

EAST HERTS COUNCIL

ENVIRONMENT SCRUTINY COMMITTEE - 17 SEPTEMBER 2013

REPORT BY THE EXECUTIVE MEMBER FOR HEALTH, HOUSING  
AND COMMUNITY SUPPORT

FUEL POVERTY – AN OVERVIEW

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report**

- To appraise the Committee of the revised national definition of fuel poverty and to highlight activity being undertaken in East Herts to help address the issue amongst vulnerable residents.

**RECOMMENDATION FOR ENVIRONMENT SCRUTINY COMMITTEE**

**That:**

- |            |   |
|------------|---|
| <b>(A)</b> | <b>activity relating to fuel poverty in East Herts be scrutinised and any areas for further discussion be identified;</b>                                       |
| <b>(B)</b> | <b>progress with the Green Deal and the interim grant scheme be noted; and</b>  |
| <b>(C)</b> | <b>the Affordable Warmth Strategy be reviewed before the end of the civic year following the publication of the Government's Fuel Poverty Strategy in 2014.</b> |

1.0 Background

1.1 At the last meeting of the Environment Scrutiny Committee in June 2013, members requested that an initial report be presented to their next meeting outlining measures relating to fuel poverty in East Herts. Members will already be aware that the specific aim of

reducing fuel poverty forms part of the Council's 2013/14 Vision and Corporate priorities.

1.2 This report aims to provide an introduction to fuel poverty and to highlight broad areas of action in the District aimed at helping to assist those residents who may be fuel poor.

## 2.0 What is Fuel Poverty?

2.1 In the UK the concept of fuel poverty has traditionally been taken as occurring when a household is unable to afford to heat their home to the level required for health and comfort. The generally accepted definition has been when more than 10% of the household income is required to be spent on heating the dwelling to a comfortable level.

2.2 However, the Government initiated a review of fuel poverty – *The Hills Review*, which was published in March 2012, which proposed a revised definition. Following a period of consultation an amended version of this was adopted in July 2013, which is known as the *Low Income High Costs Indicator (LIHC)*.

Under the new measure of fuel poverty, fuel costs are equivalised to reflect the fact that different types of household will have different levels of spending power. Therefore under the new definition a household is considered to be fuel poor where:

- They have required fuel costs that are above average (the national median level)
- Were they to spend that amount, they would be left with a residual income below the official poverty line

2.3 The key elements in determining whether a household is fuel poor or not are:

- Income
- Fuel prices
- Fuel consumption (which is dependent on the dwelling characteristics and the lifestyle of the household)

2.4 Table 1 below shows the four quadrants of the LIHC indicator. Those defined as fuel poor are in the bottom left quadrant. This

quadrant could include some households who might not usually be considered to be poor under standard poverty definitions, but are pushed into fuel poverty by their very high energy requirements. While it is recognised that those households in the top left quadrant have low incomes, they also have relatively low fuel costs, and so are not fuel poor.

*Table 1*

|                                 |                                 |
|---------------------------------|---------------------------------|
| Low Income<br>Low Energy Costs  | High Income<br>Low Energy Costs |
| Low Income<br>High Energy Costs | High Income<br>High Energy Cost |

2.5 Table 2 below shows the number of fuel poor households in England from 2003 onwards under the new low income high costs indicator. For comparative purposes, it also shows the old 10 per cent indicator, along with the total fuel poverty gap.

*Table 2*

| Year | 10 per cent<br>(thousands) | Low income<br>High Costs<br>(thousands) | Fuel Poverty<br>Gap<br>£m<br>(2011 prices) |
|------|----------------------------|---|--|
| 2003 | 1,222                      | 2,441                                   | 606  |
| 2004 | 1,236                      | 2,492                                   | 644  |
| 2005 | 1,529                      | 2,428                                   | 752  |
| 2006 | 2,432                      | 2,262                                   | 886  |
| 2007 | 2,823                      | 2,357                                   | 904  |
| 2008 | 3,335                      | 2,438                                   | 957  |
| 2009 | 3,964                      | 2,486                                   | 1,060                                      |
| 2010 | 3,526                      | 2,474                                   | 1,024                                      |
| 2011 | 3,202                      | 2,390                                   | 1,047                                      |

- 2.6 Table 2 also shows the total Fuel Poverty Gap, which is the difference between a household's required fuel costs, and what these costs would need to be for them not to be in fuel poverty. This gives an indication of the severity of the problem for different households.
- 2.7 One effect of the new definition is to reduce the number of households in apparent fuel poverty, since the old definition was heavily influenced by fluctuating fuel prices. The new definition aims to better understand the number of ongoing fuel poor.
- 2.8 The government has also revised the method by which incomes and fuel bills are calculated compared to that used under the old definition. Thus, for the low income high cost indicator, incomes are calculated after housing costs. This is to reflect the fact that money spent on housing costs cannot be spent on fuel. Both indicators use modelled fuel bills. It is necessary to model fuel bills, as this allows energy consumption to be controlled to ensure the household maintains an adequate standard of warmth. In reality, many households under-heat their home, relative to the recommended adequate standard of warmth, and this can be particularly acute with elderly people, leading to a likely underestimate of fuel poverty within this demographic.
- 2.9 Although the emphasis is on fuel for heating the home, fuel costs in the definition of fuel poverty also include spending on heating water, lights and appliance usage and cooking costs.
- 3.0 Fuel Poverty in East Herts
- 3.1 Fuel poverty is hard to measure, but it is not restricted to low income households in inner city areas. Indeed lower income families in social housing in more urban areas do not necessarily fall within the fuel poor, as social housing tends to be of a higher energy efficiency standard and these homes are usually on mains gas.
- 3.2 In fact, national surveys have suggested that because of the range of factors affecting fuel poverty, those households most affected can be spread throughout the community, often as isolated pockets within relatively affluent areas, since house type/energy efficiency and use of the house are important factors.
- 3.3 Thus across the UK there is usually a significant proportion of the fuel poor in more rural communities, off mains gas and living in

“hard to treat” properties. It is therefore likely that this picture is repeated across East Herts. Indeed the Council’s House Condition Survey in 2009 found that 24.4% of households in Social Housing were in Fuel Poverty (using the 10% definition of fuel poverty), compared with 35.5% of owner-occupiers, with social housing outperforming the rest of the stock in terms of overall energy efficiency. Rural housing was found to be less energy efficient than housing in our towns; e.g., a Standard Assessment Profile (SAP) rating of just 41 in the Rural North, compared with 57 in Buntingford and with the overall rating for East Herts of 52.

3.4 East Herts has a wide mix of house types with many older hard to treat homes and many of these homes are off gas.

#### 4.0 Summary of Activity in East Herts

4.1 For some years East Herts Council has had an active programme of energy efficiency advice and grant measures aimed at all sections of our community.

4.2 In 2000 the Council adopted a Fuel Poverty Strategy, which was later reviewed in 2007. The revised strategy is termed the East Herts Affordable Warmth Strategy and sets out the Council’s aim to eradicate fuel poverty where reasonable, practicable and possible, in line with government policy. Given the changes nationally in the definition of fuel poverty and the advent of revised national energy efficiency assistance measures it is recommended that the Affordable Warmth Strategy is reviewed by this Committee at a future meeting.

4.3 A summary of principal measures relating to fuel poverty in East Herts is given below:

4.3.1 *General Energy Efficiency Advice* – The Council provides a range of energy efficiency information including signposting to available grants (both national and local) via its web site/ telephone and personal visits. Many enquiries tend to be from home owners wishing to verify current offers from utility providers as the Council is seen as a trusted brand.

4.3.2 *Hardship Funds* – The council and other agencies across East Herts signpost those in need to hardship funds operated by utility companies to arrange easier fuel bill repayment terms or to certain charitable trusts who can

provide funding for emergency works for very vulnerable people.

- 4.3.3 *Herts and Essex Energy Partnership (HEEP)* – Members may recall that the Council coordinated a partnership of 15 local authorities who obtained £6 million of government funding to provide grants and loans for significant energy improvement measures to local homes. Unfortunately this scheme ceased at the end of 2012 once the funding was spent.

Under the Herts Essex Energy Partnership, which offered a wide range of free and subsidised measures, from June 2009 to March 2012 some 1812 measures had been installed in East Herts homes, supported by £429,222 from the scheme funds. This saves an estimated 43,057 tonnes of Carbon Dioxide emissions over the lifetime of the measures, at an average cost of just £9.97 per tonne saved.

- 4.3.4 *Green Deal* – This Government initiated scheme, which was fully launched in January 2013, aims to provide a loan to householders to provide for a wide range of energy efficiency improvements. The cost of the loan, plus interest is paid back via the electricity bill. The additional sum to be paid back will always be less than the savings that the energy efficiency improvements generate (the so called “golden rule”). The Green Deal aims to provide a much wider range of energy improvement measures than has traditionally been available, including external wall insulation and double glazing.

The Green Deal has replaced the free and low cost loft/cavity wall insulation schemes that were previously widely available via energy providers. Officers have received significant enquiries about the Green Deal, but feedback from residents suggests the scheme is not currently proving popular. This view is reflected nationwide with a very poor take up, despite many thousands of energy audits having been completed.

In Hertfordshire, the Hertfordshire Sustainability Forum (HSF) - of which East Herts is a leading member – has been coordinating potential joint authority activity on the Green Deal. However, at the current time it is the Forum’s view that

authorities do not engage with their own versions of the scheme.

- 4.3.5 *Energy Company Obligation* - ECO is part of the Green Deal and offers possible full funding for certain energy efficiency improvements, such as external wall insulation, which would be too expensive to generally comply with the Golden Rule. It is available to certain vulnerable/low income groups and in some cases the able to pay, and is chiefly allocated through utility company projects.

Through the HSF a consortium of local authorities in Hertfordshire, including East Herts, is investigating the potential for a bid to the Government's Green Deal Communities Local Authority Fund, which was announced in July. This £20 million scheme is aimed at assisting with possible whole street ECO projects.

- 4.3.6 *East Herts Home Insulation Grants* – For some years the Council has maintained a capital budget of £20,000 to assist with home insulation measures, offering up to £50 per loft/cavity/ draught proofing measure, totalling a maximum grant of £150. These were not needed while HEEP funds were available, nor until recently as most cavity/loft insulation measures were available at heavily subsidised rates via the utility companies.

Now that national subsidies have stopped, the relatively small sum of £50 is insufficient to encourage take up of the grant and the measure. It had been hoped that the Green Deal would be utilised to provide funding for basic insulation measures. However, loft and cavity insulation appear to be unpopular within the Green Deal presumably due to the Deal's perceived complexity and also perhaps the fact that householders place a low financial value on these measures as they have so often been provided free of charge. This is despite the fact that loft and cavity wall insulation have some of the fastest pay backs of any insulation measures.

Therefore to address this, the Director of Neighbourhood Services, using his delegated powers, has agreed that the scheme be revised to provide a 50% grant of up to £200 towards loft insulation works and a 50% grant of up to £300 towards cavity wall insulation, given that there continues to

be evidence for ongoing demand for these insulation measures.

Officers propose to particularly promote the grant fund to those householders that may have previously considered either loft or cavity insulations but were excluded from previous subsidised schemes due to using their lofts for storage or the presence of narrow wall cavities. The grant scheme is open to all homeowners in the District regardless of income and will be kept under review.

**4.3.7 *East Herts Discretionary Decent Homes Grants*** – East Herts maintains a capital budget of £120,000 to provide means tested grants towards the costs of works to help homes meet the Decent Homes Standard. As part of this standard there is a requirement for homes to provide a reasonable degree of thermal comfort, and so energy efficiency measures, along with the repair of seriously defective boilers can be provided through this criterion. There is a £1000 limit for energy efficiency assistance, raised to £2000 for energy efficiency works in hard to treat homes. The cash limit is removed for households falling within government's vulnerable household definition.

The HEEP scheme, together with limited staffing resources, has meant that these particular grants have not recently been promoted while the focus has been on other housing priorities. As a result of the Medium Term Financial Plan, the Community Safety and Health Service has reluctantly reduced its staffing resource in this grant area to protect the need to deliver its statutory obligations. The Service has, however, made use of its strong association with Environmental Services and merged its domestic energy efficiency role with the Environmental Strategy and Development Manager in order to retain expertise in energy efficiency. Unfortunately, the ability to make a serious impact in this specific area is therefore limited.

**4.3.8 *Keep Warm Stay Well*** – For the past two winter seasons authorities in Hertfordshire have received funding, following a joint bid to the Department of Health, to specifically assist the vulnerable and fuel poor within the County. Almost £400,000 was obtained across the County for winter 2012/13 and within East Herts this was used to provide assistance to 86 households, with for example measures



such as basic draught proofing, emergency heaters and referrals to other agencies. The Department of Health has indicated that no such similar funding is likely to be available for winter 2013/14.

4.3.9 *GP Flu Clinics* – Officers hope to be promoting energy efficiency advice via GP flu clinics in the District this autumn, in order to try and target older more vulnerable householders; as it is often elderly people living alone in larger houses that may fall into fuel poverty.

4.3.10 *Fuel Switching* – A number of authorities in the UK have established community fuel switching schemes. The purpose of these is to tender on behalf of local residents who join the scheme to achieve more preferential rates from fuel suppliers. Once a certain number of householders have expressed interest in taking part, an “auction” is held with energy suppliers and the best price achieved offered to residents. The more residents that express an interest the cheaper the fuel offer achieved is likely to be. There is no obligation for residents to change suppliers until the resident is happy with the price offered. The two main schemes in the UK are operated by Oldham and Peterborough Councils. HCC has joined the Peterborough scheme and as such has promoted fuel switching to Hertfordshire residents, though it is understood that take up is relatively low. Clearly whilst it is hoped that fuel switching will achieve lower costs for residents there is no guarantee that the price offered will be the cheapest available on the market at any one time and better deals may be on offer elsewhere. However, the advantage of promoting fuel switching is that it encourages consumers to think about their fuel bills and possibly arrange their own switch to a new supplier. Data tends to suggest that it is older householders who are the more reluctant to fuel switch and may therefore be on considerably less favourable terms.

4.3.11 *Oil buying Clubs* – Oil buying clubs are groups of people mainly in rural areas, who combine their orders for domestic heating oil in order to achieve a more competitive price from the oil distribution company. Several such clubs operate across East Herts. Generally savings of at least 10% are achieved. The supplier gains by making fewer individual journeys thereby saving time and diesel as well as reducing congestion. Given that many of those households in fuel

poverty tend be off gas and using oil (approximately 30% of all those in fuel poverty), the use of an oil buying club can be a very helpful means to reduce fuel costs.

## 5.0 Implications/Consultations

5.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

## Background Papers

Fuel Poverty; a Framework for Future Action – DECC (August 2013).  
East Herts Affordable Warmth Strategy (2007)  
East Herts Private Sector Housing Assistance Policy (2008)

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