Fuel Poverty Update 2022

Introduction

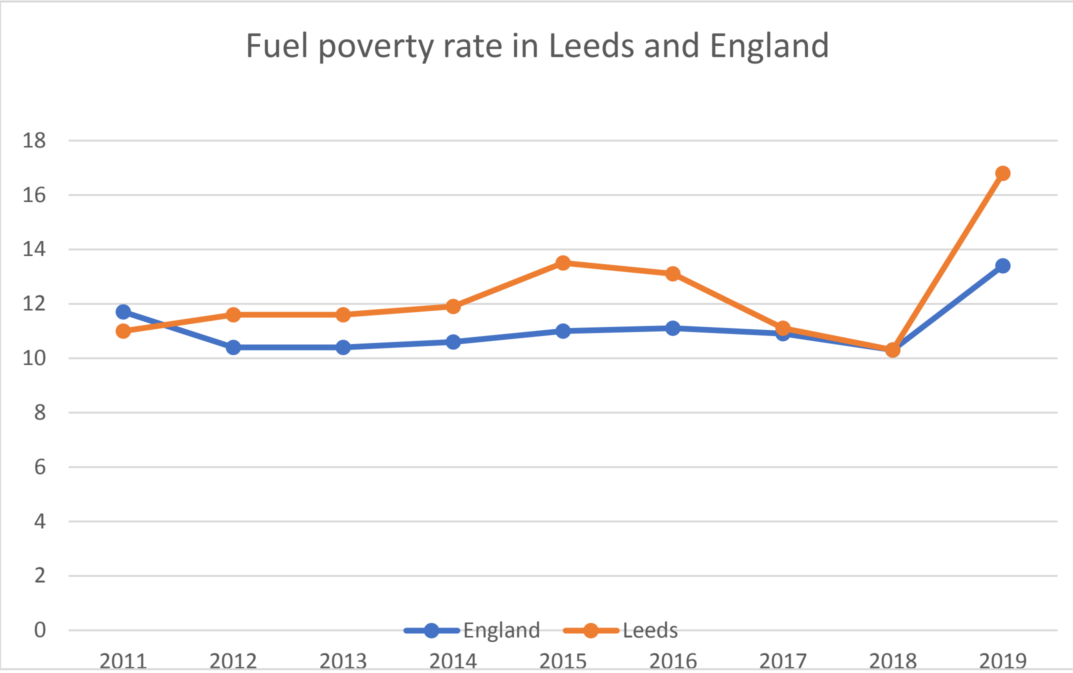
This report is an update to the environment, housing and communities scrutiny board on progress in reducing fuel poverty in Leeds over the last 12 months. Fuel poverty is a longstanding council priority and aligns strongly with the Best City aim of tackling poverty and reducing inequalities. Improving home energy efficiency saves residents in deprived communities money, improves the quality of the city's housing, and improves people's health by reducing the prevalence of cold related illness. It also cuts the city's carbon footprint and strengthens the local economy via the local businesses that carry out the work to improve properties.

The report covers the following areas:

- Latest fuel poverty data for Leeds and England
- Progress on specific energy efficiency capital projects
- Recent funding awards
- Future funding landscape
- Building on the success of the Holbeck Group Repair project

Latest fuel poverty data for Leeds and England

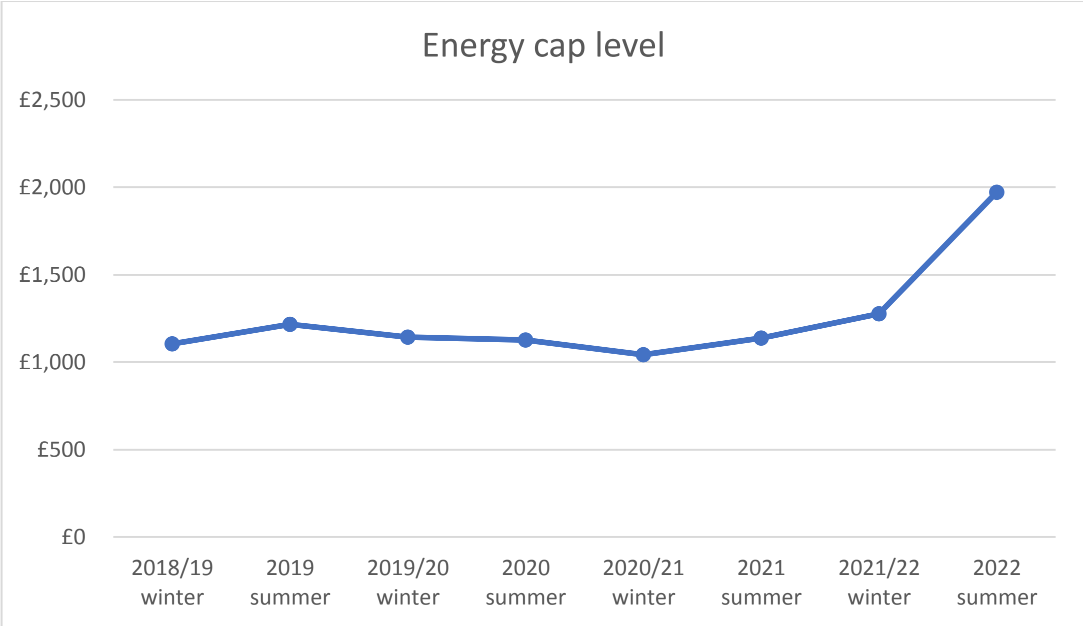
The most recent fuel poverty figures were published in April 2021 and are compiled with data from 2019. The data shows Leeds having experienced a sharp increase in the proportion of households experiencing fuel poverty, rising from 10.3% in 2018 to 16.8% in 2019. In absolute terms 57,492 households experienced fuel poverty in 2019. As the chart below illustrates, this is a reversal of the previous trend of declining fuel poverty which saw Leeds fall into line with the England average in 2018 after several years spent above it. The fuel poverty rate for England in 2019 increased to 13.4% - also a sharp increase, but much lower than that for Leeds. The fuel poverty rates for both Leeds and England are the highest they've been since 2011, when the government first started using its current 'low income, low energy efficiency' measure.



Cost of living crisis

Any increase in fuel poverty is concerning but this is amplified in the context of forthcoming increases to energy bills and a rise in the cost of living more generally. This has been described as a 'cost of living crisis' by a number of media outlets and think tanks, expressing alarm at energy prices and other inflationary pressures, alongside tax rises and benefit reductions that have either been recently introduced or are due to take effect this year.

The largest single contributing factor is the increase to the cost of energy from April, that results from Ofgem increasing the cap on the average fuel bill from its current record high of £1,277 to £1,971, an increase of £693 or £54%. The main driver of this change is the wholesale cost of gas and electricity which has more than doubled from the levels in the previous period from £528 to £1,077. The chart below demonstrates the scale of this increase which is far larger than any other in recent years.



Energy is a significant element of CPI inflation, which is currently 4.9% and is forecast by the Bank of England to reach 7% in April and to stay above 3% until April next year. If accurate this would be the highest CPI rate for more than 30 years. Energy and other housing related services are the largest component of the current inflation rate, but other areas of spending are also seeing significant increases including transport, food, clothing, and furniture and household goods.

Meanwhile, although wages have been rising, they have failed to keep up with inflation, with average pay increasing by 4.2% over the last 12 months. Take home pay will also be affected by the increase in national insurance contributions that will be introduced from April, which will cost an additional £250 a year for someone earning the average wage of approximately £30,000. The national living wage will increase at a higher rate than the national average, rising by 6.6% from April, although still slightly below the BoE's predicted inflation rate.

Benefits are also to receive a below inflation increase, with Universal Credit due to increase by 3.1%, less than half the BoE's forecast inflation rate from April and therefore a substantial cut in real terms.

In response to growing concerns about the impact on households, the government announced a package of support to reduce the burden. This consists of a £200 rebate on energy bills to all households to be provided in October and repaid by households over the next four years, and a one-off £150 council tax rebate to all properties within bands A-D. This will have a significant impact on households, with the Resolution Foundation estimating that it will stop 1 million families experiencing what it terms 'fuel stress' (i.e. spending more than 10% of their household income on energy).

Despite these relief measures, the weight of pressure on household finances is still likely to lead to many more households experiencing fuel poverty. Before the government's support package was announced, analysis by the Joseph Rowntree Foundation indicated that households on low incomes would spend an average of

18% of their income after housing costs on energy after April. For low-income single families without children this figure was estimated at more than 50%.

Support to residents

The council has for some time offered a range of services to residents suffering from fuel poverty and in need of direct support.

The Home Plus Leeds scheme is managed by Care and Repair, Age UK and Groundwork. It provides energy efficiency advice, small scale energy efficiency measures (such as draft-proofing) and heating repairs to low income and vulnerable residents across Leeds. Support through this scheme is available to 900 residents per year.

Home Plus also provides the gateway to our Warm Well Homes scheme which can provide larger scale heating and energy efficiency improvements to low income, private residents suffering from a cold related illness, i.e. cardio-vascular, respiratory, mental illness or elderly frailty. This is funded through the Housing and Health team and typically assists between 75 and 100 households per year.

This year, Leeds has received an allocation of £339,000 from the West Yorkshire Health and Care Partnership to assist households at risk of fuel poverty this winter. The funding is being targeted at two types of household. The first group is those where someone is clinically extremely vulnerable. For this group there is solid evidence that the last two years of covid, with shielding requirements and increased costs from staying at home more has disrupted the income of many households. This is particularly true for those in employment whose jobs cannot be carried out from home which often tend to be less secure, lower paid roles.

For the households at risk of hospitalisation due to cold related illness, GPs will identify patients from low-income households at risk of cold-related illness or who are likely to have significantly higher electricity bills due to health conditions (e.g those who use ventilators, feeding pumps or electric wheelchairs). These households will be contacted proactively by the local social prescribing service and then referred on to Home Plus Leeds.

The service estimates that with this £334,000, up to 50,000 households will be contacted to raise awareness of the issue and provide advice on fuel poverty and wellbeing, 450 households will be directly assisted to reduce fuel poverty and 175 homes will be assisted with a heating intervention. There are potentially many more households that could be assisted with further funding - for example there are an estimated 1,000-2,000 severely immunocompromised people who have not been able to work from home for financial reasons and a further 5,000 - 8,000 people at higher risk of other health conditions who are also unable to work from home.

The council also received £2.4 million from the government's Household Support Fund to help families in receipt of Council Tax Support with the costs of fuel and essential household bills.

The council's discretionary fuel poverty fund is a further pot of funding the council can use to match fund other funding sources, such as last year's Warm Homes Fund scheme.

These funds are always over-subscribed and demand is likely to be higher than ever over the coming year due to the pressure on household finances. The Home Plus Leeds service has an annual budget of £60,000 and provides a service to 900 residents at an average cost of £67 per contact. Criteria for access could be widened to a larger group of low-income households and increased funding could in theory allow this to happen, but the current delivery partners do not have sufficient capacity to provide an enhanced service and would need time to recruit and train additional staff.

The Warm Well Homes service is provided on a referral basis and technically doesn't have an upper limit on its budget in the way the Home Plus Leeds service does, rather it is driven by need, i.e. households referred by Home Plus Leeds or other partner organisations because they have an urgent heating need. The value of interventions is typically between £3,000 and £5,000. The service could in theory be expanded to a wider range of referring organisations or eligibility criteria to go beyond the current rate of 75-100 installations per year, but this would need to be very carefully managed to avoid creating more demand than we can fund and to ensure the service continues to benefit those most in need.

Progress on energy efficiency capital projects

The council has been very successful at bidding for funding to make homes more energy efficient, not just for our own stock but in the owner occupied and private rented sectors as well. The highlights are as follows:

We successfully bid for three tranches of the Green Homes Grant Local Authority Delivery fund (GHG LAD) which have been in delivery over the last year and will continue until June 2022. The fund is primarily aimed at low income private sector homes although some council and RSL properties have been improved as well. Short bidding and delivery windows and strict requirements around household income, EPC ratings and permitted spend per property has made delivery very difficult for all participants, leading to underspends and several extensions.

Phase 1a ran from late 2020 to September 2021 and was predominantly focused on external wall insulation, along with air source heat pumps and solar panels in 77 properties using £765,382 of government funding.

Phase 1b began in early 2021 and has been extended to the end of April 2022. The council also secured a further £950,822 of unspent funding reallocated from other councils in October 2021. Works consisting mainly of solar PV and external wall insulation have been carried out to over 200 properties so far and the scheme is projected to improve 365 households in total to an overall value of £3.77 million.

Phase 2 commenced in mid-2021 and has now been extended to June 2022. Leeds has been allocated £5.35 million and is due to spend this in full by June 2021 on a mix of measures in over 600 properties across all tenures with the focus primarily on solar PV and external wall insulation.

Leeds secured £2.6m from the Ministry of Communities, Housing and Local Government's Getting Building Fund to deal with disrepair and provide external wall insulation, room in roof insulation, new windows, doors, heating systems and repair work for private homes in Holbeck. Excellent progress has been made on site with retrofit works completed to 98 properties so far covering all tenures. In all c130 properties will be improved under the scheme with work scheduled to finish around June this year. The project is also forecast to draw in approximately £1 million of match funding from landlords, homeowners, other grant schemes and the council.

Leeds secured £4.1m from the Social Housing Decarbonisation Fund (SHDF) demonstrator to fund innovative whole house improvements to make 190 council homes net zero carbon. Good progress has been made and the homes in Holt Park are now receiving highly efficient insulation to walls and roofs, high performance windows and doors and air source heat pumps and solar panels.

The council has been extremely successful in securing European Regional Development Fund (ERDF) funding for low carbon projects and has secured over £26 million of the £31.8 million available regionally. Notable projects that decarbonise council houses include:

- The district heating project in Lincoln Green was completed in 2021, with £7.34 million of ERDF funding received for heating improvements to almost 1,300 flats and external wall insulation on 3 blocks.
- The Transformative Insulation in Back to Backs (TIBB) project to install innovative external wall insulation on 750 council owned back to backs in priority neighbourhoods was delayed by procurement issues but is now on site and due to spend the £5.26 million grant by March 2023.
- The Fitting the Future (FtF) project has been reshaped in agreement with ERDF and now focusses on whole house insulation and solar panels for 160 homes, with an offer of electric vehicle charging points for 50 homes. A contractor is now being procured and we are on track to spend the £2.16 million grant by March 2023.
- The Clustering for Warmth (CfW) project has now been contracted with ERDF to deliver networked ground source heat pumps to 845 flats in 18 blocks, with a project value of £14.8m utilising £7.4 million of grant funding. Work is currently underway on site and will complete in 2023.

Recent funding awards

In February it was announced that Leeds had been successful in two bids that we submitted to the wave 1 of the social housing decarbonisation fund (SHDF) to improve 630 high rise council properties. Both projects will see external wall insulation installed on the blocks, with one scheme covering the Lovells and Moor Grange estate in Little London and the other covering the Parkways estate in Seacroft. In total the bids attracted £9.6 million government grant, with the council to contribute £12 million HRA funding on top of this. Both projects are currently in procurement and will be completed by April 2023.

The government will open further waves of SHDF to bid for from summer this year and we intend to submit further bids to take advantage of this opportunity to improve the council's stock.

Future Funding landscape

Leeds has been very successful in securing external funding to improve the efficiency of private housing, but future opportunities are likely to be limited, in this sector. GHG LAD has been the main source of funding to improve private sector homes but the final round of funding was awarded last year and the government has indicated in the Heat and Buildings Strategy that there will be no further funding rounds.

This leaves the only substantial source of government funding to improve private sector homes as the Home Upgrade Grant, which is restricted to properties not connected to the gas grid, for which we have very few homes in Leeds. Moreover, due to the housing stock profile of Leeds, the most useful measure for tackling fuel poverty is solid wall insulation which tends to cost around £15,000 per property. We were able to fund a number of projects of this sort under GHG LAD, but there will be no further rounds of this grant, leaving us without any means of funding future solid wall insulation schemes to private sector homes.

Shared prosperity fund

Leeds has been extremely successful in accessing EU ERDF and ESIF funds in recent years. In total the council was awarded £73 million from the last round of ERDF and ESIF funding (2016-2020), more than four times the total awarded to all other local authorities in West Yorkshire combined. This has contributed to several major schemes tackling fuel poverty, namely the Lincoln Green District Heating scheme (£7.3 million), Transformative Insulation in Back to Backs (£5.2 million), Fitting the Future (£2.2 million) and Clustering for Warmth (£7.4 million)

Because the UK has exited the European Union, this source of funding is no longer be available in this country and is being replaced with a scheme directly funded by the UK government, the Shared Prosperity Fund. This is in effect a direct replacement of ERDF and ESIF, and they are broadly similar in terms of the amount of funding available and the investment priorities. But there are differences in the way the Shared Prosperity Fund operates. In areas like Leeds, with a mayoral combined authority, the combined authority will be responsible for administering the Shared Prosperity Fund and will be responsible for developing an investment plan for approval by the government and subsequent delivery of the fund, including assessing and approving project applications, processing payments and day to day monitoring. The combined authority can be flexible in how they deliver the fund and can use a mix of procurement, local competitions or direct in-house delivery. The government also expects delivery of the Shared Prosperity Fund to align with existing devolution deals. This bodes well for the prospect of continued investment in domestic energy efficiency as the West Yorkshire devolution deal specifically prioritises building retrofit and addressing fuel poverty as a goal within the Climate, Flooding and the Environment priority area. The administration of the fund by WYCA also offers the opportunity to take a more neighbourhood focused, cross-tenure approach than other funding routes may have enabled us to, as this aligns with the WYCA climate and environment plan which endorses the net-zero neighbourhoods approach.

To this end, council has been working with WYCA, Otley Energy and the West Yorkshire Housing Partnership to develop a retrofit capacity building programme called the Better Homes Hub. The hub will support councils and social landlords to deliver retrofit at scale and use this as a means of achieving wider neighbourhood improvement. It will stimulate demand across all tenure types, mobilise the skills and supply chain, and develop the blended funding models necessary to place all homeowners in a position of being willing and able to fund retrofit. As an initial proposal, the hub will work with councils and social housing providers to develop outline business cases for five neighbourhood retrofit schemes covering 13,000 homes across West Yorkshire capable of attracting funding and finance from multiple sources. The board's involvement would be highly valuable in helping to design the funding priorities for this work as it relates to Leeds

Building on the success of the Holbeck Group Repair project

The Holbeck Group Repair phase 2 scheme is an excellent local example of retrofit as the kernel around which broader neighbourhood regeneration can be achieved. The project will improve c130 properties in the Recreations area of Holbeck, which is in the 1% most deprived neighbourhoods in England. The properties are Victorian back to backs and are improved with external wall insulation, new insulated roofs, UPVC windows and composite doors to improve their thermal efficiency, as well as a number of other non-thermal improvements to the building fabric, such as repairs to dormers, chimneys, gutters and waste pipes that enhance the general condition of the building. Existing bin yards are also transformed into communal bin areas with wheelie bins removed from the street.

The project builds on the success of Holbeck Group Repair Phase 1 which improved 153 properties, improving their SAP rating from an average of F or G to B or C and increasing internal wall temperatures by as much as 6 degrees Celsius. So far 98 properties have been completed under phase 2, with the remainder scheduled to be finished by June this year.

The result is that houses are warmer with reduced fuel bills but are also more secure and attractive with an enhanced neighbourhood street scene. The project targets homes of all tenures, as the area contains private rented, council and owner-occupied properties in the same streets. This cross-tenure approach is crucial to its success as the wider streetscene improvements would not be achieved if only a few homes in a street are treated. It also demonstrates a flaw in the administration of many recent government funding sources - because funding pots are restricted to particular tenures or types of property, the opportunity for wider regeneration is limited and the overall value of a project to the neighbourhood is therefore diminished.

So whilst the approach has been a success in Holbeck, it has been difficult to emulate further due to the structure of funding available. The main funding source for the Holbeck works is the Getting Building Fund, which was a one-off pot of funding for shovel ready projects introduced as part of the government Covid recovery investment package announced in summer 2020 and is therefore not an option for future schemes.

Nevertheless, we feel that the success of this model should be replicated and scaled up in other areas of the city. The introduction of the shared prosperity fund gives a potential avenue to do this, particularly due to its administration by WYCA and neighbourhood-based retrofit being one of the stated policy goals of the mayoral authority.

To achieve this, we propose to develop a business case for a neighbourhood retrofit demonstrator project, building on the success of Holbeck Group Repair. This exercise will look to identify potential areas for a demonstrator project, provide scope of works, estimate the benefits in terms of carbon, financial and social value and any economies of scale that can be identified through operating at a larger scale than the existing Holbeck schemes.

Expansion could be undertaken in the first instance to a further 1,000 properties in Holbeck and then scaled up to a larger area with similar profile of say 8,000 properties. This would require substantial investment – the budget for Holbeck phase 2 was £3.9 million for 150 properties. Scaling up on a simple pro-rata basis to 1,000 properties would require £26m although this doesn't factor in any economies of scale from working in a bigger area that we would expect to be one of the main benefits of taking this approach.

Working at a larger scale should also mean a greater realisation of the wider neighbourhood benefits such as more green jobs and skills and better potential to tie these opportunities to the area in which the work is being carried out. This also applies to the economic and health benefits to the locality and a more visibly transformative impact on the streetscene. As part of the business case we would look to employ an evaluation methodology such as the Build Upon 2 framework for evaluating retrofit projects to rigorously quantify these benefits and provide an evidence base for further schemes. We would look to the Shared Prosperity Fund as an initial source of funding for this work and seek to knit in any suitable additional funding sources.

Truly cross-tenure, neighbourhood-based retrofit is an ambition held by national government, the council and WYCA but has not been achieved at the scale envisaged to bring all the potential benefits. Holbeck Group Repair offers a successful model on which to base a larger scheme. Through developing a business case for a larger demonstrator, we hope to build on its success and demonstrate benefits from working at scale that will serve as a model for future schemes and for attracting future investment into the city.