

Cabinet 6 November 2013	
Report of: Aman Dalvi, Corporate Director Development and Renewal	Classification: Unrestricted
Fuel Poverty Strategy and Action Plan	

Lead Member	Cllr Rabina Khan – Cabinet Member for Housing
Originating Officer(s)	Abdul Khan, Sustainable Development Manager
Wards affected	All Wards
Community Plan Theme	A Great Place to Live
Key Decision?	Yes

Executive Summary

In June 2012 the council set up and launched the energy co-operative (Tower Hamlets Energy Community Power) to bring cheaper energy to the residents, the scheme was based on the principles of Collecting Energy Switching. The scheme generated huge interest and was replicated by Local Authorities and Community Groups throughout the country, on a successful bid for funding to the Department of Energy and Climate Change (DECC) , a consortium of London Boroughs set up the Big London Energy Switch to promote Collective Energy Switching in London.

From April 2013 all government funding for domestic energy efficiency improvements were removed and replaced by the Energy Company Obligation and Green Deal Plan.

Under the Home Energy Conservation Act 1995 (amendments 2012), the council is required to develop and publish a plan that improves the energy efficiency of the housing stock in the borough.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Approve the Fuel Poverty Strategy and Action Plan as attached in Appendix 1

1. REASONS FOR THE DECISIONS

- 1.1 Year on year domestic energy prices continues to rise and this trend is expected to continue in the coming years. Residents have raised concerns about the increasing prices, the changes in welfare benefits now means more and more households are not able to afford to adequately heat their homes to achieve thermal comfort levels.
- 1.2 The introduction of the single Energy Company Obligation (ECO) and Green Deal Plan means local authorities will need to take the local leadership role in bringing energy efficiency investment to the borough.
- 1.3 Under the Home Energy Conservation Act 1995 (amendment 2012), Local Authorities are required to develop and publish a plan that shows the actions taken by the local authorities to improve energy efficiency of homes in the in the borough.
- 1.4 Through this strategy and action plan, the council can demonstrate local leadership by providing residents access to cheaper energy and bringing in investment and funding to improve the energy efficiency of homes in the borough, these actions will help alleviate fuel poverty in Tower Hamlets as well as improve the health and wellbeing of our residents.

2. ALTERNATIVE OPTIONS

- 2.1 The council could choose not to have a Fuel Poverty Strategy; however, it is a requirement to have a Home Energy Conservation Act (HECA) Report which must outline the actions the council is taking to improve the energy efficiency of the housing stock in the borough.

3. BACKGROUND

- 3.1 Fuel poverty is caused by a convergence of three main factors:
 - Low income, which is often linked to absolute poverty
 - High fuel prices, including the use of relatively expensive fuel sources
 - Poor energy efficiency of a home.
- 3.2 Households with high energy costs living in poverty or on its margins face extra costs to keep warm. These costs are largely outside the control of those households – given the capital investment that would be required to reduce them – except through trading off the temperatures at which they live against other necessities, exacerbating the difficulties faced by all on such low incomes.

- 3.3 Living at low temperatures as a result of fuel poverty is likely to be a significant contributor not just to the excess winter deaths that occur each year, but to a much larger number of incidents of ill-health and demands on the Health Service and a wider range of problems of social isolation and poor outcomes for young people.
- 3.4 Not only is the energy inefficiency of the homes of those living in fuel poverty a direct concern in terms of reducing carbon emissions, but fuel poverty also acts as a barrier to the implementation of other policies to mitigate climate change, since those on low incomes are least able to afford any increase in prices that may result from them.
- 3.5 The core problem is one of the overlap between low income and the energy inefficiency of the homes people live in, and therefore the precise problem and effects of fuel poverty is “living on a lower income in a home that cannot be kept warm at reasonable cost.”
- 3.6 According to government statistics (Department of Energy and Climate Change) on the 10 per cent measure methodology, London Borough of Tower Hamlets has a fuel poverty percentage rate of 6.0% (in 2011) compared to 11.2% in 2008). Tower Hamlets also has a number of lower super output areas (LSOA) which are identified as Carbon Savings Community Obligation (CSCo) areas and attract extra funding under the Energy Company Obligation.

4. TOWER HAMLETS ENERGY (T.H.E) COMMUNITY POWER

- 4.1 Retail energy prices have risen sharply over the last ten years. Fuel costs are now one of the biggest financial outlays for households and increased prices disproportionately hit poorer families. In 2004 the annual average dual fuel bill for a household stood at roughly £600. By April 2013 the average annual dual fuel bill was a staggering £1,400.
- 4.2 These shifts in fuel prices are largely driven by forces beyond the control of ordinary households, but people can make a difference to their energy bills by switching suppliers. The problem is that very few households do switch, and poorer families are least likely to do so. Most consumers, both vulnerable and non-vulnerable, lack knowledge or confidence to source the best deals.
- 4.3 A collective energy switching scheme is where a group of consumers’ band together to negotiate a better deal with gas and electricity suppliers. Schemes are facilitated by a third party (e.g. a local authority) with the help of a specialist switching partner. Typically, a local authority will take the lead and procure a specialist switching partner who negotiates a tariff on behalf of the consumers they represent. The offer is then presented back to the group for the householder to decide whether they want to switch or not. In the UK this is termed ‘collective switching’. The main objective of such schemes is to increase public awareness of the potential for reducing energy bills through switching.

- 4.4 Tower Hamlets Energy Community Power, council's energy co-operative was the first local authority led collective energy switching scheme in the country, since the launch of the scheme in June 2012, many other local authorities and community groups started similar schemes. To capitalise on consumer power and numbers of interested households, a consortium of London Local Authorities established the Big London Energy Switch, where boroughs work together to hold joint energy switching auctions.
- 4.5 The Big London Energy Switch has secured £680,000 from the Department of Energy and Climate Change to promote the scheme; in addition THE Community Power has secured £37,351 to promote the scheme in Tower Hamlets. Auctions were held in April and June 2013 where we achieved an average household savings of £122 on fuel bills. Two further auctions are planned for November 2013 and January 2014.
- 4.6 THE Community Power brings cheaper energy to the residents which makes it more affordable and allows those households who normally ration their heating to keep warm and comfortable for longer. Providing access to cheaper energy tackles one of the three main factors causing fuel poverty.

5. ENERGY EFFICIENCY FUNDING

- 5.1 The purpose of the Energy Company Obligation is to reduce the UK's energy consumption and support people living in fuel poverty. It does this by funding energy efficiency improvements worth around £1.3 billion every year. Parliament passed the Electricity and Gas (Energy Companies Obligation) Order 2012 on 4 December 2012 and it is now in effect. The ECO will run until March 2015, supporting the installation of energy efficiency measures in low-income households and areas, and in properties that are harder to treat. It works alongside the Green Deal to give consumers support and funding for energy efficiency improvements in their homes.
- 5.2 There are 3 obligations under the ECO.
- ***Carbon Saving Community Obligation (CSCo)*** - This provides insulation measures to households in specified areas of low income. It also makes sure that 15% of each supplier's obligation is used to upgrade more hard-to-reach low-income households in rural areas.
 - ***Affordable Warmth Obligation (AWO)*** - This provides heating and insulation measures to consumers living in private tenure properties that receive particular means-tested benefits. This obligation supports low-income consumers that are vulnerable to the impact of living in cold homes, including the elderly, disabled and families.
 - ***Carbon Saving Obligation (CSO)*** - This covers the installation of measures like solid wall and hard-to-treat cavity wall insulation, which ordinarily cannot be financed solely through the Green Deal.
- 5.3 In the last couple of years, Tower Hamlets council has been successful in securing energy efficiency funding to deliver projects.

- Secured £2.1m from the Social Housing Energy Savings (SHESP) programme to deliver insulation measures in hard to treat properties.
- Managed two RE:NEW projects funded by the GLA, where homes in the borough received one to one energy advice, easy measures and referrals for other measures such as loft and cavity wall insulation.
- Secured £238,500 from the Olympic Delivery Authority and delivered an energy efficiency retrofitting and advice programme which reached more than 1,200 homes.
- Recently secured £2.254m from DECC which will lever in an additional £1.86m from ECO to deliver a home energy efficiency improvement programme for Tower Hamlets Homes housing stock.

5.4 The Green Deal Plan is an innovative financing mechanism that lets households pay for energy-efficiency improvements through savings on their energy bills. Green Deal was launched in January 2013 and applies to both the domestic and non-domestic sector. It replaces previous policies such as the Carbon Emissions Reduction Target (CERT) and the Community Energy Saving Programme (CESP).

5.5 There are 45 measures or areas of home improvement approved to receive funding under the Green Deal, covering:

- Insulation
- Heating and hot water
- Glazing
- Micro-generation (generating energy onsite).

Homeowners or home occupiers (with the permission of the landlord) can have a Green Deal assessment carried out on their property; the assessment will identify suitable energy efficiency measures and energy cost savings, the Green Deal Provider will finance the installation of the measures and the loan will be repaid through a fixed instalment on the property electricity bill which will equal to the calculated energy cost savings made through installed energy measures.

5.6 The Green Deal Plan is accessible to all and is most suitable for households who do not qualify for energy efficiency grants and wish to invest and improve on the energy efficiency of their homes. The Green Deal is also suitable for gap funding projects which are not 100% grant funded through schemes such as ECO.

5.7 Tower Hamlets has huge potential to attract funding and investment in to the borough to improve the energy efficiency of the housing stock. This Fuel Poverty Strategy allows for a co-ordinated approach between partners (THH, Registered Partners and Community Groups) to work together to secure funding.

- 5.8 ECO funding can assist the THH Decent Homes programme in carrying out energy efficiency improvement to the housing stock and refurbishment and renewal of communal heating systems, which will lead to improved thermal comfort for the residents and reduction in energy bills.
- 5.9 Tower Hamlets has well defined planning policies requiring energy and sustainability measures to be incorporated in to new build developments. The borough builds the highest number of housing in the country which are Code for Sustainable Homes certified and the council has recently won a national award for that awarded by the Building Research Establishment (BRE).
- 5.10 The UK Government has set out an ambitious plan for all new homes to be zero carbon from 2016. Currently Tower Hamlets planning policies requires developments to achieve 50% carbon reduction. Where a development is not able to meet the carbon reduction target onsite, allowable solutions policy lets the development offset the carbon shortfall through other projects by making a cash contribution, a set fee per tonne of carbon missed in to a carbon mitigation fund. The carbon mitigation fund could be used to pay for domestic home energy efficiency projects, which could help alleviate fuel poverty. With the high volumes of development going through in Tower Hamlets, this funding could provide a good source of funding to deliver energy efficiency projects and supplement other forms of available funding.

6. HOME ENERGY ADVICE AND INCOME MAXIMISATION

- 6.1 Any installation of a significant energy efficiency measure should be accompanied by a substantial behavioural advice and support programme, including follow-up in-home visits to check heating is being used appropriately. The council employs officers who are qualified energy advisors and Green Deal assessors who are able to provide free and impartial advice to households as well as provide free energy monitoring devices for those households who are experiencing very high energy bills.
- 6.2 Renewable energy generation (micro generation) is a good way of reducing carbon emissions, reducing energy costs and generating a financial income. Feed-in-Tariffs (FiTs) are available for electricity generation and Renewable Heat Incentive (RHI) are available for renewable heat generation. This strategy assists households in installing renewable energy technologies.
- 6.3 There is a clear link between fuel poverty and financial exclusion, it is important to explore household's experience of fuel poverty and examine the circumstances in which fuel rationing, fuel debt, feeling cold and condensation occur. This strategy works with the Financial Inclusion Strategy in helping households maximise their household income through interventions such as benefit entitlement checks.
- 6.4 There are specific government grants available to households to help with heating costs.

- Winter Fuel Payment is a tax free payment to help older people keep warm during winter. It is provided by the government to those who are eligible.
- Cold Weather Payment is intended to help towards extra heating costs during very cold weather. A payment of £25.00 is paid automatically for each seven day period of very cold weather from 1st November to 31st March. Cold Weather Payments help people, who get certain income-related benefits, with their increased heating costs caused by periods of very cold weather during winter.
- Warm Home Discount scheme is a four-year scheme that runs from April 2011 to March 2015 to help low-income and vulnerable households with energy costs. The scheme is worth up to £1.1bn assisting around 2 million low-income and vulnerable households annually.

It is recognised that many households do not know about these grants, this fuel poverty strategy publicises these grants and assists household in applying for eligibility.

6.5 This fuel poverty strategy and action plan provides a holistic approach to alleviating fuel poverty; it demonstrates the council's leadership in tackling fuel poverty. The strategy provides a shared vision and allows for detailed scheme and interventions to be developed to help households out of fuel poverty and working towards the government target of totally alleviating fuel poverty by 2016. It also meets the requirements of the Home Energy Conservation Act 1995.

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

7.1 This report asks Members to consider the Fuel Poverty Strategy and Action Plan for adoption by Cabinet.

7.2 The objectives contained within the Strategy set out a range of activities and priorities for the Council and key partners that will provide a clear focus for ensuring that available resources are targeted to and in line with need.

7.3 The Council has been successful in securing financing from Government funding sources – these are outlined in paragraphs 4.5 to 5.3 – and initiatives are in place to utilise these resources in line with both grant conditions and external partnership requirements.

7.4 The financial consequences of the strategy and action plan will be subject to the availability of funding, and further reports will assess the financial impact of individual proposals. Delivery of the statement will be extremely challenging in the current economic climate, and will require a co-ordinated approach and the alignment of funding from all major partners. It will also require that best value for money is obtained from limited sources of external funding, given that the Council's mainstream resources to support the strategy are limited.

- 7.5 The costs of preparation of the 'Fuel Poverty Strategy and Action Plan' have been met from within existing revenue resources.

8. LEGAL COMMENTS

- 8.1 This report updates members on the progress made on several streams of work to address fuel poverty.
- 8.2 The Home Energy Conservation Act 1995 (HECA) recognises the ability of local authorities to use their position within the community to significantly improve the energy efficiency of all residential accommodation in their areas - this includes owner-occupied, privately rented and social housing.
- 8.3 In July 2012 the Department for Energy and Climate Change (DECC) published a requirement under HECA for all local authorities in England to report on the measures they propose to take to achieve this aim. This reflects the legal requirements embodied within the Climate Change Act 2008 requiring significant improvements in the energy efficiency of residential dwellings across the country by 2050. The Government has subsequently set challenging targets for reductions in carbon emissions, which are set out in its Carbon Plan, which was published in 2011.
- 8.4 The report has to be updated every two years and sent to the Secretary of State.

9. ONE TOWER HAMLETS CONSIDERATIONS

- 9.1 An Equality Assessment has been carried out on the Fuel Poverty Strategy and Action Plan and is attached at Appendix 2. Fuel Poverty impacts on all sections of the community and the strategy provides an opportunity to take forward a number of initiatives to meet this need and assist in community cohesion between groups across the Council.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 10.1 The Fuel Poverty Strategy and Action Plan includes a focus on action for a greener environment. Improving the energy efficiency of the housing stock reduces the carbon dioxide emissions emitted from homes in the borough

11. RISK ASSESSMENT

- 11.1 There are no specific risk management implications in the final version of the Fuel Puberty Strategy and Action Plan.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 12.1 There are no specific crime and disorder reduction implications.

13. EFFICIENCY STATEMENT

13.1 There are no efficiency implications in the Fuel Poverty Strategy and Action Plan.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 – Fuel Poverty Strategy and Action Plan
- Appendix 2 - Equality Impact Assessment

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE

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