



Action for Warm Homes

National Energy Action (NEA) response to the Mayor of London's draft Fuel Poverty Action Plan

Introduction

NEA warmly welcomes the publication of the Mayor's draft Fuel Poverty Action Plan and the opportunity to comment on the priorities it sets out. Despite our work¹ and national and Mayoral commitments to reduce fuel poverty over the years, the number of Londoners living in a cold home has continued to rise. The draft action plan and environment strategy rightly note this should be source of shame in a city as prosperous as the capital. The main reasons for this unacceptable situation are also correctly identified by the Mayor; low households incomes, higher than average energy prices, poor conditions in the private rented sector, ineffective targeting of existing support and the current level of investment in GB-wide, national and local programmes. These issues continue to blight the capital, causing unnecessary suffering and premature mortality². NEA welcomes the Mayor's determination to overcome these issues in turn; either locally and by using his national influence to bring about key policy changes where required. More broadly, NEA hopes the remainder of this response provides a number of positive solutions that can be embedded within the final Fuel Poverty Action Plan and the Environment strategy which builds on NEA's previous response to the "*A city for all Londoners*".

How to strengthen key commitments and actions

1. Back NEA's 5 point plan to boost incomes and reduce energy costs this winter
2. Enhance oversight of local enforcement in the private rented sector and increase national advocacy on this key topic
3. Reflect national fuel poverty targets in the Environment strategies' climate and energy milestones as well as the final fuel poverty action plan
4. Fully monetise the benefits of meeting statutory fuel poverty and PRS targets in London
5. Develop consistency of meeting related NICE guidance across London and develop a standardised approach to relevant hospital discharge practices and use of related fines
6. Promote the use of Community Infrastructure Levy (CIL), offset funds and section 106 agreements to improve energy efficiency in existing homes
7. Embrace the contribution energy network companies can make
8. Demonstrate how energy efficiency can be delivered as an infrastructure priority

How the Mayor can help boost incomes and reduce energy costs this winter

The action plan rightly notes that one of the key risk factors of living in a cold home is low household income. This requires a new systematic approach to drive benefit entitlement checks (BECs) across the capital and a step change in the "know your rights" initiative. Enhancing this form of assistance will also help increase household incomes and therefore provide economic activity in poorer areas and enable households to be passported to other forms of assistance such as the Home Heat Cost Reduction element of Energy Company Obligation (ECO) or Warm Home Discount Scheme (WHDS)³.

As well as pressing on urgently with these important steps, the Mayor should also back NEA's 5 point plan to boost incomes and reduce energy costs this winter. NEA estimates that some families in fuel poverty in London are facing an income shortfall of up to £9,331 per year (£778 per month) to cover basic essentials, including energy. NEA has also warned many low income households could miss out on energy rebates and the proposed new safeguard price cap. The findings are included as part of our "Bridging the Gap" report which highlights the scale of the impossible choices families will be making this winter. The report also illustrates the catastrophic impact Universal Credit could have on these families who have no savings to insulate them from falling into debt, going hungry and not heating their homes over the current 6 week waiting period.

GAP BETWEEN INCOME AND ESSENTIAL LIVING COSTS FOR A FUEL POOR HOUSEHOLD

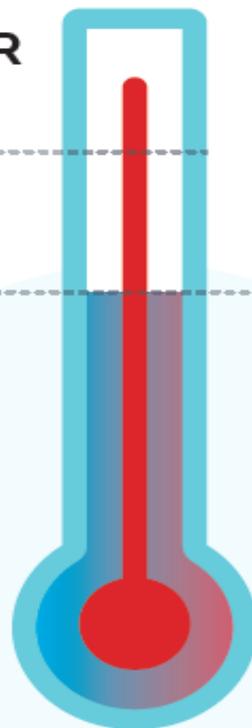


BRIDGING THE GAP

Addressing the cost of living facing UK households this winter

ESSENTIAL LIVING COST THRESHOLD

-  Housing
-  Energy
-  Food
-  Clothing
-  Childcare
-  Transport
-  Mobile phone



-  Fuel poor household
-£197
-  Working-age fuel poor couple with children
-£6,516
-  Lone parent in fuel poverty
-£9,331

Five key actions to boost incomes and reduce energy costs

Key action 1: The Department for Work and Pensions should pause the acceleration in rolling out universal credit, listen to problems clients are experiencing with the programme and fix unresolved issues, including reducing the six-week waiting period for claimants to receive their first payment as a matter of priority.

Key action 2: HM Treasury should reverse the freeze on working-age benefits and tax credits and update them with inflation.

Key action 3: The Department for Business, Energy and Industrial Strategy should reduce the threshold for suppliers to have to deliver the Warm Home Discount (WHD) to low-income and vulnerable energy consumers to 50,000 customers and, in future scheme years, safeguard the industry initiatives component of WHD which supports households to reduce fuel debt and alleviate fuel poverty.

Key action 4: Ofgem should work with The Department for Business, Energy and Industrial Strategy to use data-sharing powers under the Digital Economy Act to extend the vulnerable customer safeguard tariff to all low-income and vulnerable energy households eligible for the Warm Home Discount (WHD) Broader Group (approximately 2 million). Until then, obligated suppliers should consider voluntarily applying the cap to customers on standard variable tariffs not in receipt of WHD but with identified financial vulnerabilities.

Key action 5: HM Treasury should use the Autumn Budget 2017 to establish a national boiler scheme providing emergency assistance to low-income households without a functioning heating system due to a broken and/or unsafe boiler that cannot be replaced under other programmes.

Enhancing oversight of local enforcement in the private rented sector and increase national advocacy on this key topic

NEA particularly welcomes the Mayor's renewed commitment to better enforce conditions in privately rented properties. This can be achieved primarily through policing the Housing Health and Safety Rating System (HHSRS) more evenly across London boroughs and the action plan is right to insist on a step change in local enforcement.

It should be noted that this task is compromised by the current ambiguity in national legislation and related guidance. The Coalition Government introduced minimum energy performance standards in the worst Private Rented Properties in England and Wales in 2011 which come into force from April next year⁴. NEA and a wide range of organisations initially welcomed these necessary regulations. There has however been significant delays implementing this policy fully⁵ and following the demise of the Green Deal⁶, the Green Deal Home Improvement Fund⁷ and the Landlord Energy Saving Allowance⁸ there now is a fear landlords will use the lack of funding as a reason not to invest in their potentially life-threatening properties⁹. Astonishingly, Houses of Multiple Occupation (HMOs) will also not be fully covered by national standards for PRS¹⁰ clear evidence which highlighted these worst rental properties have such inadequate heating and insulation that it is impossible to keep them warm and free from damp.¹¹

Following the publication of the Clean Growth Plan, the Government has committed to launch a consultation on improving the current regulations and potentially setting a new target for the PRS to reach an EPC band C by 2020, bringing the whole PRS into line with the fuel poverty targets. There is welcome (and should be emulated in London) however a worrying lack of urgency on when the consultation will take place and whether landlords will be required to use their own funds to bring properties up to EPC band E in time for April 2018. NEA therefore strongly urges the Mayor to mirror the new PRS trajectory and double efforts to push for the UK Government to fast track the PRS consultation. This should ensure the current MEES regulations in the Private Rented Sector are amended so landlords are required to use their own funds to bring properties up to EPC band E in time for April 2018. The Mayor should also work with the Committee on Fuel Poverty (CFP) to ensure there is a national register of domestic private landlords.

Set national fuel poverty targets within climate and energy milestones

The UK Government is also still dedicated to ensuring *as fuel poor homes in England achieve a minimum energy efficiency rating of Band C by 31 December 2030*¹² - broadly the same energy efficiency performance as a modern home¹³. These commitments were reaffirmed in the recent Clean Growth Plan. NEA therefore urges the Mayor to make a clearer commitment for London to meet national statutory fuel poverty targets¹⁴ and embed these requirements prominently in the final energy and climate milestones within the FPAP and the Environment strategy (alongside the aforementioned PRS requirements).

Fully monetise the benefits of meeting statutory fuel poverty and PRS targets in London

The scale of investment required to meet current statutory targets in London is likely to be significant. However, NEA would stress that the energy saving measures needed to meet the fuel poverty targets above are cost effective and will generate positive savings for Londoners and society. In addition, the investment to meet both the fuel poverty targets and PRS requirements in London can be defrayed across a number of parties via co-funded initiatives (central government, private and social landlords; boroughs; utility companies, escos, gas and electricity network operators as well as other key actors such health agencies, charities and community groups).

It should also be remembered that the counterfactual costs of not meeting national targets in London are many times greater; just the cost to health services of treating the morbidity associated with cold homes in the capital alone is over £4 billion in the next 14 years¹⁵. NEA has also not attempted to monetise the following set of benefits that could be achieved with the introduction of adequate investment in this area. Where possible the Mayors should look to fully monetise the following:

- The direct value of reductions in bills and energy arrears for households or how this would increase spending within poorer communities
- The avoided cost of reducing carbon emissions in London or improving air quality via alternative actions
- The avoided costs of investment in non-efficient forms of embedded power generation in the capital which can increase local air pollution
- The value of reductions in rent arrears and void periods for landlords¹⁶
- The extent of the creation of a healthier workforce and jobs from a more buoyant energy efficiency industry
- The value to London's economy of wider benefits such as upskilling London's workforce
- The value of avoided costs to energy consumers of reducing network reinforcement by Distribution Network Operators in London¹⁷. In turn, the positive impacts of also reducing civil utility works taking place in London's streets¹⁸
- More comfortable internal temperatures in homes will lead to fewer premature winter deaths and despite being unpalatable premature mortality has a clear cost to Londoners¹⁹
- The reduced costs to mental health and social care as reductions in bills can lead to less stress and better mental health for occupants and keep people living in their homes longer
- The cost effectiveness of free interventions such as advice which can also create less damp and mould growth within homes which in turn reduces respiratory problems at little or no cost

Develop consistency of meeting related NICE guidance across London and develop a standardised approach to relevant hospital discharge practices and use of related fines

To reduce the cost to London health services of cold homes the Mayor must set out a clear expectation that guidance produced by NICE on 'Excess winter deaths and morbidity and the health risks associated with cold homes' is acted consistently across the capital. This guidance provides a clear blueprint on how to assist these households. Public Health England have also stated in their Cold Weather Plan that reducing fuel poverty and excess winter illness and deaths should be considered 'core business' by Health and Wellbeing Boards and included in their Health and Well-being Strategies and Joint Strategic Needs Assessments (JSNAs). The Mayor needs to target his interventions to help reinforce this point and move beyond current examples of good practice in boroughs and aim for the guidance to be replicated consistently in all parts of London. An early step would be to write to health commissioners and challenge them on how they are working with Health and Wellbeing Boards to apply the recommendations within the NICE guidance.

The Mayor can also use his position to challenge and encourage London hospitals to join up outpatient care with fuel poverty initiatives for patients at-risk of recurrent GP visits and unplanned hospital admissions. The most pressing opportunity is to fund 'warmth on prescription' models by encouraging Clinical Commissioning Groups (CCGs) across London to channel repeat hospital admission fines towards reducing the cost of cold-related morbidity and mortality at a local level. These steps should be taken forward alongside outspoken advocacy on the need for the Department for Health (DoH) and DBEIS to ensure national energy efficiency programmes do all they can to support low income households with cold related health conditions and ensure there funds available for crisis heating repairs and replacements.

Promote the use of Community Infrastructure Levy (CIL), offset funds and section 106 agreements to improve energy efficiency in existing homes, prioritising the poorest

Another key opportunity, already being acted upon a few London boroughs, is for the Mayor to influence how Section 106, contributions to the Community Infrastructure Levy (CIL) and "Allowable Solution" funds from new zero carbon development is used to help improve existing homes. Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as s106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be palatable. S106 agreements are often referred to as 'developer contributions' and are now paid into a CIL. Under the CIL regulations there is a wider range of opinions regarding what funds can be spent on locally. Whilst some local councils are using s106 agreements or their CIL funds to help deliver valuable local projects (like local energy efficiency projects), often it is not clear how councils spend the incomes collected from CIL and it is absorbed into the council's capital programme in order to subsidise the services they deliver. Previous research from Consumer Focus²⁰ found that on projected rates of house building, Allowable Solution funds could have provided around £190 million pa nationally, enough to improve the energy efficiency levels of 397,000 low income households' homes, up to EPC C by 2025. The purposes of the intervention therefore is to ensure there is greater oversight of how CIL/S106/off-set funds are invested and encourage local councils to use these resources to support energy efficiency initiatives that make homes warmer and healthier and in turn encourage economic growth.

Embrace the contribution energy network companies can make

The GB energy regulator Ofgem currently requires energy suppliers and Distribution Network Operators (DNOs) to provide non-financial services currently for customers who are of pensionable age, disabled or chronically sick. Following a review by Ofgem, the GB-wide Priority Services Register (PSR) eligibility will be changing from a 'category' approach to a model based on need. Energy suppliers and DNOs are expected to be proactive in identifying those in 'need' and are incentivised to develop alternatives to network reinforcement. The Mayor can therefore help ensure the important role networks can play in supporting vulnerable customers and delivering solutions for them (either themselves and by partnering with others) is acted upon. This opportunity should be reflected in the final action plan.

Ofgem has also proposed Gas Distribution Networks (GDNs) play an active role in supporting fuel poor households, and to work collaboratively with other parties to provide funding for in-house works. Coupled with the development of a new interactive mapping solution for off gas grid homes²¹ this is a key opportunity for the Mayor and he should look to work with GDNs and other stakeholders to ensure connections targets are met in the capital. However, on behalf of all the GDNs NEA recently undertook a review of progress toward meeting the 2021 target in the different nations.²² The report found that at the halfway point, with roughly four years remaining to the 2021 deadline, only 33% of the London sub-target of 2,880 connections has been achieved. This is slower than progress across England as a whole, where around 44% of connections have been completed. Clearly, alongside the constrained funding landscape for in-house measures, there are additional challenges and barriers to delivery in London which must be overcome if the Mayor is to capitalise on the assistance GDNs can provide. NEA therefore recommends network companies become active members of the GLA's planned Fuel Poverty Action Partnership, which will bring together key stakeholders to deliver fuel poverty support. This, combined with promoting the new Healthy Homes Fund to boroughs, should be regarded as key near-term priorities.

Demonstrate how energy efficiency can be delivered as an infrastructure priority

Finally, NEA welcomes the Mayor's recognition that energy efficiency should be regarded as a key national infrastructure priority. This approach is also supported by a growing number of Non-Departmental Public Bodies, academics, industry and NGOs²³. The UK Energy Research Centre (UKERC) and Centre on Innovation and Energy Demand (CIED) have recently underlined the scale of the cost-effective potential to reduce energy demand. The recent report "*Unlocking Britain's First Fuel: The potential for energy savings in UK housing*" noted that one half of the energy currently used in UK housing could be saved by investing in a mix of current energy saving technologies. In addition, cost-effective investments to 2035 could save around one quarter of the energy currently used, an average saving of £270 per household per year at current energy prices. This saving is approximately equivalent to the output of six nuclear power stations the size of Hinkley Point C.

On the 13th October, the National Infrastructure Commission also launched its consultation on its draft National Infrastructure Assessment. In a hugely welcome development, the document stated that one of the key priorities for achieving low-cost, low carbon is clear; to improve domestic energy efficiency. The report states "The UK has old and leaky buildings, which means households and firms use far more heat than should be required, pushing up consumer bills and increasing the costs of moving towards low carbon heating in the longer term". The Commission will undertake a bespoke study for April which will consider how an ambitious programme of energy efficiency improvements could rectify this.

NEA fully support NIC's current work and is an active member of the Energy Efficiency Infrastructure Group. NEA has helped produce a new report by Frontier Economics which recommends a comprehensive Buildings Energy Infrastructure Programme to achieve major energy savings in UK homes. Key recommendations include introducing a new target for all low-income households achieving a C rating by 2030 and subsidies for all low-income home-owners to make energy efficiency renovations to their properties. NEA stresses this is a key opportunity and the Mayor should lobby the UK Government to build on this momentum and state early they too regard domestic energy efficiency as a key national infrastructure priority and will seek to unlock much needed resources to fund energy efficiency programmes overall.

Sources and further information

¹ NEA works to end fuel poverty and tackle exclusion in the energy market in London and throughout the United Kingdom¹. NEA undertakes key research, national and local advocacy and works with partners¹ from local and national government, industry and the third sector to deliver practical solutions to improve the quality of life for those living in cold homes. We achieve this by improving access to energy and debt advice, providing training, supporting energy efficiency policies, local projects and co-ordinating other related services which can help change lives. NEA also provide the secretariat for the All-Party Parliamentary Fuel Poverty & Energy Efficiency Group to raise awareness of the problem of fuel poverty and the policies needed to eradicate it.

² Last year the BBC's Panorama also highlighted people are still getting ill and 9,000 people died needlessly because of cold homes in England. In the last five years, over 13,000 Excess Winter Deaths in London. It is estimated by the World Health Organisation that a minimum of 30% of Excess Winter Deaths are due to people living in cold homes. Nationally these issues are a bigger killer than smoking, lack of exercise and alcohol abuse.

³ The current data sharing enabling powers were created in the Pensions Act 2008 for the current WHD Core Group.

⁴ From April 2018, landlords will not be able to rent out properties with energy efficiency ratings below EPC Band E (exemptions apply). The regulations apply to the domestic private rented sector in England and Wales. This is defined in section 42 of the Energy Act 2011 as properties let under an assured tenancy for the purposes of the Housing Act 1988, or a tenancy which is a regulated tenancy for the purposes of the Rent Act 1977. A high percentage of fuel poor households also live in the worst properties in the deepest fuel poverty are renting from private landlords, they must be prioritised for assistance.

⁵ NEA along with other parties strongly disputed the need for the caveats and exemptions within the current regulations and argued that all properties within scope of the regulations should be required to meet a minimum standard of EPC Band E, up to a maximum limit. In addition, Houses of Multiple Occupation (HMOs) should be brought within scope of the regulations and any guidance must recognise the precedent within the Housing Health and Safety Rating System (HHSRS), introduced in the 2004 Housing Act, which is already regulating minimum standards in private rented housing.

⁶ On the 23 July 2015, the UK Government announced there will be no further funding to the Green Deal Finance Company due to low take-up and concerns about industry standards.

⁷ Through the Green Deal Home Improvement Fund (GDHIF) up to £5,600 was available to households in England and Wales to help with the cost of installing certain energy saving measures such as solid wall insulation, double glazing, boilers, cavity wall and floor insulation

⁸ The Landlord's Energy Saving Allowance (LESA) was ended in April 2015 it provided a tax allowance of up to £1,500 per dwelling if the landlord installed certain energy-saving items.

⁹ NEA and others have also been pushing for urgent changes in the private rented sector as the current energy efficiency requirements for the PRS for 2018 are not fit for purpose and need to be adapted urgently due to the short-timeframe until landlords need to comply. The previous Secretary of State, Amber Rudd and her officials in the Department for Energy and Climate Change (DECC), previously recognised that the regulations needed to be amended to enable them to work more effectively. She therefore proposed that the regulations be amended to require landlords to make the improvements subject to a proposed cost cap. We warmly welcomed the proposal and yet, with the creation of BEIS, there has been a long delay and no consultation has yet been released.

¹⁰ The regulations apply to the domestic private rented sector in England and Wales. This is defined in section 42 of the Energy Act 2011 as properties let under an assured tenancy for the purposes of the Housing Act 1988, or a tenancy which is a regulated tenancy for the purposes of the Rent Act 1977.

¹¹ Fuel Poverty and Houses in Multiple Occupation, produced by Future Climate and National Energy Action, 2016.

¹² The Fuel Poverty (England) Regulations 2014: <http://www.legislation.gov.uk/ukxi/2014/3220/made>

¹³ EPC certificates compare current ratings of properties to see which are more energy efficient. They help tenants, landlords or home owners find out how they can save energy and money by installing improvement measures. The EPC certificate shows how much the average household would spend in this property for heating, lighting and hot water. This excludes energy use for running appliances like TVs, computers and cookers, and any electricity generated by microgeneration. It's graded from A to G, with A meaning an energy efficient, well-insulated, probably modern home, and G meaning a draughty old building where the wind rattles the walls. Typically, an older property with no retrofitted energy-saving technology will be around a D grade. A new home built today is typically band between a band C and B. However in London, the Mayor has committed to researching the zero carbon standards that was scrapped by central Government in the last Parliament.

¹⁴ The Fuel Poverty (England) Regulations 2014 are now law.

¹⁵ Ibid.

¹⁶ "Touching the voids report: The impact of energy efficiency on landlord income and business plans The report is available here: <http://www.sustainablehomes.co.uk/touching-the-voids-report>.

¹⁷ In 2015, NEA and Agility ECO produced a report investigating the possibility to divert budgets currently allocated to load-related network upgrades into local schemes that improve energy efficiency. In the report this concept is explained fully and is referred to as Alternative Investment Strategy (AIS). Specifically, the report looks to analyse the "Size of the Prize" on Northern Power Grid's network, the economic feasibility of investment in local energy efficiency and how this compares to conventional network reinforcement and practical feasibility. To read the report visit: <http://www.northernpowergrid.com/downloads/1704>.

¹⁸ The Mayor can support initiatives that reduce the need for reinforcement on the electricity and gas distribution networks and push for increased collaboration between utilities. See: <http://www.njug.org.uk/>.

¹⁹ For example burial fees and exclusive rights to burial in a particular plot, cremation fees, including the cost of the doctor's certificate, funeral director's fees, flowers, coffin travel to arrange or go to the funeral, the costs for moving the body within the UK. An indication of the scale of these to a surviving family member or society are that a direct cremation costs c. £1,600, a cremation using a funeral director £3,214 and a burial using a funeral director costs £4,136. Whilst some costs are covered for low income households via a state Funeral Payment, often this is paid for on credit or often loans from a more affluent family member. This in turn inhibits a low income families spending.

²⁰ Modelling carried out by Verco for Citizen's Advice report 'Raising standards, cutting bills Healthy homes: a costed proposal to end fuel poverty through higher standards and fairer funding', June 2014.

²¹ Developed by the previous Fuel Poverty Advisory Group (FPAG) off-gas working group; see: <https://www.nongasmap.org.uk/>.

²² NEA. 2017. In From The Cold: The Funding Gap for Non-gas Fuel Poor Homes under ECO and a Proposal to Fill it. Available: <http://www.nea.org.uk/wp-content/uploads/2017/02/In-From-The-Cold-ECO-Funding-Gap-Paper-Final-1.pdf>.

²³ A range of organisations have noted this key opportunity; Better Homes: Incentivising Home Energy Improvements, Hall and Caldecott 2016, p27; Too Hot to Handle? How to decarbonise domestic heating, Howard and Bengherbi 2016, p.14; A report on initial positions, Committee on Fuel Poverty 2016, p4; After the Green Deal: Empowering people and places to improve their homes, recommendation 5, Rosenow and Sagar 2015; Effective Policy Efficient Homes, Confederation of British Industry (CBI) 2015, p2 and CCC, Meeting Carbon Budgets – 2016 Progress Report to Parliament, June 2016. More recently that investment in energy efficiency targeted at fuel poverty must double.