

REPORT TO: Housing Committee – 24 October 2005

REPORT ON: Fuel Poverty Initiative

REPORT BY: Director of Housing

REPORT NO: 583-2005

1. PURPOSE OF REPORT

- 1.1. To obtain agreement from Housing Committee to launch a Fuel Poverty Initiative which will introduce a social housing tariff in conjunction with Scottish and Southern Energy plc (trading locally as Scottish Hydro Electric) for tenants in Lansdowne/Pitalpin MSD, and to offer an electrical appliance package in conjunction with Scottish Hydro Electric and Discovery Credit Union as a pilot scheme for tenants in Lansdowne/Pitalpin MSD. The aim of these initiatives is to help tackle and reduce fuel poverty, improve energy efficiency and improve comfort levels for tenants in this area.

2. RECOMMENDATIONS

Housing Committee is asked to agree:

- 2.1. To a Pilot Fuel Poverty Initiative, to introduce a social housing tariff to tenants in Lansdowne/Pitalpin multis, where tenants coming forward to join the scheme, who are in fuel poverty, are given a 20% reduction in fuel (electricity) costs. The costs of this will be borne by Scottish and Southern Energy plc.
- 2.2. To Scottish and Southern Energy plc and Discovery Credit Union in partnership with the Council, offering an appliance package to eligible tenants in Lansdowne/Pitalpin MSD, up to the numbers that can be funded through the scheme, i.e., maximum 50 and for a maximum £8,410 from the Community Energy Efficiency Fund.

3. FINANCIAL IMPLICATIONS

- 3.1. To allocate a maximum of £8,410 from the Community Energy Efficiency Fund to underwrite the scheme. If the resources are not required for this phase of the project consideration will be given to using this amount to extend the scheme in future years, depending on the success of the initiative.
- 3.2. Applications will be made to both the Scottish Executive for Financial Inclusion funding and to the Energy Saving Trust for Innovations funding so that appliance packages like this can be rolled out to other areas in future, subject to the success of the scheme and agreement of this Committee.

4. LOCAL AGENDA 21 IMPLICATIONS

This scheme meets many of the Local Agenda 21 objectives and the Council's objectives to tackle poverty and inequality.

Specifically, these are:

- Resources are used efficiently and waste is minimised, the scheme will mean old obsolete appliances which are wasteful in terms of energy consumption are replaced by modern energy efficient appliances. Old appliances with CFC's will be removed responsibly.
- The Pilot Scheme will help tackle poverty and social exclusion by providing services for people who are likely to suffer from poverty, providing services specifically for people in poverty, targeting geographical areas and population groups where there is evidence of poor health status and outcomes, securing resources.

5. **EQUAL OPPORTUNITY IMPLICATIONS**

None.

6. **BACKGROUND**

The Council has a legal duty to eradicate fuel poverty by 2016 and is continually looking at new and innovative ways to tackle it. Fuel poverty is caused by the interaction of three main factors:

- Energy efficiency of the property.
- Low income.
- High cost of fuel.

Modern holistic approaches to tackling fuel poverty attempts to address all of these by:

- 1 Increasing the energy efficiency of the home by the installation of modern heating and insulation.
- 2 Maximising incomes by carrying out benefit checks.
- 3 Providing impartial energy advice and empowering the householder to make decisions about switching supplier to the one offering the 'best deal'.

The Council recognises that to solve the problem of fuel poverty in the City requires a partnership approach and has compiled a Fuel Poverty Action Plan in partnership with other key agencies in the City. While steps have been taken to improve income and maximise energy efficiency, for example through the Dundee Community Energy Partnership (DCEP), very little up until now has been done to tackle fuel prices. This initiative is an attempt to address this issue.

7. **DESCRIPTION OF THE PROPOSED FUEL POVERTY INITIATIVE SCHEME**

- 7.1. The Council has been approached by Scottish and Southern Energy plc offering a scheme to reduce fuel costs to the most vulnerable tenants in a particular locality. The numbers are limited and criteria to qualify will depend on the tenant being in fuel poverty (as established by NHER (National Home Energy Rating) surveys of property types in advance and income questions of tenants on the day.)

7.2. The Department is unaware of any other scheme where a utility company has offered direct savings on fuel costs, so this initiative offering a social housing tariff will offer a completely new innovative way of treating fuel poverty. (Scottish Hydro Electric do plan to offer this to other councils).

7.3. **Locations and Criteria**

Many tenants in the City could clearly benefit from such a scheme. However, from a business perspective, Scottish and Southern Energy plc have to limit the number of customers involved, particularly at the outset. In an effort to establish priority between areas, we examined the information from DCEP.

Using the criteria in para 5 above, areas that meet the fuel poverty criteria have been prioritised. So areas where incomes are low and there are limited practical physical measures that can be taken to reduce fuel poverty have been given priority. Again, many areas would qualify and the difficulty was in identifying a sub-section of the fuel poor in Dundee that could **best** benefit from it.

The MSD's at Lansdowne/Pitalpin stood out from the others. They are not surplus and have particular issues related to the design of the blocks which make them difficult and expensive for tenants to heat.

Unlike many other MSD developments in the City, Lansdowne/Pitalpin MSD has not had modern central heating installed, although this is due to happen in 2006/07.

7.4. Anecdotal evidence from Dundee Energy Efficiency Advice Project (DEEAP) officers who have visited tenants at home suggests that some tenants are living in some of the worst examples of fuel poverty identified anywhere in the City.

Tenants are suffering cold houses and high fuel bills due to major heat losses and the use of outdated heating systems. The social tariff offered by Hydro Electric, which gives a discount on fuel bills of 20% for the fuel poor, is an option which has no equivalent and is, therefore, worthy of consideration. The Director of Housing has agreed to work with Scottish Hydro to identify those tenants in the MSD blocks who are currently paying more than 10% of income on fuel, with a view to then offering them the social tariff.

7.5. **Appliance Package**

Scottish Hydro Electric has developed a second strand to the package that the Director of Housing believes should be offered to tenants in Lansdowne/Pitalpin. This is to offer a deal where electrical appliances (such as cooker, washing machine, fridge, or fridge freezer, microwave, kettle, toaster etc.), can be purchased from Scottish Hydro Electric as part of a deal with the Discovery Credit Union.

There is concern about the use of expensive interest rates in the City and of people using out-dated second hand, possibly unsafe, certainly inefficient appliances. In a further attempt to improve energy efficiency rating 'A' appliances would be offered at a discounted rate. The funding would be borrowed from Discovery Credit Union and paid back weekly at a maximum of around £6.30 per week for two years, depending on the package chosen. If it were a normal deal from the Credit Union, tenants would have to save for 9 weeks and could then borrow three times their savings. Under the deal suggested here the Credit Union is prepared to go straight into a deal if a proportion of the value of it is underwritten by the City Council.

The maximum the Credit Union can lend limits the numbers of tenants who can be involved. The City Council will underwrite the scheme up to a maximum of £8,410, to be funded from the Community Energy Efficiency Fund, which is funded from the Council's Preferred Energy Supply deal with Scottish and Southern. Any money remaining with the Credit Union at the end of the year could be recycled to allow the scheme to be offered to other tenants.

Beyond this it is intended that application be made to both the Scottish Executive for Financial Inclusion funding and to the Energy Saving Trust for Innovations funding so that appliance packages like this can be rolled out to other areas in future, without any cost falling to the Council.

- 7.6. Participation in either aspect of the scheme is possible, although the reduced rate tariff is only open to eligible tenants in the Lansdowne/Pitalpin multis who are in fuel poverty. Participation in the appliance package will be open to all tenants in Lansdowne/Pitalpin multis, provided the Credit Union's selection criteria is met and the total numbers do not exceed 50. Eligible tenants could participate in both aspects of the scheme. Both initiatives are planned to be launched together by staff from Scottish Hydro, Discovery Credit Union and the Housing Department at drop-in sessions held in the multi foyers in mid November 2005.
- 7.7. The project will be evaluated by completing NHER (National Home Energy Ratings) before and after the initiative, to assess individuals' fuel savings, and whether the household has been removed from fuel poverty.

8. **CONSULTATION**

The Chief Executive, Depute Chief Executive (Support Services) and Depute Chief Executive (Finance) have been consulted on the content of this report.

9. **BACKGROUND PAPERS**

- Dundee Community Energy Partnership – 20 May 2002 (Report No: 457-2002).
- Fuel Poverty Strategy for Dundee – 15 March 2004 (Report No: 176-2004) and 21 June 2004 (Report No: 251-2004).
- Preferred Energy Supplier – September 2002 (Report No: 602-2002).
- Dundee City Council Housing Stock – Preferred Energy Supplier 2004/2007 (Report No: 55-2004).

ELAINE ZWIRLEIN
DIRECTOR OF HOUSING

OCTOBER 2005