



National Energy Action (NEA)'s 2020 Comprehensive Spending Review (CSR) priorities

Introduction

On the 21st July, the Chancellor launched the 2020 Comprehensive Spending Review (CSR). The Review, which will be published in the autumn, will set out the UK Government's spending plans for the parliament.

National Energy Action (NEA) works to ensure that everyone in the UK can afford to live in a warm, safe home¹. NEA works collaboratively with many national and local organisations² who are at the forefront of the current Covid-19 crisis. We believe urgent action is needed to improve health outcomes and support the most vulnerable people who are at most risk of needless death and cold related morbidity. Within this short paper, NEA outlines its key priorities for the forthcoming CSR to create warmer and healthier homes, help stimulate the economy, reduce poor air quality and reduce carbon emissions.

Our key recommendations

- 1. Provide urgent clarity on the future of the Warm Home Discount (WHD) scheme from April 2021-March 2026**
- 2. Fully implement the Conservative Manifesto commitment to introduce a new Social Housing Decarbonisation Fund and a new Home Upgrade Grant Scheme (HUGs) in fuel poor homes**
- 3. Extend the Energy Company Obligation (ECO) from April 2022- March 2026 and maintain its key focus on low income and vulnerable households**
- 4. Ensure the Shared Property Fund (SPF) helps end cold homes across the UK**
- 5. Extend and strengthen the increase to Universal Credit for low income households**

Provide urgent clarity on the future expansion of Warm Home Discount (WHD)

According to NEA's recent YouGov poll, one in three British households are concerned about the health impacts of living in a cold home this winter³ and further research conducted by Citizens Advice estimates 6 million people have fallen into arrears during the pandemic. This includes 3 million people falling behind with their utilities⁴.

The Warm Home Discount (WHD) scheme provides the poorest pensioners across Great Britain with an automatic reduction of £140 off their energy bills each winter as well as support to other vulnerable customers through further discretionary rebates and advice and support provided by range of third parties, including NEA. The current scheme is due to end post 2021 and there has been no formal confirmation of an extension, despite it providing a lifeline for millions of the poorest consumers across GB and being the principle funding vehicle for offering vulnerable customer assistance during the current crisis.

In addition to considering new mechanisms to accelerate the clearance of utility debt⁵, urgent clarity is needed on the immediate extension of the WHD scheme from April 2021 and further improvements and a necessary expansion of the programme should be implemented from April 2022-26. Whilst expansion may imply the increased cost of the scheme would be borne by energy consumers, NEA and our campaign partners Fair by Design have previously highlighted how this outcome could be achieved in a cost neutral way for energy consumers⁶.

Fully implement the new Home Upgrade Grant Scheme (HUGs) in fuel poor homes and the Social Housing Decarbonisation Fund (SHDF)

Millions of people face every winter in properties which are dangerous or unfit for colder seasons and one in ten households in England live in fuel poverty, meaning they live below the poverty line but also have much higher bills due to poor levels of energy efficiency⁷. During cold spells, poor housing already leads to sharp rises in energy use⁸, an issue which

will be badly compounded if lockdown were re-imposed during winter months, with families in cold, leaky homes facing elevated heating bills⁹. Combined with existing ill-health, every year poor housing leads to a vicious cycle of hospital admission, discharge and readmission¹⁰ which is catastrophic for individuals, families and badly impacts health and social care services. In contrast, NEA's YouGov research has demonstrated strong public support for fixing Britain's cold, leaky housing, with three in four people supporting the UK Government urgently investing to improve home energy efficiency and two thirds supporting the local jobs this could create.

On the 8th July, the UK Government started to respond to these crucial issues and confirmed they will invest £2 billion to improve home energy efficiency in England through a new voucher scheme - the Green Homes Grant (GHG). About half of the fund is aimed at supporting the poorest households, who will not have to contribute anything to the cost of energy efficiency measures. Whilst most of the budget for the new grant is directed at the new vouchers for home improvements, it is welcome that local councils are also at the heart of the UK Government's implementation plan. In total £500m will go to local authorities over two years - £200m this financial year and £300m next financial year with the first tranche of funding for local authorities accessed through a competition.

This recent investment is hugely welcome and alongside our supporters, NEA has been assisting the policy design and delivery of the new GHG scheme. However, a more comprehensive, long-term strategy and corresponding programmes are ultimately going to be needed to meet the statutory requirements to help all fuel poor households in England¹¹. In particular, the Conservative Manifesto contained welcome proposals for a new £2.5bn Home Upgrade Grant Scheme (HUGs) deliberately targeting fuel poor homes in the least efficient homes alongside a £3.8bn Social Housing Decarbonisation Fund. These commitments were reaffirmed in the Queen's Speech on the 19th December 2019. The CSR provides a critical opportunity for ensuring the momentum of the new GHG is sustained and adequate investment is made throughout this parliament, continuing to address the UK's building stock which remains notoriously inefficient and hard to heat.

As well as reducing energy costs, the more targeted HUG and SHDF schemes will help maintain a vital lifeline for jobs in the energy efficiency industry once the furlough scheme ends¹², continue to help address regional variances in economic deprivation

and provide a major stimulus to the economy¹³. These actions would also help to provide active referrals to many existing health and housing schemes¹⁴, reduce poor air quality which also damages respiratory health and reduce carbon emissions to make a direct contribution to meeting the UK Government's goal of becoming net zero.

Extend the Energy Company Obligation (ECO)

Another key priority on energy efficiency is to extend the Energy Company Obligation (ECO) from April 2022- March 2026 and maintain its key focus on low income and vulnerable households. Beyond sustaining current levels of investment and the key focus on vulnerable households, key improvements should also be made to the programme to improve its targeting and the accessibility of those it is there to support up until 2026¹⁵.

Ensure the Shared Property Fund (SPF) helps end cold homes across the UK

Across the UK, NEA estimates that over the last five winters the number of excess winter deaths due to a cold home is approximately 10,000 per year¹⁶, this impact is felt across all UK nations because households are unable to afford the energy needed to keep their homes warm. As a member of the European Union, the UK received structural funding worth about £2.1 billion per year¹⁷ which has helped boost several aspects of economic development across the different nations of the UK, including vital support for domestic energy efficiency¹⁸.

Given the UK has left the EU, this funding will cease and to replace it, the Government has pledged to set up a Shared Prosperity Fund to "reduce inequalities between communities". Whilst there are several areas that will need to be prioritised when setting up the new Fund, NEA stresses that the SPF must help the nations across the UK end cold homes by improving energy efficiency levels. This UK wide assistance could be funded by the increasing revenue that will be generated by the new UK Emission Trading Scheme (UK ETS)¹⁹.

Extend and strengthen the increase to Universal Credit for low income households

To date, the UK Government has adopted a progressive approach to addressing the direct financial impact of the crisis on household incomes²⁰. It is critical that this approach is maintained and strengthened. In particular, NEA is calling on the UK Government to extend and strengthen the increase to Universal Credit for low income households and address other key gaps in provision to help address the direct financial impact of the crisis on the poorest households²¹.

Sources and further information

¹ For more information visit: www.nea.org.uk.

² NEA is a membership organisation whose members include local authorities, housing associations, health agencies, charities, community. Private sector supporters include businesses with an interest in the domestic energy efficiency market including energy supply companies, scheme managers and consultants, boiler manufacturers, insulation and central heating installers and component suppliers, land developers and manufacturers of renewable technology products.

³ The total sample size was 1,626 adults with fieldwork undertaken between 26th and 28th June.

⁴ Citizens Advice estimates that as of August, 6 million households had fallen behind on at least one household bill during the pandemic, including 3 million behind on water bills, and 2.8 million on energy bills.

<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/debt-and-money-policy-research/excess-debts-who-has-fallen-behind-on-their-household-bills-due-to-coronavirus/>

⁵ On the 9th June National Energy Action (NEA) released [a new briefing](#) highlighting a 'gathering storm' of utility debt within the water and energy sectors which is being badly exacerbated by the current Covid-19 crisis. Unless addressed, the paper highlighted how the impact of utility debt will badly affect customers' health, wealth and well-being. NEA also underlined the impact on companies' financial viability and that utility debt is an on-going day-to-day drag on the economy, with money that could normally go towards paying for other goods or services to boost the economy, instead being used to pay off household debts. The paper highlighted immediate actions to address these issues and alongside a number of quick wins, NEA called on the UK Government to accelerate their 'breathing space' legislation and come forward with a package of measures to address utility debt in a more co-ordinated way. It is hoped the recommendations presented in the report will be considered by Ministers by early autumn and could be implemented shortly thereafter.

⁶ To read the full NEA and FBD briefing click [here](#), for the costing document click [here](#).

⁷ Annual fuel poverty statistics report for 2020 (with 2018 data), Department for Business, Energy & Industrial Strategy, 30 April 2020

⁸ Emissions from homes and public buildings rose sharply by 2.5m tonnes or 4% in 2018 as a result of the Siberian weather system 'the Beast from the East' equivalent of a small country's like Albania's annual emissions.

⁹ Lockdown in Leaky Homes, The Energy and Climate Intelligence Unit, 22 May 2020.

¹⁰ Even before the current crisis, the economic burden of this 'carousel of morbidity' cost the NHS between £1.4 and £2.0 billion every year - BRE (2015) The cost of poor housing to the NHS.

[Online]. Available from: <https://www.bre.co.uk/filelibrary/pdf/87741-Cost-of-Poor-Housing-Briefing-Paper-v3.pdf> [Accessed: 21 June 2019].

¹¹ Fuel poverty strategy - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/408644/cutting_the_cost_of_keeping_war_m.pdf

12. According to Bank of England forecasts, unemployment is likely to increase by an additional 1.79m people by the end of 2020.

13. Rebuilding for resilience, Energy efficiency's offer for a net zero compatible stimulus and recovery, Energy Efficiency Infrastructure Group (EEIG), June 2020.

14. NEA have catalogued health and housing schemes which deliver energy efficiency improvements through LA's and the health sector which have had success in addressing and/or stabilising related health conditions, see: <https://www.nea.org.uk/wp-content/uploads/2019/10/Catalogue-of-Health-Related-Fuel-Poverty-Schemes-2019.pdf>

¹⁵ Given the stated aim of ECO to target low income, fuel poor and vulnerable households; NEA's previous response to the ECO 3 consultation how to improve the accessibility and simplify the 'offer' ECO provides to the people the policy should be there to serve. Given the Government's assumption that there will be no household contributions made during the course of the policy, NEA called for there to be an explicit prohibition of financial contributions that are often required to take part in the ECO scheme. NEA also sought to ensure Ofgem require obligated suppliers to uphold their obligations to treat their customers fairly and respond to the enhanced needs of those in vulnerable situations when delivering this vital assistance by communicating the support that is available through ECO in more consistent and assessable formats, providing adequate advice and ensure any contractors highlight how other forms of supplier-led assistance can be accessed if the most vulnerable fail to benefit from energy saving measures under the scheme.

¹⁷ The UK Shared Prosperity Fund, House of Common Library briefing paper, Number 08527, 22 May 2020.

¹⁸ Energy efficiency resources have been leveraged via the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Joint European Support for Sustainable Investment in City Areas (JESSICA), European Local Energy Assistance (ELENA) and the research grants provided by Horizon 2020.

¹⁹ According to the UK Government's analysis the UK ETS will generate additional revenue compared to the EU ETS of between £2.5bn- £3.5bn per annum. See page 23, Table 13. Estimated auction revenue to government / cost to businesses from purchasing https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/889038/The_future_of_UK_carbon_pricing_impact_assessment.pdf

²⁰ Both universal credit and working tax credits have been increased by £20 a week. According to HMT analysis, these steps, combined with the positive impact of the furlough scheme, has a positive impact on incomes for those in the lowest income decile. See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/898420/Impact_of_COVID-19_on_working_household_incomes.pdf.

²¹ People who are in receipt of legacy benefits such as employment and support allowance have not received uplifts in benefits and some individuals and families now find themselves subject to the benefit cap, meaning that they will not receive the full value of the uplift. In addition, households with children have seen no increase to child tax credits and the two-child limit on benefits has been retained.