

Tackling fuel poverty through local leadership

Fuel poverty affects the most vulnerable residents in our communities and can have adverse impacts on their well-being. Fuel price rises are combining with flat incomes to increase fuel poverty, with 3.5 million households living in fuel poverty in 2010 compared to 1 million households in 2004. As fuel bills continue to rise and incomes remain stagnant, councils recognise that more residents will be at risk of falling into fuel poverty unless the causes are addressed.

Broadly defined as households on lower incomes living in a home which cannot be kept warm at a reasonable cost, fuel poverty is usually a result of three interacting factors: low household income, low energy efficiency standard of a property and high fuel prices. Councils can do little to influence fuel prices or incomes, so their focus is on supporting people to improve the energy efficiency of homes and to find cheaper energy tariffs. Given that it is estimated that poor insulation results in £1 in every £3 currently spent heating UK homes being wasted¹, increasing fuel efficiency is a better-targeted public policy measure to tackle fuel poverty than blanket intervention on prices or incomes.

Action on fuel poverty can improve people's lives while helping to reduce demands on public spending. There is a strong body of evidence about the poor health outcomes associated with fuel poverty, with the Marmot Review Team's comprehensive report in 2011 estimating that 1 in 5 instances of excess winter deaths can be attributed to living in the coldest quarter of housing and that children living in cold homes are far more likely to suffer from respiratory and mental health problems than those living in warm homes.² Households living in or on the brink of fuel poverty often face very difficult trade-offs between meeting their fuel bills, spending on other essentials such as food and falling into debt, all of which can exacerbate physical and mental health problems. The Chief Medical Officer estimated the annual cost to the NHS of treating winter-related disease due to cold private housing to be £859 million and suggested that investing £1 in keeping homes warm saved the NHS 42 pence in health costs.³

Investment in energy efficiency can also yield economic benefits for communities. The energy efficiency sector is already a significant economic player; in 2010/11, it was estimated to account for 136,000 jobs and sales of £17.6 billion in the UK.⁴ A recent report on the impact of Climate Local, an LGA initiative to support locally-led action on climate change, found that supporting local economic growth is a major driver for councils to act on this agenda, with its potential to support economic regeneration, inward investment, improved competitiveness, job creation and new skills and training programmes.⁵

¹ http://www.ippr.org/uploadedFiles/research/projects/Climate_Change/green_streets_final.pdf

² Add ref to Marmot report.

³ 2009 Annual Report of the Chief Medical Officer.

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65602/6927-energy-efficiency-strategy--the-energy-efficiency.pdf

⁵ Local Climate Actions: http://www.local.gov.uk/c/document_library/get_file?uuid=04b031f9-5802-4d18-8fcd-40383fbe7638&groupId=10171

Councils are keen to build on their position at the heart of action to tackle fuel poverty, having delivered over half of all energy efficiency programmes in the country⁶. These efforts have had a lasting effect in helping to raise the energy efficiency of social housing stock.⁷ Councils are ambitious to do more, as part of a broader effort to improve energy efficiency, reduce energy costs and generate growth and jobs by supporting the green economy. With the policy and funding landscape for tackling fuel poverty having changed significantly since 2010, councils have never had a more critical role to play in ensuring that resources are targeted effectively to reach those most in need. This paper sets out how promoting local leadership is the most effective way to improve the well-being of vulnerable residents and ensure value for money in efforts to tackle fuel poverty.

What have councils done to combat fuel poverty?

Councils' experience shows that effective solutions need to be tailored to local circumstances. In some parts of the country, it is the owners of older properties in rural areas who are most likely to be fuel poor; in others, it may be families with young children living in private rented accommodation. Local fuel poverty strategies take into account different interventions and different mechanisms are needed as a result of the way these factors interact in their area. For example, Lambeth Council found that lone parents with dependent children constitute one of the biggest at-risk groups in the area, and has developed a fuel poverty strategy that aims to coordinate with other initiatives and agencies working with those households.⁸ In Cheshire West and Chester, with elderly owner-occupier households among the most vulnerable so the council has brought together a multi-disciplinary group including representatives from Age UK, the NHS and its own social care department to help steer its work on fuel poverty.⁹

Local schemes designed with local partners and tailored to local circumstances have delivered real results on the ground, including:

- Nottingham City Council almost halved the rate of fuel poverty in the city from 2008 to 2011, taking it from 12% to just under 7%. The council is aiming to get this down to 4% by 2014.
- Bristol Energy Efficiency Scheme insulated 10,000 homes across the city, with particular attention to the needs of the elderly, disabled and fuel poor.
- Kirkless Warm Zone, which offered every household in the area a chance to improve its energy efficiency, insulated over 51,000 homes and generated £80 million in economic benefits.
- Home Energy Lincolnshire Partnership, a joint scheme between the County Council and all of the district councils in the area, saved local residents over £1 million in energy bills.

⁶ Energy Savings Trust, 2010. This is the most recent data that is available.

⁷ English Housing Survey data indicates that the Standard Assessment Procedure rating of local authority housing stock, (this is the Government's measure of the energy efficiency of homes, expressed on a scale of 1 to 100), grew from 45.7 in 1996 to 60.9 in 2010, outpacing improvements in overall housing stock whose SAP rating was 54.5 in 2010.

⁸ <http://www.lambeth.gov.uk/NR/rdonlyres/CE220EE0-949A-4CC6-83C7-E86B9124D1C2/0/FuelPovertyStrategyandActionPlan2011.pdf>

⁹ Cheshire West and Chester Affordable Warmth Strategy 2010-2013

- Bracknell Forest Council has prioritised the least energy efficient and “hard to treat” properties. In March 2013 the number of homes with a low energy efficiency rating had reduced by 27% from January 2012.

With their own spending tightly constrained and major government grant schemes for energy efficiency at an end, councils are exploring the most efficient and effective ways to tackle fuel poverty, including:

- Joint working: many councils are collaborating to address energy efficiency across a wider area, e.g. Yorkshire Energy Partnership Ltd which brings together nine local authorities and local partners to help residents and business find energy-efficient solutions.
- Offering low interest loans: For example, Stroud District Council is piloting a low-interest loans scheme offering households the chance to borrow up to £10,000 to make energy-saving improvements to their homes at interest rates that are significantly lower than commercial lenders.
- Collective switching: Cornwall Council is directing 10 per cent of savings from collective switching to fund fuel poverty work. More than 100,000 households have signed up to council run collective switching schemes in the last year saving a massive £10 million on their gas and electricity bills.
- Local energy generation: A number of councils are exploring the potential to generate cheaper energy, for example Islington Council’s Decentralised Energy Programme and Woking Borough Council’s Thamesway Energy Company.
- Ensuring the energy efficiency of new build: Many councils including Leicester City Council and Ipswich Borough Council are working with developers to ensure that new developments exceed the minimum standards of energy efficiency.

Public health

One of the most promising new developments has been the transfer of public health responsibilities to local government in April 2013. Health professionals are already valued partners in local fuel poverty strategies, but there is now an unprecedented opportunity to maximise the value of public health investment, by coordinating it with other council services such as housing, planning, environment, and leisure services – in short, the wider determinants of health. As public health teams become integrated into local councils, they can identify overlaps in their target populations, coordinate and target resources to those most in need and promote the inclusion of fuel poverty within local health and wellbeing strategies. We are already seeing examples of councils moving in this direction, including:

- Leeds City Council has set out the expectation that its Director of Public Health will drive action in tackling fuel poverty as a key public health priority for the city. The Health and Wellbeing City Priority Plan also makes specific reference to addressing fuel poverty in line with making sure that people who are the poorest improve their health the fastest.
- The London Borough of Havering has set out that its Health and Wellbeing Board will have a role in monitoring the delivery of its fuel poverty strategy.
- The Lancashire Shadow Health and Wellbeing emerging strategy identifies affordable warmth as one of ten 'early-win' interventions.

It should be noted that it is not just the upper tier authorities with responsibility for public health that are trying to connect action on health and fuel poverty. A recent publication from the District Councils Network observes that “district housing services in homelessness prevention, affordable housing, the enforcement of minimum housing standards in the private rented sector and funding of adaptations have a fundamental impact on the wider determinants of health.”¹⁰ District councils are playing an important brokering role in their areas, for example:

- Tamworth Borough Council’s Healthier Housing Strategy sets out the interventions needed to reduce health inequalities in the most deprived areas of Tamworth, including action to make homes healthy, warm and safe. The council is currently working with public health colleagues on the integration of Housing and Health services including joint funded Health posts.
- Amber Valley Borough Council is seeking a commitment from the local Clinical Commissioning Board to identify vulnerable households whose health is put at greater risk by living in a cold hard to heat home with a view to providing options and investment.

What more could councils do?

Successful action to tackle fuel poverty rests on four pillars and councils have a key role to play on all of them:

1. Partnership working
2. Maximising resources
3. Effective targeting
4. Resident engagement

Partnership working

Fuel poverty is a cross-cutting issue and effective solutions will rely on bringing together public, private and third sector partners working in areas such as housing, income support, public health and energy efficiency. Councils have a strong track record in fostering effective partnerships on the ground:

- Huntingdonshire District Council runs free fuel poverty advice and Information events for voluntary organisations and health and housing professionals. These events provide housing officers, environmental health officers, community support workers, health professionals, local housing associations, and others with the necessary tools and advice to help identify and assist vulnerable households who require help and support in increasing the energy efficiency of their homes.
- Nottingham City Council has engaged Nottingham Energy Partnership, private landlords, Nottingham City Homes and support agencies such as Age UK Nottingham and Nottinghamshire on a coordinated approach to tackling fuel poverty in the area.

We were encouraged to see that the Government’s new framework for action on fuel poverty

¹⁰ <http://districtcouncils.info/files/2013/02/District-Action-on-Public-Health.pdf>

has recognised the value of closer working between government departments. There is a risk that Whitehall silos will lead to the treatment of fuel poverty through the individual lenses of energy, housing, health and income support and the imposition of a “one size fits all” solution. To illustrate this risk, the Department for Health has commissioned guidance from the National Institute for Health and Care Excellence (NICE) on effective measures to prevent excess winter deaths. This guidance is not expected to be published until 2015, but councils’ responses to NICE’s initial consultation on the scope of the guidance has already picked up that it may be too restrictive about issues such as the age groups being targeted. As GPs and the new Clinical Commissioning Groups who will be key partners in local fuel poverty schemes are likely to rely on this guidance, it is vital that it encourages flexibility and local discretion so that solutions can be tailored to local factors.

Recommendation 1: The new cross-Whitehall working group that is being formed should champion the role of local leadership and flexibility to design local solutions to fuel poverty.

Maximising resources

With deep cuts to their funding making it more challenging for councils to maintain past levels of investment and support, it is essential that all available resources for energy efficiency and reducing energy costs is used in the most effective and efficient way. At present, there are three main sources of funding available for energy efficiency measures, other than direct grants to and independent action by householders themselves:

- Council budgets: A survey of councils in 2012 revealed that the 21 councils who responded plan to spend £27 million on energy efficiency from 2008 to 2012¹¹. Since this is not a statutory service, we can expect it to reduce by much more than the headline 40% reduction in grants to local government, and as the LGA’s future funding outlook for councils suggests, is unlikely to be sustainable at all in the medium term.
- The Energy Company Obligation (ECO): Worth £1.3 billion annually, the ECO is funded by the six major energy suppliers to support measures for low income households.
- Finance from consumers through Green Deal loans: The Green Deal Finance Company has announced £244 million of the £300 million needed to finance the first Green Deals.

Councils recognise that continued investment in social housing stock is essential to maximise the impact on fuel poverty and poor health since social housing tenants are likely to be on lower incomes and vulnerable to fuel poverty. Without that preventative investment we will face higher costs and lower-value spending in the future. Councils are thus exploring ways to leverage contributions from developers and get greater value out of their own spending on housing. For example:

¹¹ Consumer Focus “Going Local”, 2012

- Waveney District Council used a portion of its section 106 funding from developers to help bring empty properties back into use and up to good, safe modern standards includes removing all hazards, including those that lead to cold homes. Funding was provided to the property owner in exchange for them agreeing to house council nominated tenants from the housing waiting list.
- Islington Council has created a carbon offset fund to pay for energy-saving work on social housing in the borough. If developments are not carbon neutral they will have to offset the carbon dioxide emissions that will be caused by their project by paying into the carbon offset fund. There is flexibility to waive or reduce the charge for smaller projects or other schemes whose viability would be threatened by the charge.
- Hull City Council is keen to access ECO to supplement works it already plans to support from its Housing Revenue Account. Energy improvements including solid wall insulation are a lower priority than the mandatory decent homes standard within the HRA asset management plan, so attracting ECO funding will make the funding already allocated for properties within their structural works programme go further.

This last point is critical. Since ECO is now the major source of financing energy efficiency measures for vulnerable and low income households, those resources need to stretch as far as possible. ECO resources can currently be accessed through bilateral negotiations with the energy suppliers or through the new brokerage mechanism. The brokerage functions as a blind auction that allows ECO-obligated energy companies to bid for projects that would deliver the energy savings to meet their obligation. The brokerage has the potential to drive costs down and support innovation by bringing more delivery agents into the market and fostering competition. For councils, the ECO brokerage platform is attractive as it would enable them to market their projects in a considerably shorter time frame than it takes through bilateral negotiation. However, trading on the brokerage is restricted to Green Deal providers at the moment.

Councils are engaging with the Green Deal in a variety of ways as part of their broader objectives to promote energy efficiency and support vulnerable households whilst ensuring value for money for the local taxpayer. Early indications are that councils are favouring an approach where they partner with a Green Deal provider as it involves less initial investment and financial risk for local taxpayers, while still providing a high level of influence over use of local businesses, employment and apprenticeships opportunities for local residents, and promotion to local households. Although councils could access brokerage through a partnership with a Green Deal provider, this is not necessarily a quick process. Many of these arrangements, including large-scale schemes with the potential to help tens of thousands of residents across a broader geographic area such as Warm up North, the Solent Green Deal Scheme, and Leeds City Region Partnership are in either the scoping or tendering phase at the moment. With EU procurement rules to comply with, some councils estimate that, based on previous experience, it could take about six to nine months for them to procure a delivery partner.

Whilst some councils are putting together projects involving both the Green Deal and ECO (e.g. Birmingham Energy Savers, the Cornwall Council and British Gas partnership), many councils are looking at ECO-only projects. Where ECO does not meet the full cost of a project, the council may seek other funding to meet the gap rather than Green Deal finance, e.g.

council budgets, EU funds or contributions from other public or private sector partners. In this model, it would not make sense for the council to become a Green Deal provider just to access the ECO brokerage system.

With the ECO commitment needing to be met by 2015, excluding councils from brokerage leaves energy suppliers at greater risk of not meeting their obligation. The past experience of councils and suppliers shows that time is not on our side when it comes to rolling out large capital works schemes, especially when they involve hard to treat properties. Allowing councils to trade on the brokerage as soon as possible enhances the chances of maximising the use of ECO to greatest effect.

Recommendation 2: Allow councils to trade on the ECO brokerage without becoming accredited Green Deal providers.

Although the major grant programmes for energy efficiency have come to an end in 2012/13, a total of £80 million has been made available through a number of small-scale bid-based schemes over the past two years: DECC's £25 million Fuel Poverty Fund, £20 million Green Deal Communities Fund, £10 million Green Deal Pioneer Places Fund, and £5 million "Cheaper Energy Together" scheme, plus the Department for Health's £20 million Warm Homes, Healthy People fund. Channelling funding for energy efficiency schemes through small, short term, competitive funding pots is an inefficient use of council resources and capacity. It works against long-term, joined-up investment strategies and consumes time and effort in bidding application and monitoring processes. Future funding for energy efficiency projects should be pooled into a single pot of funding, with other capital and growth-related funding.

Recommendation 3: Pool grant funding in a single pot to maximise its value and ensure that councils can focus their resources on tackling energy efficiency rather than bureaucratic bidding processes

Effective targeting

Councils have knowledge and information about their communities which allows them to tailor schemes to take account of factors such as tenure, housing type, housing density, income, deprivation and demography. For example:

- Bolton Council has been leading an area-based scheme to address fuel poverty, prioritised through the mapping of indices of multiple deprivation.
- Cheshire West and Chester are using the Homes Energy Efficiency Database, the local private sector stock condition survey and other local sources of data including council tax support recipients and NHS data on excess winter deaths.

A criticism levelled at past national programmes is that they struggled to reach those most at risk of fuel poverty.¹² Inflexibility in national rules and regulations about who is eligible to be

¹² http://www.ippr.org/images/media/files/publication/2012/12/energy-efficiency-whopays-whobenefits_Dec2012_10051.pdf

helped and how is considered to have got in the way of delivering the most effective solutions particularly for the fuel-poor.¹³ The Government has just announced a new indicator to measure poverty at a national level. The publication of this new national definition should not obscure the fact that there are a range of factors that need to be taken into account to identify those most in need at a local level.

Recommendation 4: The Government should not seek to constrain the design of local schemes by pressing for them to target only those households that fit with the new indicator or limit the use of ECO and government grant in that fashion.

Councils already facilitate information-sharing at a local level to identify those most in need in their local areas; for example:

- Partners in the Oldham community budget pilot on fuel poverty are setting up a database to identify households most likely to be in fuel poverty and those who are likely to experience health problems as a result. Households can also be referred to the project by partners including the fire service and health workers.
- Blackpool works with NHS Blackpool and dovetails with their flu mailing lists to inform people about the options available to them. They are extending this to a direct referral pilot with local GPs.

However, energy companies have flagged up concerns about being able to cost-effectively identify householders that will qualify for the Affordable Warmth element of the ECO, particularly as social housing tenants are not eligible. Households receiving measures financed by the Affordable Warmth element have to be receiving certain state benefits such as state pension credit, child tax credit, income-based job seeker's allowance, income-related employment and support allowance, income support and working tax credit. We were pleased to see that DECC intends to explore data issues in *Fuel poverty: a framework for future action*, and would suggest that a good first step would be to look at the barriers that local partners are experiencing and some of the strategies they have developed for overcoming them.

Recommendation 5: The LGA, Energy UK, the National Housing Federation and DECC should share good practice on identifying households living in or at risk of falling into fuel poverty.

With the energy efficiency of private housing lagging behind that of social housing stock, councils are increasingly exploring how they can use their strategic housing role to target tenants of private landlords and owner-occupiers to tackle the energy efficiency of their properties. For example:

- Portsmouth City Council is working with private sector landlords through their Landlord Accreditation Scheme, which includes provisions to ensure that properties are as energy efficient as possible within 3 years.
- Teignbridge District Council's Landlord's Energy Assistance Scheme provides grants to private sector landlords for measures that would improve the energy efficiency of a

¹³ <http://localisewestmidlands.org.uk/wp-content/uploads/Solving-Fuel-Poverty-Green-Deal-Localisation-2011.pdf>

- property occupied by a vulnerable tenant, such as those in receipt of a means tested benefit, aged 70 years or over or have a child aged less than 6 years.
- The North Staffordshire Landlord Accreditation scheme is run in partnership between the Staffordshire Moorlands District Council, Stoke-on-Trent City Council, Newcastle-under-Lyme Borough Council, Stafford Borough Council and the North Staffordshire Landlords Association and, amongst other benefits to landlords, provides a grant of up to £2,000 for energy efficiency improvements.
- Stroud District Council, which estimates that over 40 per cent of private rented properties contain health hazards, encourages private landlords to install energy efficiency measures by emphasising the benefits to the property owner as well as the tenant, e.g. reduced condensation and damp damage and longer-term retention of tenants.

Rotherham Borough Council and NHS Rotherham recently published a report on the attitudes of private sector landlords towards the Green Deal and energy efficiency that sheds light on the challenges of engaging this group of landlords.¹⁴ The report found that many landlords have little understanding of specifically how to improve the energy performance of their properties which can result in them feeling that they have done all they can. It also showed there was a lack of appetite to make any further energy efficiency improvements to their properties unless there was a significant incentive or legislative requirement to do so.

The Energy Act 2011 sets out two provisions intended to increase the energy efficiency in the private rental market. First, from April 2016, private residential landlords will be unable to refuse a tenant's reasonable request for energy efficiency improvements where a finance package, such as the Green Deal and/or the Energy Company Obligation (ECO), is available. The Act also contains provisions to ensure that from April 2018, it will be unlawful to rent out residential properties or business premises that do not reach a minimum energy efficiency standard. However, as these provisions are not due to take effect until the next Parliament, more immediate steps may need to be taken to support tenants facing spiralling fuel bills, rising rents and flat incomes.

Resident engagement

Councils already have extensive experience in helping local residents to understand which benefits, grants and energy tariffs are available to them. Examples include:

- The Warmer Worcestershire Partnership provides information through staff and volunteers who are already in contact with vulnerable residents and this has been key to reaching out to groups of residents. A staff member from the local energy advice service has also been placed on the mobile library service to reach those residents in rural communities who would get the most benefit from information and support services, but who do not travel to access services.
- Liverpool City Council holds fuel poverty surgeries in various locations across the city, including health centres, GP surgeries and libraries. Residents are offered advice on issues around fuel poverty, including energy efficiency, social tariffs, switching fuel

¹⁴ <http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/green-deal-landlords-rotherham-summary.pdf>

- suppliers, etc
- Scarborough Council is supporting an advice shop and mobile unit that will provide face-to-face advice for residents on how to stay warm, reduce their energy bills and carbon footprint, be a source of information on ECO funding and Green Deal.

One of the key lessons from council-led schemes is that the choices and behaviour of tenants make a significant difference in the actual energy efficiency gains seen following physical improvements to properties. For example, Nottingham City Council found that some tenants struggled with new heating system controls that had been installed in their properties and resorted to opening windows to reduce the indoor temperature.¹⁵ Councils are trusted by residents and this positions them particularly well when it comes to encouraging them to make the behavioural changes that will help them realise the full benefits of improvements to their homes.

Councils are also anticipating that there will be greater demand for their trading standards services under the Green Deal. A report commissioned by the National Trading Standards Board (NTSB) in March 2013 observed that “the nature of the Green Deal may create potential for mis-selling, including inappropriate cross-selling of non Green Deal products... [the] Green Deal is extremely complicated and there are opportunities for businesses to provide measures that are not needed, that are not installed properly, that are overpriced or are completely unsuitable.”¹⁶ Councils are already starting to report that they have received complaints about high pressure sales techniques being used to frighten more vulnerable consumers into agreeing to contracts for goods or services that they do not necessarily need or want.¹⁷

Green Deal consumer complaints reported to the Green Deal Oversight and Registration Body and Citizens Advice will be referred to local trading standards Services. The NTSB will in turn be monitoring the number and nature of Green Deal complaints referred to local trading standards services. It is vital that DECC engage closely with the NTSB and local trading standards services to monitor the risks to consumers and work with them to put in place measures that may be needed to address mis-selling, appropriate redress mechanisms and potential consumer detriment.

Recommendation 6: DECC should work closely with the NTSB on consumer protection and enforcement of trading standards to address risks for vulnerable households related to the Green Deal.

Conclusion

With energy prices rising and more households at risk of falling into fuel poverty, energy efficiency programmes will continue to be an important means by which councils can assist vulnerable residents and those on low incomes to save on their bills and avoid ill health. Ongoing constraints on public spending mean that it is more important than ever that funding from tax payers – in this case, through their energy bills -- is used as effectively and efficiently

¹⁵ http://open.nottinghamcity.gov.uk/comm/download3.asp?dltype=inline&filename=49874/111129_Fuel_Poverty_Report_v2_upload.pdf

¹⁶ <http://www.agenda-efa.org.uk/site/wp-content/uploads/2013/05/TSI-NTSB-Green-Deal-Report-FINAL-2.pdf>

¹⁷ For example, <http://www.hants.gov.uk/regulatory/tradingstandards/downloads/scamsbulletin-feb2013.pdf>

as possible. The lessons from locally-led action on fuel poverty will be vital in shaping future policy on energy efficiency to secure greater value for money for the bill payer and taxpayer and effective support for vulnerable households.

Local Government Association
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