

EAST HERTS COUNCIL

ENVIRONMENT SCRUTINY COMMITTEE - 9 SEPTEMBER 2014

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

UPDATE REPORT ON FUEL POVERTY IN EAST HERTS

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To appraise the Committee of the recent publication of the Government's draft consultation report for addressing Fuel Poverty in England and to consider the local activity to assist with fuel poverty

RECOMMENDATION FOR : Environment Scrutiny Committee

That:

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| (A) | The activity relating to fuel poverty in East Herts be scrutinised and that any areas be identified for specific discussion/inclusion within future reports on Fuel Poverty within East Herts; and, |
| (B) | a further report detailing a Fuel Poverty Action Plan for East Herts be submitted once the Government's Fuel Poverty Framework is published later this year. |

1.0 Background

1.1 At a meeting of the Environment Scrutiny Committee in September 2013, Members received a detailed report providing an update on activity relating to measures to improve domestic energy efficiency in East Herts. At that meeting, it was agreed that a new Fuel Poverty Strategy be prepared for the District in the light of the expected publication in March 2014 of the

Government's Fuel Poverty Strategy for England. Members will already be aware that the specific aim of reducing fuel poverty forms part of the Council's Vision and Corporate priorities.

1.2 Unfortunately the Government Strategy document has been repeatedly delayed with the initial consultation having only been released in late July 2014. This report therefore aims to provide a background to the consultation framework and to highlight areas for likely priority within East Herts. It is expected that the national policy will ultimately be published later this autumn. It is then intended to present a further report to members detailing a specific Fuel Poverty Strategy and Action Plan for East Herts, based on the national framework.

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 an initial review of fuel poverty *The Hills Review*, which was adopted in July 2013, and 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 The main 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.

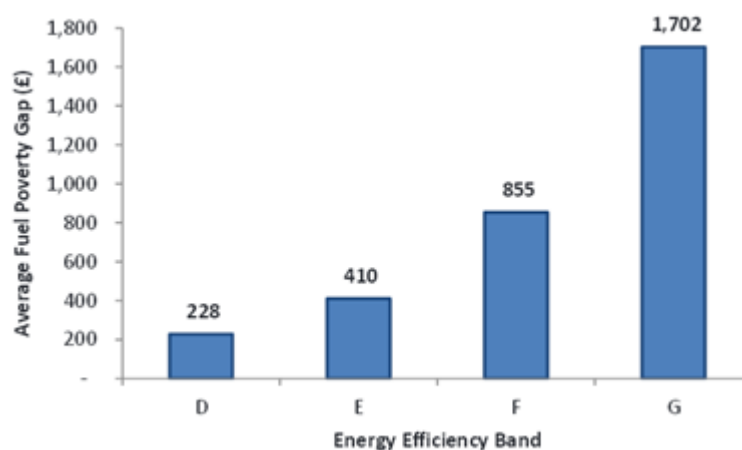
2.5 An innovation is that the measurement of fuel poverty will now include an assessment not only of the extent of the problem, but also the depth of the problem i.e. how badly affected each household actually is. This will be achieved by looking at how much more a fuel poor household needs to spend to keep warm compared to a typical household.

2.6 The most recent Department of Energy and Climate Change research (DECC 2013) has shown the following general attributes for a fuel poor household:

- Annual income after tax and housing is less than half that of non- fuel poor
- Household energy costs are 20% higher
- 70% are of working age and of whom 80% are in work
- 45% are families
- 85% live in private tenure, mostly owner occupiers
- Most live in energy inefficient older homes, with 65% of such homes rated as band E or below

2.7 In particular the privately rented sector is disproportionately represented amongst fuel poor households. This has been recognised by the Government and within the next four years it will no longer be possible to let a home that has an Energy Performance Certificate of band F or G.

2.8 Fuel poor households tend to use the most expensive fuels for heating. Thus those deepest in fuel poverty have a fuel poverty gap of over £800 (off gas) compared with £332 for those using mains gas. The fuel poverty gap also increases for those living in poorly insulated homes as the graph below indicates.



2.9 Traditionally it has been thought that those households using prepayment meters are particularly likely to be fuel poor. The latest research does not support this view, indicating instead that these tend to have the lowest fuel poverty gap whilst those on standard credit tariffs are the most affected.

2.10 Taken together the information above allows us to build a picture of those most likely to be in fuel poverty along with the types of home most likely to be affected. In turn using this information the Government is intending to develop a policy to direct action to those that are in most need and that this policy framework can then be used by local authorities in directing energy efficiency activity in their own local area.

3.0 Fuel Poverty in East Herts

3.1 In East Herts the latest data available (DECC 2013) indicates that approximately 7.5% of local households are fuel poor. This is average for Hertfordshire as a whole. Watford Borough has the largest proportion of fuel poor at 10.3% whilst Stevenage and Broxbourne the least at 6.3%. Interestingly East Herts has a very similar level of fuel poor as typical inner London Boroughs such as Tower Hamlets and Islington, backing up the evidence that suggests that fuel poverty is not necessarily an inner city problem.

3.2 Whilst the figure of 7.5% for East Herts is average for the county as a whole this is based on a wide range of 2.4% to 17.1%, with the higher proportion within the rural north of the District and within those communities that are off gas. It is hoped that further data on specific communities may be available for a future report. This reflects a similar picture across the UK where there is usually a significantly greater proportion of the fuel poor in more rural communities, off mains gas and living in “hard to treat” properties (DECC 2013). Indeed the East Herts Council’s House Condition Survey in 2009 found that rural housing was 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.

It is suggested that given this data future fuel poverty and energy efficiency activity be emphasised in the rural areas, particularly the rural north of the District wherever possible.

4.0 The Government Framework

- 4.1. The Government is intending to set a new statutory target for reducing the number of fuel poor homes. It is likely that this target will be that “as many fuel poor homes as is reasonably practicable will achieve a minimum energy efficiency standard of band C, by 2030”; with draft intermediate milestones of 2020 to achieve band E and 2025 to reach band D. The Government also sees these targets as contributing to the UK national carbon reduction targets of reducing carbon dioxide emissions by 80% by 2050. This may be seen as a challenging ambition as currently just 4% of fuel poor households live in homes of Band C or better, compared to over 18% for non-fuel poor households.
- 4.2. In order to meet this target significant activity will be required to improve the energy efficiency of the general housing stock. It is expected that in the framework to be published later this year there will be a range of actions aimed at reducing fuel poverty based on the existing support that is provided nationally to improve the fuel efficiency of homes.

However, whilst it is not yet clear how the framework will re- target specific actions to reflect the needs of the most fuel poor the three guiding principles recognised by the Government are as follows:

- Prioritisation of the most fuel poor
- Developing a cost effective policy to support the fuel poor
- Prioritise “vulnerable” households in future fuel poverty policy decisions.

5.0 The Role of Local Authorities

- 5.1 The draft framework makes clear that it sees local authorities as having a key role to play in delivering action on the ground to combat fuel poverty. In particular it indicates that local authorities may wish to work with local Health and Wellbeing Boards, as well as local health partners in developing local initiatives. Local authorities are especially seen as key in their ability to engage customers and provide trusted support to the local community and to act as the honest broker in an area where customers often feel the need for technical support and advice. Secondly local authorities are seen as having valuable experience of targeting support to specific households due to their local knowledge.
- 5.2 Poorly heated and insulated homes have an adverse effect on the occupiers’ health and wellbeing. Therefore it is important that fuel poverty data is included in the local Joint Strategic Needs

Assessment (JSNA), which is being developed and is used to inform decisions about local Health and Wellbeing priorities and investment.

6.0 Making the National Framework local to East Herts

6.1 It is suggested that Members may wish to receive a further report on establishing a local fuel poverty strategy and action plan once the Government publishes its strategy, which as indicated above, is expected this autumn. However, in the meantime, work on improving energy efficiency in homes in East Herts and thereby helping to reduce fuel poverty continues. A summary of current activity is detailed below.

6.1.1 *General Energy Efficiency Advice* – The Council continues to provide a range of energy efficiency information including signposting to available grants (both national and local) via its web site/ telephone. 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. Advice is also given on hardship funds operated by utility companies which can provide emergency support to the most fuel poor and vulnerable, with 11 local residents directed toward these funds last year.

6.1.2 *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. However, in common with the national picture, the Green Deal has not proved as popular as expected and take up has been particularly low amongst the fuel poor due to the loan based nature of the assistance.

6.1.3 *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. The Government has extended the timeframe

for ECO assistance to 2017 which is expected to allow a wider provision of energy efficiency measures by the utility companies, with some redirection towards those at most risk of fuel poverty. Since March this year it has also used some of the budget allocation to enhance the so called Green Deal cash back incentive scheme which can provide generous cash back payments to householders for undertaking certain energy efficiency measures. For example up to £6000 cash back is available for the installation of external wall insulation, although this particular measure still remains very expensive and therefore is likely to be out of the reach of the fuel poor. However, measures such as external wall insulation are particularly effective for many of the hard to treat homes in East Herts that do not have cavity walls, given that some 35% of heat is lost through solid walls.

6.1.4 *East Herts Home Insulation Grants* – For some years the Council has maintained a capital budget of £20,000 to assist with home insulation measures. Last year, in the light of a reduction in nationally available subsidised or free measures, the East Herts scheme was enhanced to provide 50% grant of up to £200 towards loft insulation works and a 50% grant of up to £300 towards cavity wall insulation. Officers are currently looking at extending the parameters of the scheme to provide assistance for a wider range of insulation measures, particularly directed at hard to treat homes, although the total budget will remain unchanged. It is suggested that up to £2000 grants be available towards external wall insulation, based on 20% of the average costs of the works which is £10,000 and up to £1000 grants (i.e. up to 20%) to be available for internal wall insulation, based on a typical works cost of £5000 to £6000. Given that national assistance is also available for internal and external wall insulation including cash back and the Green Deal, this should make such improvements attractive. Members may also wish to comment on whether they would like to see the payments for loft and cavity wall enhanced further, but perhaps in a targeted way towards off gas homes in the more rural areas.

6.1.5 *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 in

exceptional circumstances. 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. Members may wish to comment on how these grants may best be designed to sit alongside and encourage take up of Green Deal.

- 6.1.6 *Free Loft and Cavity Wall Insulation* – The Council is working with a regional home energy insulation company to offer free cavity wall insulation to suitable homes in East Herts. The offer is open to any homeowner regardless of income. Until recently free loft insulation was also available for qualifying homes, but due to changes in the funding regime managed by the utility companies, this has for the most part currently ceased, though it is hoped that it may be possible to re-offer this element from mid September. A further update will be provided at the meeting. In the meantime residents seeking free loft insulation are being directed towards a scheme operated by British Gas, which unusually at the moment is open to any homeowner, although the scheme is due to cease at the end of August, or to their energy supplier. Where free insulation is not available, East Herts Insulation Grants may reduce cost to householders.
- 6.1.7 *Keep Warm Stay Well* – For the past three winter seasons authorities in Hertfordshire have worked together to specifically assist the vulnerable and fuel poor within the County during the coldest months. Nationally in 2012/13 there were 31,100 excess winter deaths linked to the cold. Almost £400,000 was obtained across the County for winter 2012/13 and slightly less for 2013/14. Last year within East Herts this was used to provide assistance to 82 households, with for example measures such as basic draught proofing, emergency heaters and referrals to other agencies. This year additional funding has been sourced through Health budgets and this will permit the scheme to operate for the next two years. In addition it is planned to expand the assistance available. The precise nature of the additional assistance is currently being planned. The new scheme will also operate all year, with a stronger focus on health benefits and be rebadged as “Herts Healthy Homes”. However, the “Keep Warm Stay Well” brand will remain for the winter campaigns.
- 6.1.8 *GP Flu Clinics* – Officers are working with health centres in the District to promote energy efficiency advice for the winter period, 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. It is hoped that publicity will be provided via Flu Clinics along with an officer presence at some clinics to provide advice and if possible will target rural areas. The initiative will be linked with Keep Warm Stay Well.

6.1.9 *Tariff Switching* – A number of authorities in the UK have established community fuel tariff 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. HCC promoted a scheme to Hertfordshire residents last year, which was operated by Peterborough Council. However, it is understood that take up has been relatively low. Clearly whilst it is hoped that fuel tariff 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 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 and so tariff switching can assist those in fuel poverty.

6.1.10 *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. Given that many of those households in fuel poverty tend to 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. It is suggested that further work is undertaken to see if such clubs can be more actively promoted across East Herts.

6.1.11 *Community Energy* - Community energy covers aspects of collective action to reduce, purchase, manage and generate energy. Community energy projects have an emphasis on local engagement, local leadership and control and the local community benefiting collectively from the outcomes. It is a concept that is being keenly promoted by the Government. Community-led action can often tackle challenging issues around energy, with community groups well placed to understand their immediate local areas and to bring people together with common purpose. Reducing energy use can reduce carbon emissions, and also save people money on their energy bills. The local

community can work together and save energy in a number of ways, for example in relation to reducing fuel poverty: the community may share tips on how households can use less energy on a day-to-day basis; advise people about what support is available to help them insulate their own homes; establish community oil buying clubs or encourage fuel tariff switching. Thus Community Energy is about members of the community acting as advocates for action. Research elsewhere in the UK has shown that communities/community groups can be particularly effective at engaging vulnerable consumers and reaching those in fuel poverty. East Herts is attempting to encourage this through schemes such as Keep Warm Stay Well, but there could be an opportunity to encourage the creation of specific local community energy efficiency networks. The Herts Sustainability Forum is intending to explore the potential for Community Energy in Hertfordshire over the coming months. The concept of Community Energy is explored further in the Climate Change Update Report elsewhere on this agenda.

7.0 Conclusion

7.1 Fuel poverty is hard to measure, but it is not restricted to low income households in inner city areas, as national statistics and local data for East Herts makes clear.

7.2 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. It is hoped measures outlined in the report above will assist in combating local fuel poverty. It is recommended that Members receive a further report once officers have assessed the implications of the Government's framework strategy on fuel poverty which is expected later this year.

8.0 Implications/Consultations

8.1 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).
Cutting the Cost of Keeping Warm – DECC (July 2014)
East Herts Private Sector Housing Assistance Policy (2008)

Contact Member: Councillor Linda Haysey -Executive Member for Health, Housing and Community Support.
Linda.haysey@eastherts.gov.uk

Contact Officer: Brian Simmonds – Head of Community Safety and Health Services – Extn 1498
brian.simmonds@eastherts.gov.uk

Report Author: David Thorogood – Environmental Strategy and Development Manager - Ext No – 1621
David.thorogood@eastherts.gov.uk