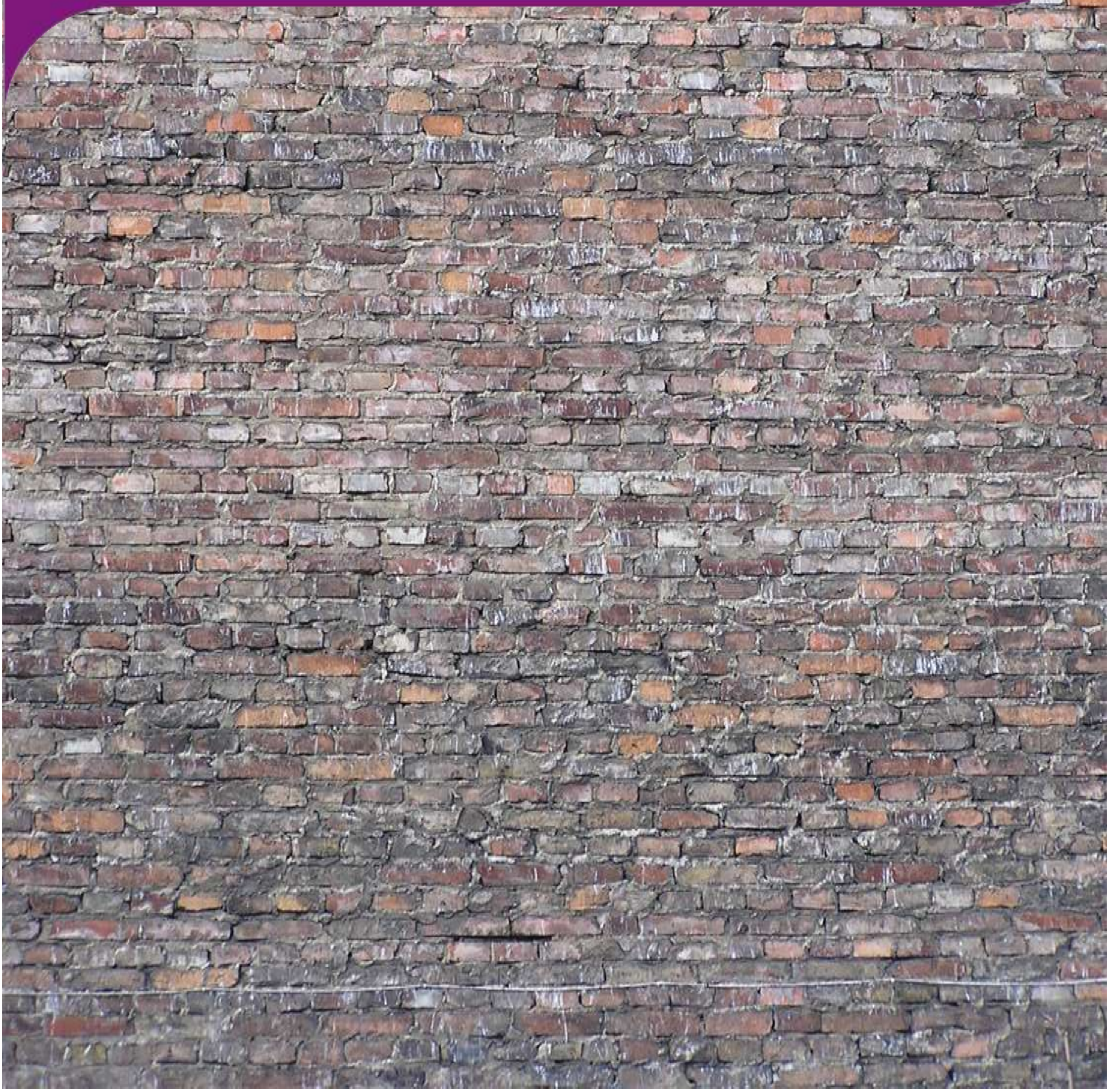
Consumer Focus
Campaigning for a fair deal

Scaling the solid wall

Executive summary



About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy-makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

Preface

Consumer Focus is committed to helping the Government meet its statutory targets to eliminate fuel poverty by 2016 and set its first carbon budget by 2020. We believe the new Energy Company Obligation (ECO) can potentially play an important role in meeting both fuel poverty and carbon targets. A well-designed ECO that focuses initially on low-income consumers can help meet the two objectives, particularly if integrated with other programmes.

The Government anticipates that ECO, working alongside the Green Deal Finance mechanism, will play an important role in transforming the emerging solid wall insulation industry – the next major challenge for improving our housing stock. It also anticipates that social housing will be at the vanguard of such a transformation. However, large scale installation of solid wall insulation carries many challenges. It is expensive, disruptive to consumers and entails major logistical effort. But it also has the potential to dramatically reduce the fuel costs of low-income consumers, many of whom live in solid wall housing, as well as improve health and well-being.

We therefore commissioned the Association for the Conservation of Energy (ACE) to investigate the issues and barriers that will need addressing if the solid wall insulation industry is to take off. Is social housing able to carry out the role the Government expects of the sector? What support does it require? Can social housing stimulate wider delivery of solid wall insulation in surrounding private tenure areas?

Scaling the solid wall provides valuable evidence on experience to date and its implications for future delivery. It makes a wide range of recommendations for both policy and practice. We hope it will help inform further development of Green Deal and ECO policy, as well as a range of related policy areas. We welcome feedback on the report's conclusions and recommendations.

William Baker
Head of Fuel Poverty Policy, Consumer Focus

Summary

The Government wants policies within the 2011 Energy Act, in particular the Energy Company Obligation (ECO), to drive a dramatic increase in the installation of solid wall insulation (SWI). The Government anticipates all social housing with solid walls will have had SWI installed by 2018. It expects relatively high take up in the social housing sector for several reasons:

- Social housing is more amenable to concentrated delivery of SWI, reducing costs through scale
- Social housing has established supply chains and value-for-money experience of delivery, due to Decent Homes and other refurbishment programmes
- The relative ease with which fuel companies can engage with one social housing contact, representing a number of tenants and properties

However, delivery of SWI in social housing will not be straightforward. This report presents the findings of research into experience to date, based on interviews with stakeholders and a review of SWI schemes and trials. It highlights a range of issues that will need addressing if SWI installation is to take off.

Issues

Barriers to SWI delivery

- Planning issues: stakeholders reported an inconsistent approach by different planning authorities to SWI installation
- SWI systems require bespoke design due to the diversity and complexity of homes
- Social housing resident permissions, where households in a block could refuse works or refuse to contribute to the cost of measures
- Mixed tenure blocks or terraces where households could block the installation to their property, making the system uneconomical or unfeasible for the remaining properties
- Loss of the skills within local authorities and housing associations that are needed to establish partnerships, provide stock information and drive or assist with the delivery of measures on an area basis
- Limited supply chain capacity

Costs of delivering SWI

The Government expects the **cost** of delivering SWI to reduce over time due to the benefit of delivery at scale in social housing. However, the research found that many expect costs to remain high:

- The fixed costs associated with design specification, logistics, programme set-up, planning process, scaffolding, unexpected works and ‘making good’ after works are particularly high

- The design specification for Internal Wall Insulation (IWI) is lower than that for External Wall Insulation (EWI). However, 'making good' costs for IWI are particularly high. For some projects, the fixed and 'making good' costs represented 50 per cent of the project costs
- Consumer (both social and private sector) engagement has required significant effort and expenditure
- High fixed and consumer engagement costs, together with the financial squeeze on social housing providers and local authorities, has led to Community Energy Saving Programme (CESP) projects requiring a high level of subsidy
- In private sector housing, CESP and 'pay as you save' (PAYS) trial evidence suggests that even greater engagement effort and subsidy are required. Household take up is low and drop out high, with take-up levels highly dependent on the level of subsidy offered
- Projects delivering SWI with use of 'Green Deal style' finance have also found that significant subsidies are needed to meet the 'Golden Rule'

Policy recommendations

Despite these issues, social housing is likely to remain relatively attractive for delivering SWI with ECO support, when compared with the owner-occupied and privately rented sectors. However, cost is likely to be greater than envisaged. Additional enabling mechanisms or incentives are required to promote social housing to act as a catalyst for wider roll-out to other tenures in neighbouring areas.

Scaling the solid wall argues that it is vital SWI is delivered into private as well as social housing, in order to avoid the development of two separate supply chains. It also makes the case for delivering significant levels of ECO support for SWI in low-income private housing to reduce the negative distributional impact of the ECO on low-income consumers' bills. The report presents policy recommendations to overcome the identified issues, reduce the costs of delivery in social housing, and encourage take up in low-income private sector households.

General recommendations:

- **Planning:** The Government should take a more prescriptive approach on planning issues with respect to SWI to ensure consistency. It should provide guidance to planning authorities that encourages positive approval when considering EWI applications. Judgements or indicative statements could be attached to areas containing very similar property types which are made publicly available, providing prospective applicants and scheme managers with insight into the appropriateness of proposals. Permissions already granted to one property in a street or designated area could be extended to nearby properties, thus avoiding a full application process for each property
- **SWIGA:** The planned Solid Wall Insulation Guarantee Agency (SWIGA) and framework should be implemented at the earliest opportunity to avoid damaging the reputation of IWI and EWI due to poor-quality installations
- **Innovation:** Investment in product development and innovation is urgently needed in order to reduce costs and improve household acceptance of SWI. The Government should make available the £35 million of new funds earmarked to support the development and demonstration of innovative technologies and systems to reduce carbon from buildings (announced by Chris Huhne, Secretary of State for Energy and Climate Change in September 2011) for SWI

- **Complex homes:** Where a combination of EWI, IWI and/or CWI is the most appropriate treatment for a property, it is important that ECO scores are flexible enough to take account of multiple wall insulation products
- **Incentives:** To help overcome household hassle and disruption barriers and to attract householders to Green Deal Finance, substantial incentives are needed. In addition, the Government should encourage community participation approaches that incentivise area-based take up

Social housing recommendations:

- **Rights and duties of residents:** Greater clarity is needed on the responsibilities of social housing residents and leaseholders to accept reasonable SWI works, and on the type and magnitude of the costs that can be passed on within rent and service charges. Guidance on a streamlined consultation process for obtaining the relevant consents would also help
- **Treatment of voids:** Social housing providers should not be penalised if they take the opportunity presented by vacancies to improve the energy efficiency of properties
- **Access to ECO subsidy:** Social housing providers should have direct and transparent access to the ECO subsidy in order to support their works, retaining a practical and cost management role in delivering their service duty to residents
- **Green Deal for social housing:** Government should develop a new mechanism within Green Deal that is appropriate for the large-scale stock improvement programmes that social housing providers carry out. The current proposed Green Deal finance mechanism is better suited to improve private properties on an individual basis
- **Smaller social housing providers:** Small social housing providers manage around 600,000 homes (in the UK). Given their size, these providers are likely to be less attractive to those providing ECO subsidy, and less engaged with the retrofit agenda. Government should consider how best to enable smaller housing providers to improve the energy efficiency of their stock through attracting ECO subsidy and utilising the Green Deal Finance mechanism

Private housing recommendations:

- **Cross-sector delivery:** it is essential that delivery in the private sector is promoted alongside delivery in the social sector to ensure further cost efficiencies, not only when cost-effective solutions in the social sector are exhausted
- **ECO subsidy – support low incomes:** The group of households that need ECO support most urgently, and yet are least likely to benefit from it, are low-income private sector households. Very high subsidy levels will be required to ensure support is provided equitably. A very high proportion of activity under the carbon target must be directed to a low-income or vulnerable priority group. A portion of this priority group may need to be ring-fenced for those outside of social housing

- **ECO referrals:** When a household is referred for ECO support via the proposed Green Deal Advice Centre, they must be eligible for a minimum response package from energy suppliers that should include SWI where needed. Assistance should be provided for referrals that are made by or channelled through local authorities, helping to promote local authorities' role by providing them with a mechanism through which to attract subsidy and direct delivery
- **HECA:** The renewal of Home Energy Conservation Act (HECA) and its accompanying guidance document provides a key opportunity to provide local authorities with clarity on emerging opportunities, roles and responsibilities. HECA officers will play an essential role in delivering on climate change and fuel poverty objectives and it is important that Government raises the profile of this role. In addition, the HECA guidance document should provide assistance and direction on such issues as: the level of detail and form of housing stock data required; the need to identify areas of target activity, particularly areas of deprivation and poor quality stock; appropriate Green Deal structures and opportunities for local authorities
- **Zones:** Zones of concentrated activity have proved effective at achieving cost efficiencies and generating high levels of resident engagement. Zones created around a social housing SWI programme, in areas of high solid wall density and income deprivation, provide significant opportunities. Core funding for approaches that trial the SWI treatment of mixed tenure, mixed ownership neighbourhoods would promote innovation, lesson learning and the development of approaches that could be transferred to local partners in other areas. Part of the £35 million innovation fund announced by Chris Huhne should be made available for this
- **Driving ECO agents to act**: Government should incentivise ECO agents to deliver SWI to private sector households, particularly low-income households, alongside social housing. Government could consider the following options:
    - Using 'uplifts' where an ECO agent delivers SWI into social *and* private homes within an area, with an additional uplift for private homes occupied by low-income or vulnerable households
    - Incentivising delivery specifically into low-income and vulnerable private sector homes, so that ECO agents focus delivery in areas which combine social housing (providing cost reductions through scale) and low incomes (which provide higher scores)

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For more information please contact William Baker on 020 7799 7966 or email **william.Baker@consumerfocus.org.uk**

www.consumerfocus.org.uk

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Consumer Focus

Fleetbank House
Salisbury Square
London EC4Y 8JX

Tel: 020 7799 7900

Fax: 020 7799 7901

Media Team: 020 7799 8004 / 8005 / 8006

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