

## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>From: Head of Corporate Organisation</b>	<b>Report Number: JSC/14/14</b>
<b>To: Joint Scrutiny Committee</b>	<b>Date of meeting: 23 July 2014</b>

### JOINT SCRUTINY REVIEW ON FUEL POVERTY

#### 1. Purpose of Report

- 1.1 To examine the issues of fuel poverty within the two districts.
- 1.2 To understand what the two district councils are doing and can do to reduce fuel poverty within the two districts.

#### 2. Recommendations

- 2.1 That Members identify any actions to take forward with the aim of alleviating fuel poverty in the Districts.  
  
The Committee is able to resolve this matter.

#### 3. Financial Implications

- 3.1 There are no specific financial implications identified from this report.

#### 4. Risk Management

- 4.1 The nature of this report is such that a risk management assessment is not needed

#### 5. Consultations

N/A

#### 6. Equality Analysis

- 6.1 This report has no direct equality and diversity issues but this joint scrutiny review should include consideration of the equality issues in relation to fuel poverty.

#### 7. Shared Service / Partnership Implications

The councils work in partnership with other Suffolk District Councils, Suffolk County Council and others to deliver fuel poverty initiatives.

#### 8. Key Information

##### **What is fuel poverty and how does it affect our districts?**

- 8.1 Fuel poverty is estimated to affect nearly 7,000 households within the two Council districts – 3,384 in Babergh and 3,613 in Mid Suffolk. These represent 9.1% of all households in each District<sup>1</sup>. (Low income, high cost indicator – see 8.3 below.)

8.2 Whether a household is in fuel poverty or not is determined by a number of factors including household income, energy costs and fuel consumption which is in itself dependent on the characteristics of the dwelling and the lifestyle of the occupants.

8.3 The current Government definition of fuel poverty introduced in July 2013 is that a household is fuel poor if:

- 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.

This is known as the low income, high costs (LIHC) indicator. Under this definition there were estimated to be 2.28m households in England in fuel poverty in 2012<sup>1</sup>. As well as recording the number of households in fuel poverty it also measures the depth of fuel poverty amongst these fuel poor households by means of the ‘fuel poverty gap’ which represents the difference between the required fuel costs for each household and the median required fuel costs. The average fuel poverty gap for 2012 was £443<sup>1</sup>. (Note: Incomes under the LIHC are based on incomes after housing costs are deducted.)

8.4 The LIHC indicator replaced the previous definition, known as the 10% rule where a household was said to be fuel poor if it needed to spend more than 10 per cent of its income on fuel to maintain an adequate level of warmth. The percentage of households in fuel poverty for Babergh and Mid Suffolk were higher under the 10% definition, 15.6% and 18.9% respectively.

8.5 The LIHC figure of 9.1% for the estimated number of households in fuel poverty is the same for Babergh and Mid Suffolk. Comparative figures for Suffolk are 9.7%, the East of England 8.6% and England 10.4%.

8.6 However, there is wide variation within the districts with the percentage of households in fuel poverty in Babergh at 2.4% in part of Pinewood to 14.5% at North Cosford and in Mid Suffolk 2.9% in part of Stowmarket North to 16.9% at Hoxne. The five worst for each area are shown in the table below:

**Table 1: Areas estimated to be in highest fuel poverty in Babergh and Mid Suffolk<sup>1</sup>**

<b>Babergh</b>		<b>Mid Suffolk</b>	
<b>Ward</b>	<b>% in Fuel Poverty (LIHC)</b>	<b>Ward</b>	<b>% in Fuel Poverty (LIHC)</b>
North Cosford	14.5	Hoxne	16.9
Nayland	14.1	Helmingham & Coddensham	15.1
Brett Vale	13.8	Fressingfield	14.8
Sudbury South*	13.0	Worlingworth	14.5
Brook*	12.9	Gislingham*	13.9

\*Relates to only part of the ward as information held at a lower super output level.

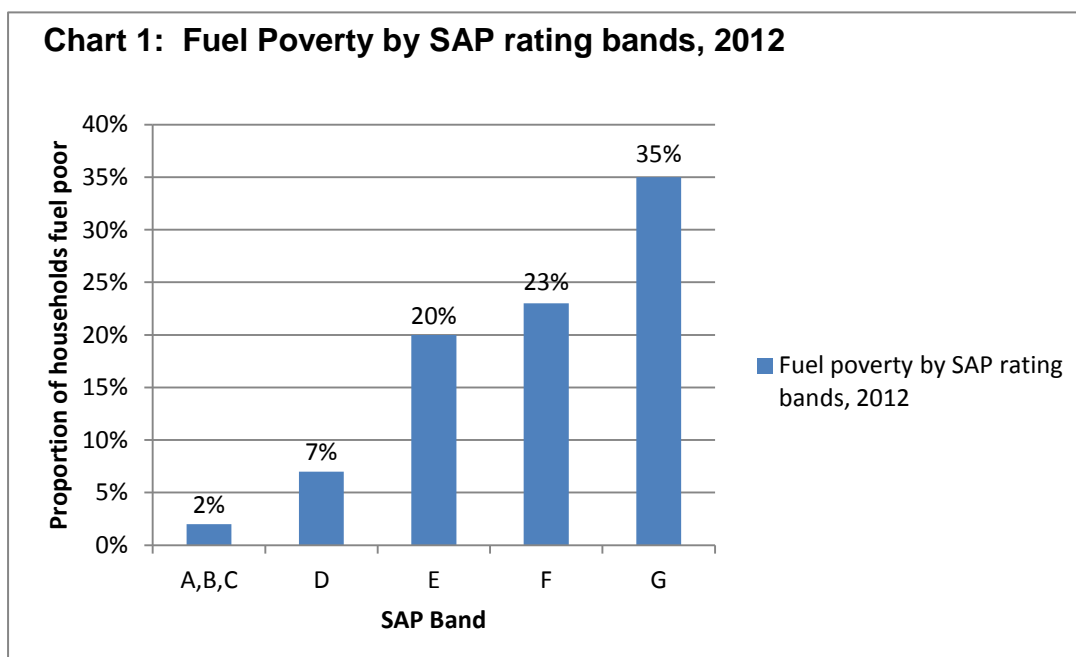
8.7 Living in a cold home is recognised as having adverse health effects ranging from cardiovascular and respiratory problems to depression. Age UK estimated this could cost the NHS £1.36 billion a year<sup>2</sup>. It is also a contributory factor in the excess winter deaths (23,000 in England & Wales in 2011/12, 90 in Babergh and 0 in Mid Suffolk). There are also wider social impacts such as social isolation and reduced wellbeing with some people having to make choices between heating their homes or buying food.

8.8 Significant factors contributing to fuel poverty are recognised as: -

- Low income
- Old dwelling (pre-1945)
- Larger dwelling
- Private rented sector
- Old/inefficient boiler or no central heating
- Non-gas heating

Age and size of property (linked to under occupancy) are both strongly linked with severe fuel poverty. (See Appendix A charts A2 and A3.) Households living in rural properties that are off the gas grid, have solid walls or built before 1945 have an increased likelihood of being in fuel poverty.

8.9 The Hills Review<sup>3</sup> concluded that policies that improve the thermal efficiency of dwellings tend to be more cost effective for addressing fuel poverty compared to policies that are focused on subsidising energy costs or increasing incomes. The SAP (Standard Assessment Procedure) is used to measure energy efficiency in dwellings with the higher the score the higher the energy efficiency. These also relate to EPC (Energy Performance Certificate) grades A to G where A represents the highest thermal efficiency (See Appendix A Table A1 for relationship between SAP scores and EPC bands). The chart below shows how the percentage of households in fuel poverty is highest in the low SAP bands with levels of 35% in level G compared with only 2% in the three top bands A/B/C combined<sup>1</sup>. (See Appendix A chart A4 and table A5 for further information on proportions of dwellings in each SAP band 201-2012 and the average SAP ratings of fuel poor and non-fuel poor households over time.)



- 8.10 SAP ratings are strongly influenced by the main fuel type used in a household. 73% of households with a gas fixed system have ratings of D or above while households with a solid or oil powered system have far fewer households with SAP ratings this high. 2011 census data showed that only 57% of households in Babergh and 42% of households in Mid Suffolk had gas central heating systems with significant percentages (23% Babergh and 42% Mid Suffolk) reliant on oil. (See Appendix A table A6 for further information on fuel poverty related to type of heating.)
- 8.11 Looking at energy efficiency (SAP rating) across tenure sectors, social housing is generally more efficient with SAP ratings about 7 points higher than the other two groups. All groups reflect improvements over time.

**Table 2: Mean SAP rating by tenure<sup>4</sup>**

Tenure	2010	2011	2012
Local Authority	59.9	61.9	63.9
Housing Association	62.6	63.8	65.1
<b>Social Sector</b>	<b>61.4</b>	<b>62.9</b>	<b>64.6</b>
Private rented	53.8	55.4	57.6
Owner occupied	53.7	55.3	57.2
<b>Private Sector</b>	<b>53.7</b>	<b>55.4</b>	<b>57.3</b>
<b>All Dwellings</b>	<b>55.0</b>	<b>56.7</b>	<b>58.5</b>

The private rented sector has the highest fuel poverty rates with 19% of households in England in that sector fuel poor compared with 8% for Owner Occupiers, 9% for Local Authorities and 10% for Housing Associations<sup>1</sup>.

(Further information fuel poverty by age of oldest occupant and household composition together with information on household distribution across tenure and employment status is given in Appendix A charts A7 & A8 and table A9.)

### **What are the Councils doing about fuel poverty?**

- 8.12 District Councils can impact on fuel poverty in several ways including:

- Ensuring that their own council housing stock is energy efficient
- Promoting energy efficiency measures to their residents
- Increasing higher quality employment opportunities
- Lobbying Government or energy companies

The first three of the above are the areas where our two districts could have the greatest impact and these fit in with the Councils' strategic priorities and delivery plan.

Councils also have a key role in using the knowledge about their communities to ensure energy efficiency programmes are targeted effectively.

- 8.13 The majority of the work in the past has concentrated on improving the energy efficiency of the housing stock both our own by direct action and the private sector by means of offering or promoting grant schemes.

## Council Housing Stock

8.14 The average SAP rating of our Council housing stock is 66 for Babergh and 68 for Mid Suffolk. The target is for an average SAP of 70 (EPC grade C) with all stock (where possible) to achieve a rating of 60<sup>5</sup>. This has to be viewed in the light of the age profile of our housing stock where 11% in Babergh and 23% in Mid Suffolk were built pre 1945 and only 22% and 26% respectively were built post 1974. Also, the rural nature of much of the Councils housing stock prevents the installation of gas central heating, which is a major contributor to increasing SAP Ratings.

8.15 Ensuring energy efficiency is built into the Councils' current 'Homes Standard' (a standard in excess of the Government's Decent Homes Standard) and measures include:

- The installation of full gas central heating, or the most suitable alternative where no gas is available
- The use of efficient condensing boilers
- The use of alternative heating sources (such as air and ground source heat pumps)
- The installation of double glazing
- The installation of cavity wall insulation
- The improvement of loft insulation to at least 270mm thickness
- Adequate insulation of hot water cylinders and pipework.

In addition the Councils encourage the use of low energy light fittings and provide residents with energy saving ideas in newsletters, on their web-sites and through other information sources.

8.16 The latest Decent Homes analysis (at 31/03/14) is shown below:

<b>Stock</b>	<b>Decent</b>	<b>Non-Decent</b>	<b>Total</b>
BDC	3,084	384	3,468
MSDC	3,322	59	3,381

8.17 The Councils are embarking on a scheme to install photovoltaic panels on 2,209 council properties across the two districts which will give residents in those properties free electricity during the day time and reduced bills overall. Properties suitable depend on

- direction a property faces
- pitch of roof
- excessive shading from trees or buildings
- capacity of local grid to receive all power generated

The first set of properties in Park View, Botesdale have already been fitted with the PV panels and are using the electricity generated. The aim is to complete the installation within 15 months.

- 8.18 The value of electricity available to tenants in the first year has been estimated to be £580,000 and assuming a conservative 5% annual increase in electricity prices, the total value over the 20-year period of the scheme is estimated to be £19.2m. This is based on the 'Feed in Tariff' framework which assumes 50% of the electricity generated is used at the property and 50% passes into the National Grid. Potentially tenants could use significantly more than 50% thus increasing the benefit to them.
- 8.19 The percentage of Council Housing properties housing residents in receipt of Housing Benefit is 57% and using receipt of Housing Benefit (low income) as a proxy measure for fuel poverty, this would equate to assisting approximately 1,200 homes with known financial issues.

### **Grant Schemes**

- 8.20 The '**Warm Homes Healthy People**' scheme and the earlier '**Warm as Toast**' scheme are Suffolk wide partnership schemes with funding from Government aimed at improving domestic energy efficiency especially for the most vulnerable. Since 2009, these schemes have supported more than 1,000 households across the two districts with free energy surveys offering practical advice and the subsequent installation of improvement measures to reduce their heating bills provided either free (where eligible) or partially funded. These improvement measures include loft / cavity wall insulation, draft excluders, provision of low energy bulbs, energy monitors, radiator panels and boiler repairs or replacements. The Warm Home Healthy People Scheme still continues to offer these measures.

### **Suffolk Energy Action (SEA)**

- 8.21 As part of energy efficiency and carbon reduction Babergh and Mid Suffolk in collaboration with other local authorities and Suffolk County Council recently secured about £5.7m from the Green Deal Community Fund provided by central government. The scheme is branded as Suffolk Energy Action (SEA) and it will support about 2,000 properties across Suffolk (about 300 per local authority). The scheme will provide part and in some case full grant funding to home owners and private tenants to install measures such as solid wall insulation, hard to treat cavity wall insulation, loft insulation and boiler repairs or replacements.
- 8.22 A pilot campaign targeting areas on a street by street basis is underway across the county. The campaign will be initiated by sending letters to homes within the target areas followed by a visit from a SEA advisor between 1 – 3 days later. The areas within the two districts involved are: - in July, Fressingfield (985 properties with solid walls), Hadleigh (1018 properties with solid walls); followed by Debenham (1029 properties with solid walls) in October; and in November Stowmarket (715 properties with hard to treat cavities) and Shotley Gate (727 properties with cavity walls). Improvements up to the value of £6,000/household can be funded subject to customer contributions.

## Green Deal

- 8.23 The Green Deal is a government initiative to offer householders energy efficiency improvements at no upfront cost, instead recouping payments through a charge on their electricity bill. It is effectively a loan and interest is charged on the capital with repayment periods are between 10 and 25 years. The loan stays with the house not the householder. There is a so called 'Golden Rule' which means that the repayments are limited to what the expected saving (average not necessarily that individual) should be so that the consumer should never be worse off. This rule has the effect of limiting the amount of improvements which can be made under the scheme.
- 8.24 In order to partake in the scheme a Green Deal Assessor has to visit the property to determine the energy efficiency improvements required. There may be an upfront charge which might be refundable if energy improvements were taken up. Installation of improvements has to be undertaken by a Green Deal registered installer. Householders could receive up to £6,000 in assistance dependent on measures installed.
- 8.25 The original Green Deal was introduced in January 2013 and the take up was very low with only 1,754 householders signing up in the first phase. As at 31/03/14 there were only 317 live Green Deal Plans in England of which 15 were in the East of England<sup>6</sup>. The figures for those having Green Deal Assessments for Babergh were 177 and Mid Suffolk 182 representing 0.5% of households in each district.
- 8.26 The Government has introduced a revised, more generous scheme called the Green Deal Investment Fund from June 2014 which will allow qualifying householders, landlords and tenants to claim back up to £7,600 towards energy efficiency improvements. Green Deal Finance Plans are optional under this scheme. Initial results under this scheme (as issued by Government on 1 July 2014) show that 4,490 applications have been received and £16.5m issued in the first 3 weeks of the scheme.

## Energy Company Obligation (ECO)

- 8.27 This was introduced at the start of 2013 alongside the Green Deal to target assistance on low income and vulnerable households including those in Hard to Treat Housing (HTH). ECO places legal obligations on the big six energy suppliers to deliver energy efficiency measures to domestic energy users. It includes the **Affordable Warmth Obligation** - to provide heating and insulation improvements for low-income and vulnerable households (but social housing tenants are not eligible); the **Carbon Saving Obligation** - to provide funding to insulate solid-walled properties (internal and external wall insulation) and those with 'hard-to-treat' cavity walls; and the **Carbon Saving Communities Obligation** - to provide insulation measures to people living in the bottom 15% of the UK's most deprived areas. It is expected that this element of ECO will particularly benefit the social housing sector.
- 8.28 Government statistics show that 220 ECO measures have been delivered in Babergh and 235 in Mid Suffolk<sup>6</sup>.

## **Workshops and talks**

- 8.29 Various community events have been held aimed at increasing awareness of energy efficiency measures and to help residents on where to find grant funding for such measures. Last year 31 talks / events were arranged in our community. Local MP Tim Yeo participated in one of the talks in Sudbury.

## **Private rented sector**

- 8.30 Currently BDC offer landlords of privately rented properties a 50% grant towards the cost of installing an energy efficient, controllable heating system. In addition they offer 50% towards the cost of solid wall insulation/loft insulation if this is carried out in conjunction with the heating. This grant has not been publicised in the past and landlords have only been made aware following tenants' complaints to the Council. The scheme is being extended to cover both districts.
- 8.31 Under the Green Deal, landlords will be able to make energy efficiency improvements without having to pay all the costs upfront. Tenants will repay the cost of the measures through their energy bill savings whilst enjoying a more energy efficient home. The Landlord will be responsible for repayments when the property is vacant, hence where the property is rented, both the landlord/provider and tenant must give permission for a Green Deal to be set up. When a new tenant moves in, they will need to be aware of the Green Deal and acknowledge the repayments they need to make
- 8.32 The Energy Act 2011 contains powers so that from 2016 landlords should not be able to refuse reasonable requests from their tenants for consent to install Green Deal measures. From 2018 landlords should ensure their privately rented properties meet a minimum energy efficiency standard (likely to be set at EPC rating 'E') or that they have installed the maximum package of measures under the Green Deal.

## **Owner Occupiers**

- 8.33 Both MSDC and BDC offer means tested grant aid for owner occupiers whose property is considered 'non-decent' due to lack of heating/insulation.

## **What are others doing about fuel poverty?**

### **Housing Associations**

- 8.34 Housing Associations have recognised that it is a good business principle to tackle energy efficiency within their properties as reducing fuel costs mean there is less likelihood of their tenants falling into arrears. There are several good examples of best practice such as whole house improvements instead of straightforward boiler replacement (*link to case study*); energy efficiency champions (*link to case study*); advice provision and smart metering.
- 8.35 Hastoe Housing Association has, with support from the Homes and Community Agency, worked on delivering Passivhaus housing developments in rural locations in Essex and Norfolk. Passivhaus is an approach to delivering well-designed, green and energy efficient homes. Initial findings from the Hastoe scheme in Wimbush in Essex showed reductions of 90% in energy bills when compared to traditional housing.



## Community Action Suffolk

- 8.36 Community Action Suffolk run a community oil buying scheme open to domestic householders or community groups or buildings. The scheme has over 1,000 members with average annual savings for members of £156 (£105 for domestic members).

## Energy Switching

- 8.37 **Suffolk's Big Community Switch** a collective energy switching scheme which Suffolk local authorities are working together to organise. In other parts of the country people have saved up to £250 on their annual bills by use of such a collective scheme.
- 8.38 **Cheaper Energy Today** is a community partnership (including Community Action Suffolk) that offers a similar collective energy switching scheme. It has over 500 households registered, 70 of whom have switched supplier and saved themselves on average £164/annum (May2013 figures).

## Other Government Grants

- 8.39 **Charities and Community Organisations** can apply for recently released government funding available through the Big Energy Saving Network to provide energy saving advice. Grants of up to £5,000 are available and last year this funding was used on projects such as training community volunteers to provide advice to their community and even the setting up of a 'pop up' shop to act as a local advice centre.

## 9. Appendices

Title	Location
A Tables and graphs	Attached

## 10. Background Documents

Joint Scrutiny Committee – [Fuel Poverty Review Scoping Document](#)

### Sources

- 2012 Sub-Regional Fuel Poverty data released by DECC in June 2014. ([fuel-poverty-detailed-tables-2012](#)) and 'Annual Fuel Poverty Statistics Report, 2014' ([Fuel Poverty Report Final](#))
- Age UK 'Reducing Fuel Poverty – A Scourge for Older People' June 2014 [Age UK Report](#)
- John Hills (2012), *Getting the measure of fuel poverty: Final Report of the Fuel Poverty Review*, London: Department of Energy and Climate Change. [Link to Gov webpage](#)
- English Housing Survey 2012-13 [Link to EHS webpage](#)

5. Housing Asset Management Plan [Aligned AMP](#)
6. Green Deal and ECO Statistics [June 2014 statistical release](#)

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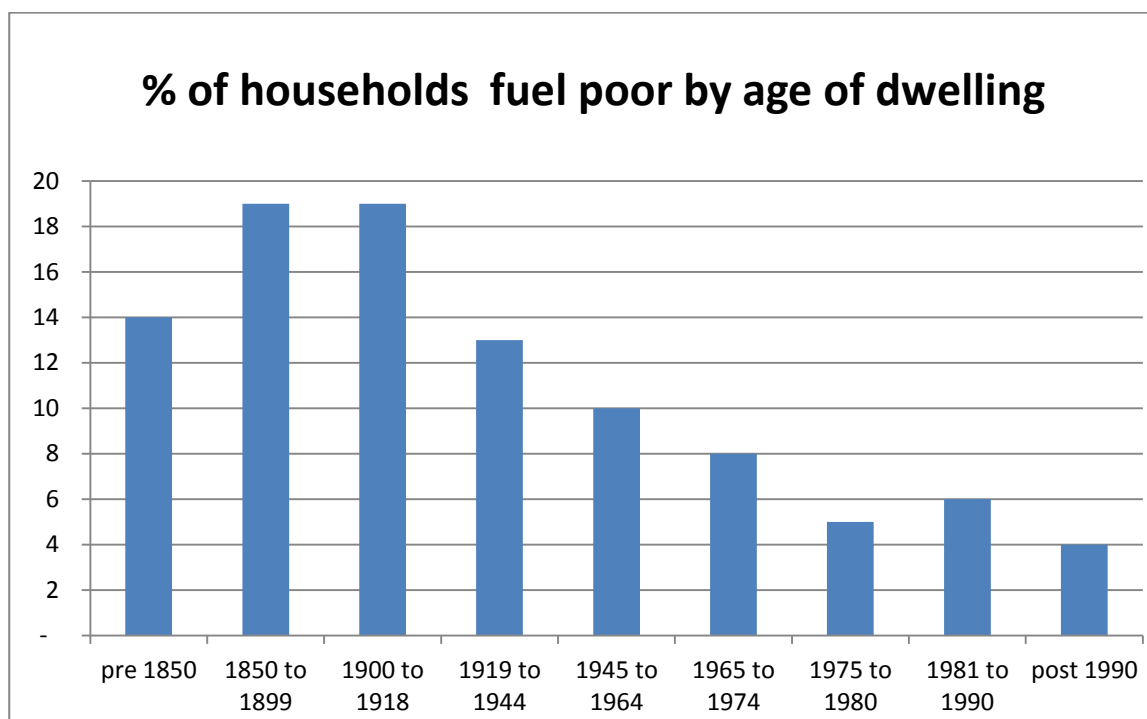
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ADDITIONAL TABLES AND CHARTS

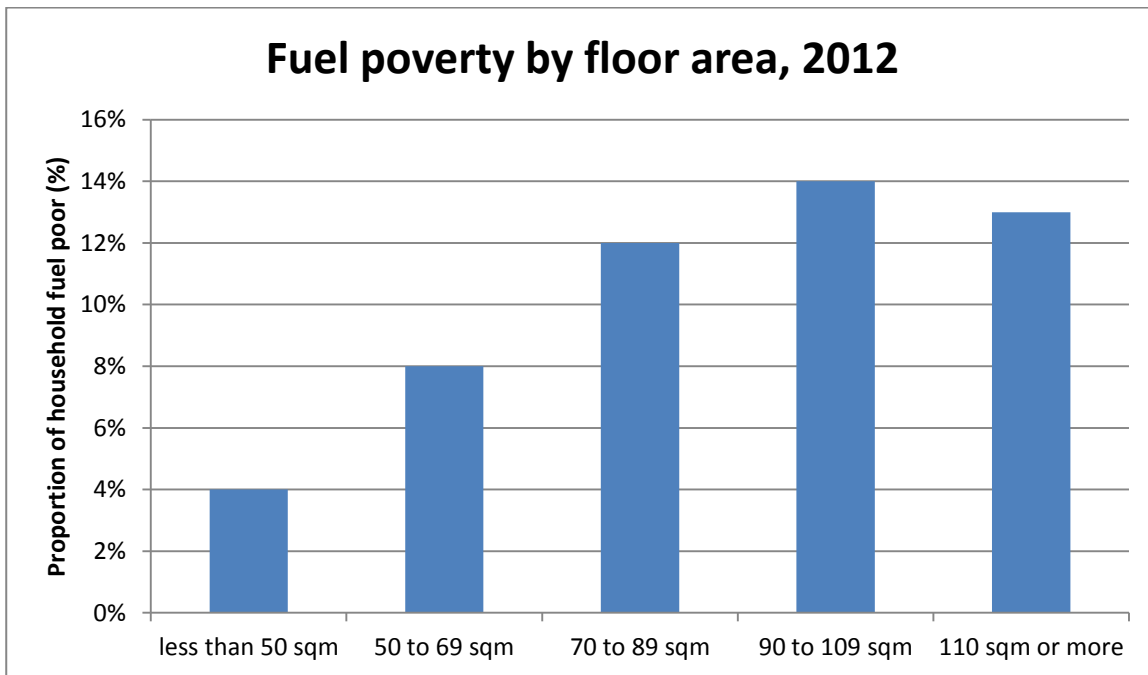
Table A1 Relationship between EPC grade and SAP

EPC	SAP
A	92+
B	81-91
C	69-80
D	55-68
E	39-54
F	21-38
G	1-20

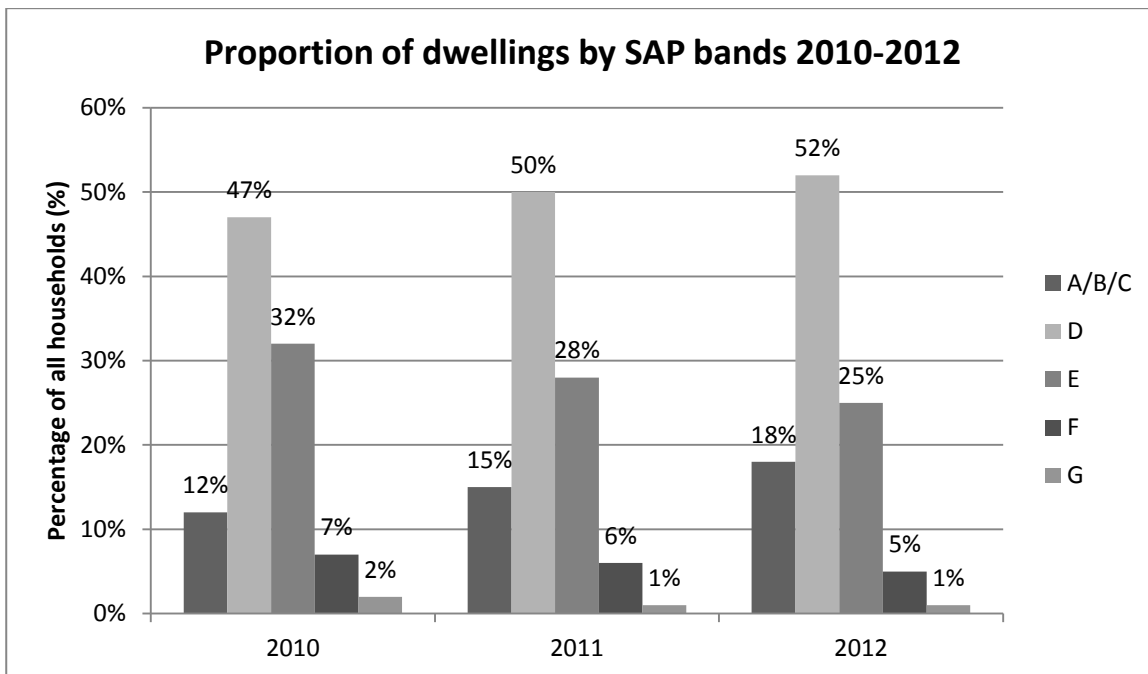
Chart A2 Fuel poverty related to age of dwelling



**Chart A3 Fuel poverty related to size of dwelling**



**Chart A4 Percentage of households in SAP band in years 2010 -2012**



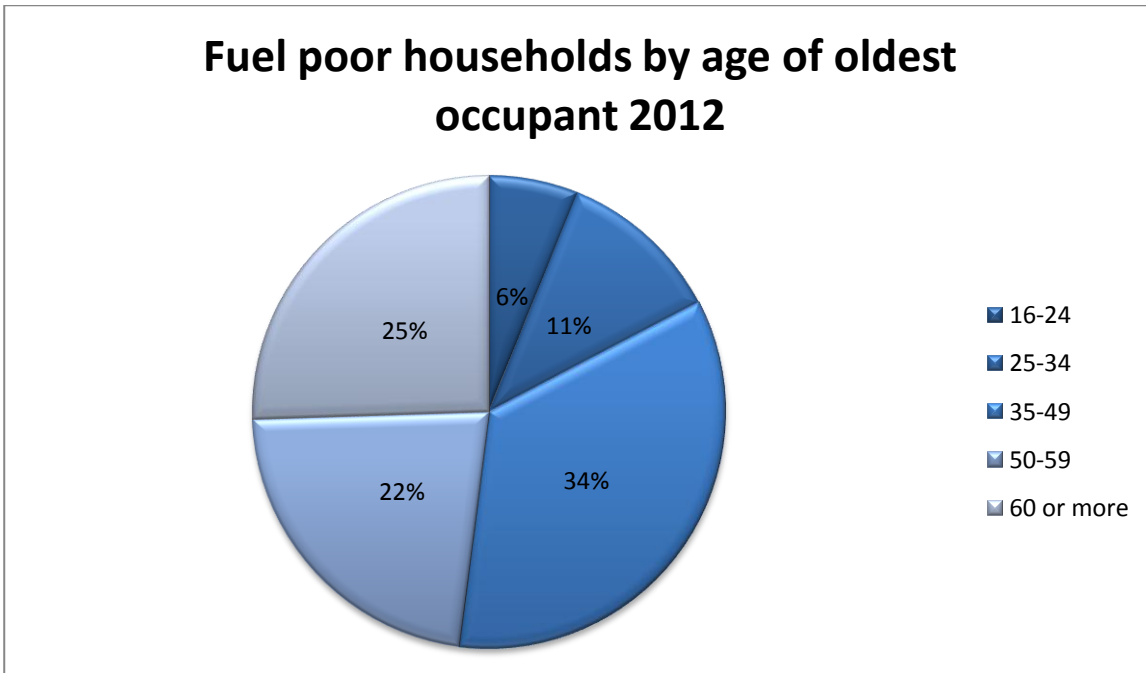
**Table A5 Average SAP ratings of fuel poor and non-fuel poor households over time**

Year	Fuel poor households	Non-fuel poor households	All households
1996	25.0	46.3	44.7
2003	39.2	48.9	47.8
2004	40.6	49.6	48.5
2005	41.3	50.0	49.0
2006	41.7	50.6	49.6
2007	42.0	51.7	50.6
2008	43.6	52.9	51.8
2009	45.0	54.5	53.4
2010	46.5	56.3	55.2
2011	48.4	57.8	56.8
2012	50.4	59.6	58.6

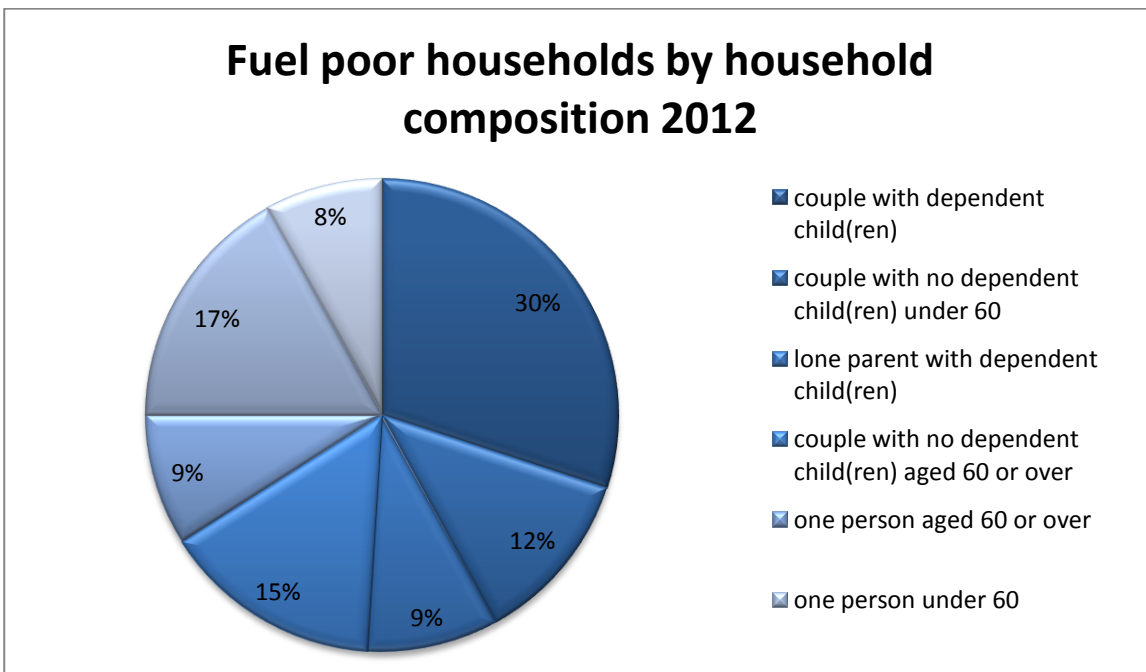
**Table A6 Fuel poverty related to type of heating**

Central heating	Main fuel type	Proportion of households within group (%)	
		Not fuel poor	Fuel poor
Central heating/storage heaters	Gas	91	9
	Oil	85	15
	Solid	61	39
	Electricity	87	13
	Other	91	9
	<b>All</b>	<b>90</b>	<b>10</b>
Other heating system	Electricity	73	27
	Other	79	21
	<b>All</b>	<b>75</b>	<b>25</b>
<b>All households</b>		<b>90</b>	<b>10</b>

**Chart A7 Fuel poverty in relation to age**



**Chart A8 Fuel poverty in relation to household composition**



**Table A9 Distribution of household by tenure and employment status by the age of the oldest household member**

Age of the oldest household member	Tenure			Employment Status		
	Owner occupied	Private rented	Social	Inactive	Unemployed	Working
16-24	8%	68%	24%	39%	14%	47%
25-34	37%	46%	17%	14%	7%	79%
35-49	64%	20%	16%	11%	5%	84%
50-59	73%	10%	17%	16%	6%	78%
60 or more	77%	6%	17%	76%	1%	24%
<b>All households</b>	<b>65%</b>	<b>18%</b>	<b>17%</b>	<b>37%</b>	<b>4%</b>	<b>59%</b>

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