did you want to come back, Polly?

Polly Billington: I would give local authorities control over ECO.

Q67 **Antoinette Sandbach:** Amy, even though the zero-carbon homes policy has been scrapped overall, there is nothing to stop housing associations building to a zero-carbon planning standard, is there?

Amy Simmons: There is not, but you have to think holistically: our members are buying land and doing work to their homes in a commercial market. The money has to come from somewhere for them to achieve that.

Q68 **Antoinette Sandbach:** With the greatest of respect, my local housing association has only got a target to provide 200 homes over a five-year period. In fact, over the previous five years, it bought very few homes. All they were doing was spending their rental money on their pension fund and improving their housing stock. If they are having to spend a third of their income to improve their housing stock, why are they not commissioning the stock or buying the stock that complies with the zero-carbon home standard?

Amy Simmons: Homes built now at current building regulations are about band B, I think. There is an opportunity to commission, but when they are buying land to develop new homes that is done on a residual land value calculation, so the additional cost of building to that level has to be taken off the cost of the land. It is often a challenge to be competitive with private developers who maybe do not have to achieve that. Although they understand what the long-term benefits are, it is about efficiency of where you spend your money.

Q69 **Antoinette Sandbach:** You think it is more efficient to build homes that are below the zero-carbon standard and potentially have to retrofit at a later date.

Amy Simmons: Absolutely not. It would be better to have a strategic target, so across the board everybody is working to the same target.

Q70 **Antoinette Sandbach:** I agree with that, but a number of federations and housing associations are significant builders in their own right, with substantial income streams. In my experience, they are very good at leveraging ECO and other measures to support the tenants in their existing housing stock. If you are getting, for example, large ECO assistance, which is not then going to other people—we have heard lots of examples about rural property—why are you not building new homes to the highest standard possible?

Amy Simmons: Overall, when zero-carbon homes was the way that housing standards were set, they had an aspiration to build to that, but there was a recognition that actually if you are driving that agenda and you are almost going first, over and above the rest of the construction sector, then there is potentially an additional cost to doing that. Often the supply chains and markets are not developed enough for that to be something that is—

Q71 **Antoinette Sandbach:** We know that is not the case. We know that the supply chains and the markets were there, because the zero-carbon homes standard was there.

Amy Simmons: It is the whole issue for housing associations about it being a balance in terms of where they spend their money and the competing priorities that they have. Whilst they want the best out of the new-build stock and they are trying to build to the highest standards that they can, they also have to look after the homes they already have and the residents they have. They have to spend money in the most effective way to get the best outcome for the most number of tenants.

Some of the homes that are left, which need to be brought up to a higher EPC band, are the more challenging ones. In London particularly, there are lots of flats. That is more of a challenge than a whole-house retrofit. We heard significant evidence in the last session about some of the problems in rural areas. These are landlords who often have a large number of existing residents with a huge range of vulnerability. They have to take a balanced view about where they do spend their money. It would be wrong to focus too much on spending money on existing stock if it stops you building more homes. We have a huge housing crisis, so it is a balance.

Polly Billington: I am very interested in this, because we have worked quite closely with the UK Green Building Council on its Sustainability

Standards in New Homes policy playbook, which we recommend to our members. That is partly because we identified that there was a specific challenge that local authorities were finding, which was that if they put really strong standards in place, in their planning guidelines and so forth, the developers would challenge them and the national Planning Inspectorate would come along and say, "That is a drag on the market, so rip it out." You have ambitious local authorities being told to water down their ambition in order to be able to get the homes built.

This is not just a housing crisis, and this is not just in London. We have found that local authorities have wanted to get this standard up. We thought that what we could do is encourage our local authorities to adopt this same way of doing things, so that progressive developers would be able to know where they can do the same thing. That is building the standards up from below, since we do not currently have a regulation from above.

Q72 **Antoinette Sandbach:** I can think of an example where a local authority has donated the land to a developer to build social housing on it. In those circumstances, surely there can be no excuse about building to the highest standard.

Polly Billington: No, there should not be, but if you think about the fact that the local authority has a whole overall planning framework, if you have very ambitious ones and the developer chooses to challenge them, you get into a pickle. Also, they will say, "We will not build in your local authority. We will go elsewhere". You have growing cities and towns that definitely want to be able to expand and to develop their economy, and they are being played off by some of the big developers who will say, "We cannot possibly meet your demands because it reduces the viability".

Q73 **Antoinette Sandbach:** The evidence from Shirley was that London has done it.

Polly Billington: London, in that sense, is exceptional, because you have powers to have the zero-carbon homes and everyone else does not.

Shirley Rodrigues: Through the London Plan we are able to set that requirement. We also have challenges from developers saying it is not viable, but we have done a lot of work over the last few years to show that that policy is completely financially viable for developers. It adds something in the order of 1% to costs. The ambition is to get the growth in the housing stock that we need but at quality. It has to be decent quality homes with energy efficiencies. It is possible, but absolutely you need that mandating of the overarching policy. You can do what you can do from the bottom up, but it is never going to be what we need at the pace and scale that we are talking about.

Polly Billington: A particular challenge is that the land values are not the same elsewhere as they are in London. That is why the developers come back and argue about the viability.

Q74 **Mark Pawsey:** Can I ask Amy a quick supplementary question about building to the highest possible standards? Is there any evidence that tenants who rent properties that are built to the higher standards, where their energy bills would be lower, might be willing to pay a slightly higher rent? We could ask the same question of the house builders when they come to market housing.

Amy Simmons: That is a really interesting point, because housing associations set their rent within a rent regime where there are very particular rules about what they can charge for in terms of their rent and service-charging. At the moment, if associations make improvements to energy efficiency and the energy bills go down, the housing association cannot then charge more rent or service charge.

Q75 **Mark Pawsey:** Let us say there was the freedom to do that. Would tenants be willing to pay a slightly higher rent because their energy bills were lower, or would people simply disregard that, in your view?

Amy Simmons: In my view—it would be my view; I do not have any evidence to call on—in some scenarios there might be the potential for them to pay slightly more, but you have to look at the picture of affordability overall for residents. We are talking about really quite vulnerable groups that often live in social housing. Any additional cost has to be balanced against the impact that would have on an individual's life. Our members do an enormous amount of work trying to put residents at the heart of everything they do and to support them.

Q76 **Albert Owen:** Just following on from that, Amy, you talked about the challenges. What mechanisms would social landlords require to get their properties up to the band C by 2030? What mechanisms are needed? Some great ideas are coming here, from the fringes.

Amy Simmons: As I said, we need strategic target-setting and additional financial support, which does not necessarily have to be just straight capital funding. There is a range of incentivising funding. It has to fit within the housing association business model. They have to be able to make sure that they already borrow—

Q77 **Albert Owen:** Should it not be the other way around, though? Should the business model be changed to fit in with the tenants' requirements and get their energy efficiency, rather than the other way around? My colleague has just said that the pensions are important for various things, but the tenants should be core.

Amy Simmons: The tenants are core. Most of our members borrow money and set their business planning across a 30-year cycle, because they are not just building to sell and at the point of sale to make a profit. They are in it for the long term. They are commissioning, building and then managing homes that are occupied over the lifetime of their home. Nothing could be more important than making sure that their business plan fits, but they are also non-profit and they are regulated. They have to think very carefully about where access to funding comes from and how that is borrowed and used. They cannot put themselves into a position where they are putting homes and their residents at risk.

Q78 **Albert Owen:** You mentioned a 30-year plan. Do you think that social landlords should be required to provide a 30-year plan? Should the Government encourage them to do so?

Amy Simmons: They are already regulated and have a relationship with the Regulator of Social Housing.

Albert Owen: Those plans are there to deliver the 2050 targets.

Amy Simmons: Not for energy efficiency, because it is not set out in Government targets, but their whole financial viability is reviewed by the regulator.

Q79 **Albert Owen:** I do not mean to press you, but you seem very defensive. What innovations do you have, as housing associations, that you want to change the whole dimension? If you go back to basics, some of the early social housing had communal hot water, for instance. That would be cheaper than individuals having to pay for it.

Amy Simmons: There are lots of pilots of members who have worked on various projects. We mentioned the Energiesprong model. There are members who have engaged in that. They are trying out new ways of implementing energy efficiency. They are working with tenants. There is a huge amount of work going on around fuel poverty across membership. It is about making sure that the detail of those pilots can be delivered across at scale and be supported. One of the things that came across when we asked members about this was about the continuity of funding. With ECO, it was not always available when they needed it, at the right level. It is the consistency of support that is required, because these are individual businesses, and they are thinking strategically about the works they will do to their stock and the pilots they can take forward. They just need the continuity and support to allow it.

Q80 **Albert Owen:** Can I just ask the rest of the panel just one more? We heard from the earlier panel about the Scottish model, which was also mentioned by Drew, who has left the room now. Is there anything you can learn from improving social housing in other areas with more energy efficiency—in Wales, Northern Ireland and Scotland? Why is it so patchy in England?

Shirley Rodrigues: My understanding is that it really depends on your housing stock. What we would ask for is the criteria that have been used. There are two things that the Scottish Government have. First, they have had ECO devolved to them; in London we certainly do not get a fair share of what we should get. It is something in the order of 7%, as opposed to 13%. Also, the structure of it does not reflect the make-up of the buildings in London. We would want to flex the criteria to skew into getting people to spend more money on some of the harder-to-treat homes: the solid wall insulation, the flats and so on, which have difficulties in spending.

Then for housing associations, particularly from our experience, we know that from our refit programme—

Albert Owen: Sorry, I really want to finish on time. I know London is different.

Shirley Rodrigues: I just wanted to explain one thing about tax. The VAT for refurbishments and for energy efficiency is a massive problem for the business case for housing associations. If that could be sorted out, that would be great.

Q81 **Albert Owen:** Polly, we have rural areas and urban areas in all parts of the United Kingdom. Why is England lagging behind?

Polly Billington: Because the devolved Administrations have taken a strategic decision about this as a priority. Once you have the ECO devolved as well, that helps and makes a big difference. It means that the local authorities in Wales and Scotland have to do stuff. There is also a strategic power. There is a strategic role for the Scottish Futures Trust, which does look at how you integrate energy efficiency into other forms of more low-carbon approaches to not just the way that you use your homes but also how you generate energy and use it in a commercial sense, as well as at a residential level.

Q82 **Albert Owen:** Dr Wade, would you like to add anything?

Dr Wade: One of the things that is obvious, certainly from Scotland, is that moving ahead with a clear trajectory to minimum standards focuses the mind. They are doing that in social housing as well as in everything else.

Q83 **Anna Turley:** I would like to focus on the private rented sector. As we all know in this room, many people living in poverty are living in the private rented sector. We know that sector is the worst-performing of all energy efficiency areas. The Committee for Fuel Poverty said that 35% of private rented sector properties are band F or G, compared with 0.7% in social housing. It is obviously a big issue and a big challenge in the private rented sector. Should private landlords receive financial support, either from the Government or somewhere else, to help them deliver the 2030 EPC band C target? If you think so, what should that look like?

Shirley Rodrigues: We are trialling, as part of our Warmer Homes scheme, an energy efficiency scheme that is available both to landlords and to private tenants. In the previous session, you heard partly about the difficulties. One of the things we are seeing is that private tenants want to have energy efficiency but need their landlord's permission. Sometimes the landlords want to do it in the private sector and the tenants do not. We are looking to offer some funding. We are just trialling it to see whether it works. We thought long and hard about whether this was a good way to do it. We think incentives and tax allowances would really help to get landlords taking this up and addressing this really big problem. As you said, a lot of private sector tenants are in fuel poverty. That is why we have included representatives from the private tenants' associations on our fuel poverty partnership.

Q84 **Anna Turley:** You just mentioned the tax incentives. Obviously there was the landlord's energy saving allowance, which was cancelled in 2015. Is it a shame that that was lost? Would you like to say anything about that? Is that something we could bring back?

Dr Wade: At the time it was cancelled, the rationale was largely because it was not being taken up much, because there was no stick. Now that we have minimum efficiency standards, there is a very good reason for bringing it back. We need to be clear what benefits landlords will derive from a more efficient property and take that into account before we start giving them money.

Antoinette mentioned earlier the costs of some types of property. The landlord will lose the equivalent of several years of rent. If you are in situation, there is an argument for financial support for something that is a social good. Where a landlord is getting—we know this in the social housing sector—lower voids, lower maintenance costs, potentially increased asset value and better rent payments, then maybe they should be contributing as well. We think the cap on the landlord contribution is too low; we would have supported £5,000, but we would also support bringing back LESA.

Q85 **Anna Turley:** I want to come on to that cap. Is it agreed across the board that that is essentially a disincentive to people investing properly? Polly, you are nodding.

Polly Billington: Yes. In terms of the private rented sector and local authorities, now some of them are experimenting with local landlord registration schemes. That can be one of the ways that they can start to encourage people to meet those standards and use that as a way of explaining to people that that should be done, and that helps. The cap is currently not high enough, although you will get that benefit back. I would agree with Joanne.

Q86 **Anna Turley:** That is really helpful. I am going to move on a little bit now to talk a little bit more about local authorities and enforcement, picking up points that Mark and Tan have already mentioned. Do you think that the minimum efficiency standards have been and are being adequately enforced? If not, what are the challenges that you think they should overcome? Polly, I will go to you because I saw a look there.

Polly Billington: I am sceptical about their ability to enforce it. That is partly about capacity. There is also an anxiety about taking homes out of the market when there is such pressure on homes. The best thing that they can do is make sure that everything is working, but if they have an issue with enforcement then that is going to be an issue. We need to be able to make sure, if you are going to enforce, that you also have a solution. What often happens is that they go, "That is all terrible." We have all dealt with planning departments that go, "You cannot do that," and there is no solution.

If you are talking about something that is actually supposed to improve the quality of the person's life, reduce their costs and meet your own targets, then the least you could do is have a plan and stages of how to do it. A lot of energy-saving advice tends to be extremely generic. This is how it should work: if you have a local authority that understands not only the housing stock that it actually owns, but the wider community, it should be able to say, "We know we have X number of homes like this. If you have this situation, we recommend X, Y and Z." That also needs to be about producing.

This is the other important thing, going back to something we talked about earlier. It is the importance of local authorities' strategic power—because most of them have some kind of housing stock themselves—to be able to create a sensible procurement strategy, which develops the local supply chain so that when you have the, "This is a bit draughty" homeowner, whether that is a landlord, a tenant or indeed a private homeowner, they can say, "I have somebody that can go and use it. I can go to somebody that I can rely on." At the moment, that sector is so fractured, so who you can rely on to be able to give you proper advice on that is really difficult. That is actually something where the strategic power of local authorities to be able to say, "This is how we do it here. These are the people we will procure from. These are the people that we therefore recommend you use", would really help.

Dr Wade: Could I just add to that? I agree with that totally. The pilots currently funded by BEIS, both on how to enforce private rented sector MEES and how to develop local energy efficiency supply chains are vital for those points. It is really important that we learn from those. They are in the early stages at the moment, but it is great that they are happening. We need to pay attention to them and learn from them.

Q87 **Anna Turley:** I just have a quick final point. Would anyone like to say anything specifically on houses in multiple occupation? Again, we know that they are specifically the least energy-efficient buildings. How would you like to see them incorporated into the regulations as well? Is there anything you would like to add specifically on that area?

Polly Billington: I am not sure that they are necessarily the most energy-inefficient buildings. Big, draughty Victorian homes with a couple of people knocking around in them tend to be quite bad too. We have not discussed the able-to-pay sector—I know there seems to be a focus on the fuel-poor here—but if you are talking about reducing our carbon emissions then they are important.

Anna Turley: In terms of vulnerability as well.

Polly Billington: If you are talking about vulnerability, yes, that is extremely difficult and that is why you need to use your landlord registration schemes and the minimum standards to be able to enforce.

Chair: Thank you to all four of you for coming to give evidence to our Select Committee this morning.