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UK Government**

Staffordshire Moorlands UK Shared Prosperity Fund Board

Measures to Reduce the Cost of Living E13

19th October 2023

1.0 Purpose of the Report

The report is provided to seek the approval of the Board to the implementation of a programme of energy efficiency measures intended to help those in greatest need manage the cost of living.

2.0 Background

The cost of living has risen considerably over at least the last 12 months in the UK. According to the Office for National Statistics, food and energy prices have been rising markedly over the past year, particularly gas prices, partly in response to the conflict in Ukraine. Global recovery from the coronavirus (COVID-19) pandemic is putting further pressure on prices. In the UK, prices of consumer goods and services rose by 9.6% in the year to October 2022 – the fastest rate in four decades.

The Consumer Prices Index (CPIH) shows inflation rose by 6.3% in the 12 months to August 2023, although it has recently begun to slow.

Gas, electricity, and fuel prices have generally increased over the past three to four years, but more recent sharp increases have focussed attention on their impact. They have a very clear impact on household budgets, business costs, inflation and fuel poverty. The wholesale price of gas in January 2022 was almost four times higher than in early 2021, with large rises since summer 2021. Gas and electricity prices rose at 1.7% and 6.7%, respectively, in the year to August 2023. These were both unchanged from July.

National Energy Action (NEA) defines fuel poverty as when a household spends 10% of its income on keeping its home at a satisfactory heating level. At the start of October 2021, National Energy Action estimated 4 million households in the UK were in fuel poverty – struggling to afford to keep their homes warm and safe. Then, the GB-wide energy price cap was raised in October 2021. NEA estimates showed that an additional half a million households were then classed as fuel poor. The GB energy price cap was raised again from 1 April, a jump of an additional £700 per year to leave the 'average' domestic energy bills at ~£2000, leaving a further 2 million households in fuel poverty. Almost half (47%) of adults in Great Britain are

using less fuel such as gas or electricity in their homes because of the rising cost of living (ONS data).

Income is set to fall for everyone: In March 2023, the Office for Budget Responsibility (OBR) forecasted that real household disposable income per person (a measure of living standards) will fall by 5.7% during the 2022/23 and 2023/24 financial years.

The Office for Budget Responsibility forecasted in March 2023 that real household disposable income per person, a measure of living standards, will fall by a cumulative 5.7% over 2022/23 and 2023/24. This would be the largest two-year fall since records began in 1956/57. This is mainly due to the rise of energy prices and prices of other goods the UK imports. The OBR expects real disposable household income per person to still be below pre-pandemic levels by 2027/28.

2.0 Staffordshire Moorlands

In Staffordshire Moorlands, 16% (7,089) households are living with fuel poverty. For every 1000 Staffordshire Moorlands homes, on average, 102.3 receive support from the main national energy efficiency programme.

The Staffordshire Moorlands Climate Change Plan has 'tackle fuel poverty and reduce emissions from homes' as an objective under The Way We Live strand. Several schemes that support energy efficiency measures already operate in the Staffordshire Moorlands area and contribute to measures that reduce the impact of the cost of living crisis.

The main existing funding schemes are through DESNZ and Ofgem (through utility companies). These aim to reach homes with low energy performance rating and low incomes or vulnerable occupants. The funds vary in application from social rented, private and private rented. There are stringent rules and algorithms on Government designed programmes such as Sustainable Warmth Competition and ECO. These are mostly aimed at a whole house approach. Although one strand of ECO has a single measure programme to maximise take up. The aim is generally to lift the property 2 Energy Performance Certificate bands. Social Housing Decarbonisation Funding is specifically for social housing a new round of funding has just been announced to open in November 2023. SMDC do not own any housing stock. The main social housing provider is Your Housing.

3.0 Shared Prosperity Funding

The Staffordshire Moorlands Shared Prosperity Fund Investment Plan makes provision to support communities with the cost of living through the "communities and place" investment programmes whose objectives are:

- Strengthening our social fabric and fostering a sense of local pride and belonging, through investment in activities that enhance physical, cultural and

social ties and amenities, such as community infrastructure and local green space, and community-led projects.

- Building resilient, safe and healthy neighbourhoods, through investment in quality places that people want to live, work, play and learn in, through targeted improvements to the built environment and innovative approaches to crime prevention.

The investment priority to support measures to reduce the cost of living is:

E13: Community measures to reduce the cost of living, including through measures to improve energy efficiency, and combat fuel poverty and climate change.

The key deliverables are as follows:

500 people supported

3 organisations receiving grants

200 households receiving support

50 households taking up energy efficiency measures

The budget allocation is as follows

2023/24 revenue £68,363

2024/25 revenue £29,644 and capital £340,538

Totals revenue ££98,007 and capital £340,530 giving a grand total of £438,545

The use of Shared Prosperity Fund must complement existing energy efficiency schemes in order to further assist in reducing the impact of the cost of living crisis. The funding must be used to provide support to households to adopt energy efficiency measures and it must be completed and the outputs achieved by March 31st 2025.

4.0 Existing Provision

Beat the Cold provide services to alleviate fuel poverty across Staffordshire, funded through Service Level Agreements with each Local Authority, including the provision of all round energy support and help to maximise income.

Staffordshire Moorlands District Council is a partner in the Staffordshire Warmer Homes partnership which successfully secured Green Homes Grant Local Authority Delivery (GHG LAD) (round 1 funding) and delivered the Council's allocation of over £600,000 GHG LAD round 2 funding in Staffordshire Moorlands. LAD3 targets households with mains gas and HUG2 households without. The Home Upgrade Grant 1 ended in May 2023 and LAD3 ends in September 2023. HUG2 begins in June 2023, targeting off mains gas properties. The partnership is managed through Staffordshire County Council has also continued to deliver energy saving measures through other schemes. The Council continues to fund Beat the Cold as our key local partner in affordable warmth/fuel poverty advise and to refer to grant schemes.

A summary of local support is provided at appendix 1.

5.0 Project Proposal

Consistent with the objectives set for communities and place (as set out above) and the investment priority of delivering “community measures to reduce the cost of living, including through measures to improve energy efficiency, and combat fuel poverty and climate change” it is proposed that organisations be invited to submit, through open competition, proposals that deliver energy efficiency measures for the poorest households, including those in fuel poverty. The key requirements will be for a provider that is able to:

- Target the poorest households, including the provision of an outreach service to target households and the provision of advice and information in community settings;
- Effectively promote the opportunities to participate to target households;
- Complement existing provision of other energy efficiency schemes in the Staffordshire Moorlands area;
- Lead to reduced fuel bills for participating households;
- Have measurable impacts in reducing the use of energy and CO₂ emissions;
- Lead to the achievement of the key deliverable set out above;
- Build community capacity;
- Provide complimentary advice and information on energy efficiency measures that can be taken by households;
- Provide practical support to households in undertaking measures that reduce energy use, including, for example draught proofing and installing insulation;
- Managing a grant fund to support the uptake of energy efficiency measures by the target group.

Where possible, consideration needs to be given to working with existing providers to ensure complementarity and added value, subject to satisfying procurement rules. The successful provider/s will need to have a proven track record of delivering community measures to reduce the cost of living and improve household energy efficiency. They must also be able to demonstrate a methodology for measuring, monitoring and reporting the intervention’s outputs and outcomes.

6.0 Timescales

It is proposed that the implementation of a procurement exercise would adhere to the following indicative timescales, subject to capacity:

13th November – Tender opportunity publicised

15th December – Tender submission deadline

22nd December – Tenders evaluated and preferred provider selected

19th January – contract award

7.0 Recommendations

It is recommended that the project at section 5 be approved.

It is recommended that the timetable for delivery as set out at section 6 be approved.

Appendix 1 Summary of energy efficiency schemes operating in Staffordshire Moorlands

| | Alias | Funding | Private | Private rented | Social | EPC | Eligibility | Dates | Status |
|--|----------|--|---------|--------------------------------|-------------|-----------------------|--------------------------------|--|---|
| Sustainable Warmth Competition – Home Upgrade Grant 1 | HUG1 | £474.5k Staffordshire wide | ✓ | Yes with Landlord contribution | Infill only | DEFG | Off gas Income under £31k | April 22 to May 2023 (was March 23) | Complete 31/05/23 |
| Sustainable Warmth Competition – Local Authority Delivery 3 | LAD3 | £2.99k Staffordshire wide | ✓ | Yes with Landlord contribution | Infill only | DEFG | Mains gas Income Under £31k | Ends 30/09/23 | Complete 30/09/23 |
| Social Housing Decarbonisation Fund | SHDF | Wave 2.1 Closed Wave 2.2 opening Nov 2023 | | | ✓ | DEFG | | | Wave 2.1 Closed Wave 2.2 opening Nov 2023 |
| Home Upgrade Grant 2 | HUG2 | £1,585k | ✓ | ✓ | Infill only | DEFG | Off gas | June 23 to March 2025 | Procurement |
| Shared Prosperity Fund | SPF | £438,545 | ? | ? | ? | ? | ? | ? | Needs to be scoped |
| Energy Company Obligation | ECO Flex | n/a | ✓ | ✓ | ✓ | DEFG Social EFG | | April 2022 – March 2026 | Needs to be promoted |
| Energy Company Obligation | ECO 4 | n/a | ✓ | ✓ | ✓ | DEFG Social EFG | | April 2022 – March 2026 | Needs to be promoted |

| | | | | | | | | | |
|--|----------|-----|---|---|---|-----------------|--|---------------|--------------------|
| Great British Insulation Scheme | Was ECO+ | n/a | ✓ | ✓ | ✓ | DEFG Social EFG | Council Tax A-C Possible 10% contribution for able to pay | Ends April 26 | Needs to be set up |
|--|----------|-----|---|---|---|-----------------|--|---------------|--------------------|

LAD3

Eligibility - properties with mains gas heating, an EPC rated DEFG and household income of less than £31k and privately owned or privately rented.

This delivery programme was extend until tools down 30 September 2023. Eligible households had to be identified by the 30th June 2023.

HUG2

Similar to HUG1, this fund is for properties without mains gas heating, with a low Energy Performance rating and low household income. With HUG2 the inclusion of IMD 1-3 as eligible areas regardless of household income, may help to target houses. However, these areas tend to be serviced with mains gas. In addition the algorithms of funding per household has changed to differentiate between the simpler and hard to treat properties. Most properties will be owner occupied as landlords have to make a contribution to the costs. The programme will run until March 2026.

Midlands Net Zero Hub have appointed a Customer Support Journey organisation to be the liaison with the household.

This organisation is Community Home Solutions. Staffordshire Moorlands Council is working with them to promote the scheme. The delivery contractor has yet to be announced.

Energy Company Obligation (ECO)

ECO4 is a government scheme administered by Ofgem and delivered by the utility companies. There are three strands, ECO4 where a householder can apply directly, ECO Flex where a Local Authority must refer and ECO Plus (now Great British Insulation Scheme) which includes single measures and council tax band eligibility.

ECO4 is applicable to social housing tenants who reside in energy-inefficient homes. Social Housing properties with E, F, or G EPC ratings are eligible. Insulation, first-time central heating (FTCH), renewable heating systems, district heating systems (DHS), and smart heating controls qualify. Social housing properties in Band D are also eligible for Innovation Measures.

This route enables private householders and private tenants can self-refer through one of the utility providers. This depends on the household income being below £31k and the energy performance rating of the property.

The following benefits could mean a household is eligible.

- Child Benefit
- Pension Guarantee Credit
- Income-related Employment and Support Allowance (ESA)
- Income-based Jobseeker's Allowance (JSA)
- Income Support

- Tax Credits (Child Tax Credits and Working Tax Credits)
- Universal Credit
- Housing Benefit
- Pension credit saving credit

ECO4 Flex for Local Authorities

ECO4 Flex is a referral scheme for participating local authorities to refer private tenure households that it considers to be living in fuel poverty or on a low income and vulnerable to the effects of living in a cold home.

Local authorities can sign up to participate in ECO4 Flex to identify eligible households. To participate they will need to publish a Statement of Intent (SoI) which outlines their intention to participate in the scheme and follow the scheme rules. Local Authorities are responsible for determining whether households are eligible and will also need to produce declarations for all households they identify.

Great British Insulation Scheme (was ECO+)

Aim to insulate as many homes as possible. This funding is for single measures rather than a whole house approach.

As well as supporting low-income and vulnerable households, it will also be available to those living in homes with an Energy Performance Certificate rating of D-G, and within Council Tax bands A-D.

A householder contribution to the costs would be expected at around 10%

There has been some push back in the supply industry owing to the 'able/willing to pay' contribution and the complexities arounds that.

You may be able to get support to install:

- cavity wall insulation
- solid wall insulation (internal or external)
- loft insulation
- flat or pitched roof insulation
- underfloor insulation
- solid floor insulation
- park home insulation
- room-in-roof insulation

Social Housing Decarbonisation Fund

Wave 2.2 of this funding was announced on 2nd October with applications to open in November 2023.

