

# Energy and Climate Change Select Committee - Inquiry into energy prices, profits and poverty **Submission by the Local Government Association (LGA)**

14 February 2013



## **Introduction**

The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government.

We are a politically-led, cross party organisation which works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.

## **Summary of evidence**

- With energy prices rising and many people on low incomes facing benefit cuts, increasing numbers of households will struggle to pay their fuel bills. Councils already play a major role in helping people reduce their energy bills particularly those most at risk of fuel poverty. Councils delivered over fifty per cent of energy efficiency programmes in 2010 and are seeking to do more.
- Locally-designed schemes that are based on an understanding of individuals' needs and circumstances are more effective than national definitions at reaching those in fuel poverty.
- Councils have a key role to play in designing those schemes, communicating and raising awareness of schemes amongst local residents and promoting greater uptake by households across all tenures.
- Councils are best-placed to broker relationships and facilitate data-sharing across a range of partners including energy suppliers, private landlords, the NHS and the voluntary sector to help identify and support those in fuel poverty.
- Councils are actively promoting collective switching schemes as a key means of helping people reduce energy costs.
- Councils should be able to access the Energy Company Obligation (ECO) brokerage scheme (without having to attain Green Deal Provider status) to support locally-led fuel poverty schemes to ensure maximum value for money and reach.
- The lead role that local authorities play in ensuring that resources

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# Submission

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are used to help those most in need should be reflected in the new national fuel poverty strategy.

### **Future challenges in addressing fuel poverty**

With energy bills continuing to rise faster than household income, increasing numbers of households will find it difficult to pay their energy bills and will be at risk of fuel poverty. Five of the six major energy suppliers have announced price increases this year, adding between £80 and £112 to a typical household's annual bill. As it is, fuel poverty statistics from the Department of Energy and Climate Change (DECC) show that there were 3.5 million households in England in fuel poverty in 2010, compared with 1 million in 2004. Changes to be introduced by welfare reforms will mean many low income families see a reduction in benefit income at the same time as their fuel bills increase. In addition, public sector spending cuts will make it more difficult for councils and their public sector partners to support fuel poverty initiatives. In the face of these challenges we need to ensure that all available funding for energy efficiency and reducing energy costs is used in the most effective and efficient way.

The Hills Review recognised that national definitions and targets have not been effective tools for identifying the real incidence of fuel poverty in the UK and determining who should be eligible for support. The revised national definition recognises that there are a range of factors that need to be taken into account to identify those most in need.

However, the experience of councils, who deliver more than half of all energy efficiency programmes, demonstrates that effective fuel poverty solutions have to be designed with local circumstances in mind. The debate about national definitions of fuel poverty and the focus on energy companies' duties on energy efficiency should not obscure the fact that schemes need to be delivered in the most efficient and effective way at local level. **The new national fuel poverty strategy should enable decisions about where and how to target funding to be made at the local level.**

### **Council action to address rising energy costs and fuel poverty**

Councils play a major role in helping their residents to reduce energy costs and help people out of fuel poverty. In 2010, councils provided (solely or in partnership) over 50 per cent of the available energy efficiency programmes in England. Examples include:

- 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. Kirklees has insulated the highest percentage of properties of any council in England and Wales and as such strongly indicates there remains strong potential for basic insulation measures if schemes and

marketing are well designed with a compelling offer.

- 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.

Councils have knowledge and information about their communities that allow 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.

Councils are also best placed to bring together funding and partners to target initiatives where they are needed most. For example:

- Walsall Metropolitan Borough Council has a partnership with NPower and Walsall NHS, to tackle fuel poverty, cold related illnesses and excess winter deaths. The scheme trains a wide range of workers, who visit people in their homes, to establish whether the clients they are visiting are suffering ill health as a result of living in a cold damp home. They are then offered energy efficiency improvements and new boilers.
- 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.

In 2011, the LGA and DECC entered into a Memorandum of Understanding that recognises how councils, through local governance, can ensure climate change policies and programmes protect and help the most vulnerable, particularly the fuel poor. We are now seeking to build on this relationship to ensure that councils' pivotal role continues to be recognised in Government policy.

### **Targeting people most at risk of fuel poverty**

The energy companies themselves have identified the need for information to identify the households to whom support should be directed. Councils can facilitate information-sharing at a local level to identify those most in need in their local areas, which they have already been doing through their local schemes. 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. They are extending this to a direct referral pilot with local GPs.

### **Increasing take up of energy efficiency schemes, particularly the fuel poor**

Councils play an important role in promoting the uptake of energy efficiency schemes and helping people to determine which measures would best meet their needs. Many councils help local residents to understand which benefits and grants are available to them and understand the tariffs offered by various energy suppliers. The importance of local authority involvement was demonstrated in the Carbon Emissions Reduction Target (CERT) programme. An evaluation of the programme carried out for DECC confirmed that local authority endorsement was 'considered crucial to reassure householders of the scheme's credibility and therefore drive uptake.' (*Evaluation of the delivery and uptake of the Carbon Emissions Reduction Target*, DECC, 2011)

The Government's proposals for outreach appear to be largely limited to a national hotline number that will refer callers to energy companies. This is however unlikely to be the most effective mechanism for "hard to reach" residents. Councils are better able to promote awareness and uptake of energy efficiency schemes, particularly because they are able to broker the local partnerships that are needed to reach the residents who are most likely to need support. For example:

- Blackpool Council funds a programme called "Counter Attack Services" with the NHS and Age Concern, which uses the council's care and repair agency to visit homes and provide advice on fuel poverty measures, assist with completing forms for benefits, and undertake home safety checks.
- 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 suppliers and more.
- Area based approaches where householders are contacted about Council sponsored schemes through tailored community marketing and a door to door approach have been successfully run by a number of Councils including Hull City Council, Leeds City Council and Kirklees Council to name but a few of many such examples.

Many councils have also been seeking to increase the uptake of energy efficiency in private rented sector by targeting private landlords:

- 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 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.
- Royal Borough of Kensington and Chelsea produced a comprehensive guide for private landlords on energy efficiency and

dedicated Environmental Health Officers to assess properties referred to them for excess cold hazard enabling advice to be given or enforcement taken as appropriate

### **What more could be done?**

With deep cuts to their funding making it more challenging for councils to maintain levels of investment and support, it is essential that all available funding for energy efficiency and reducing energy costs is used in the most effective and efficient way. Councils are looking to opportunities provided by Green Deal and Energy Company Obligation (ECO) to drive future initiatives. For example:

- Five local authorities in the northeast, coordinated by Newcastle City Council, are leading the roll-out of the Green Deal across their areas with a view to improving the energy efficiency of up to 15 000 homes
- Birmingham City Council will be delivering the Green Deal through Birmingham Energy Savers, partnering with Carillion Energy Services to improve the energy efficiency of up to 60 000 homes in the city, create over 350 jobs and help 600 people into training

The LGA is supporting councils to learn from each other and share good practice on tackling fuel poverty in their areas through Climate Local, which a web-based platform that offers topic-based guides and supporting resources, an online community and opportunities for peer learning.

### **Allow access to Energy Company Obligation (ECO) Brokerage**

It will be vital to maximise the finance that is available through the ECO. The Government needs to ensure that locally-led schemes to alleviate fuel poverty have fair access to ECO. Under current arrangements, access to the ECO brokerage system is limited to Green Deal providers. The LGA would like to see this changed so that councils can use the brokerage to support energy efficiency projects. Opening up the ECO brokerage to councils would help to target support to the households that are most in need, whilst encouraging a broader competitive market to drive cost efficiencies and foster the development of a range of products and services.

### **Collective switching**

Councils are taking the lead in supporting collective switching, with the need to address fuel poverty in their areas a key driver for providing this service. More than 25 local authorities have set up or are in the process of developing a variety of schemes, with more than 80 projects reported to be in the pipeline. In January, the largest switching auction run by local authorities to date saw 50,000 people sign up.

Many council-led schemes include elements specifically designed to help those living in fuel poverty; for example:

- Peterborough City Council's "Ready to Switch" scheme was the first in the UK to allow people on pre-payment meters to join, giving some of the area's poorest people the opportunity to reduce their bills. Many other council-led schemes have followed suit.
- Cornwall Together is a collective purchasing scheme pioneered by Cornwall Council and several local partners. 10 per cent of the expected savings from switching will go into a fund to address fuel poverty across the county.

The LGA has been promoting the benefits of collective switching, working with DECC to develop advice and helping local authorities to find ways to simplify the procurement process.

### **Review of the Energy Company Obligation**

The LGA believe that it is vital to review progress on the Energy Company Obligation early following its first year of operation to ascertain whether or not it has been successful at delivering carbon and energy savings under its current design. Councils are well placed to offer informed comment on how the Energy Company Obligation (and Green Deal) are working on the ground.