

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2016-17

COUNCIL 29th June 2016

Agenda Item No. 8

**REPORT OF THE DIRECTOR OF
LEGAL & DEMOCRATIC
SERVICES**

**FUEL POVERTY SCRUTINY
WORKING GROUP**

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1. PURPOSE OF THE REPORT

The purpose of this report is to provide Members with the findings of the Fuel Poverty Scrutiny Working Group which was established to deal with ‘fuel poverty’ following the Notice of Motion considered by Council at its meeting held on the 4th March 2015.

2. RECOMMENDATION

2.1 It is recommended that Members endorse the conclusions and recommendations of the Working Group as set out at paragraph 6.

3. BACKGROUND

3.1 On 4th March 2015 Council considered the Notice of Motion standing in the names of County Borough Councillors E. Webster, P. Jarman, C. Davies, S. Evans-Fear, S. Rees-Owen, M. Weaver, K. Morgan, I. Pearce and G. R. Davies as detailed below.

3.2. “This Council understands the effect of fuel poverty has on our most vulnerable residents and believes that the current energy market provided by “Big 6” energy providers does not work in the best interests of the citizens of Rhondda Cynon Taf.

This Council believes there are better ways of providing energy to our residents and as a consequence will research options to enable the Council to seek to consider becoming an energy supplier.”

3.3 At the Council meeting it was resolved that “the matter be referred for consideration to the appropriate Scrutiny Committee and a report therefrom be reported back to a future meeting of the Council.”

3.4 On the 18th March 2015 the Overview & Scrutiny Committee agreed that a Scrutiny Working Group would be established to consider the Notice of

Motion. The Working Group Members consisted of County Borough Councillors R K Turner (Chair), R. W. Smith (Vice Chair), (Mrs) M. E. Davies, P. Griffiths and C. J. Willis. (County Borough Councillor L. M. Adams subsequently replaced Councillor R. K. Turner as Chair of the Overview & Scrutiny Committee following the inaugural meeting of the Working Group).

- 3.5 The Working Group was also privileged to have both County Borough Councillors P. Jarman and E. Webster, initial mover and seconder to the Council's Notice of Motion as key stakeholders/observers to assist the Working Group's review.
- 3.6 The Working Group met on three occasions, i.e 9th April 2015, 23rd September 2015 (As the Overview & Scrutiny Committee) and the 30th March 2016 and received information in the form of Power Point presentations from the Service Director, Procurement, the Head of Operational Procurement and the Housing Strategy & Standards Manager. The Working Group also obtained the views of the Council's Housing Energy Efficiency Officer at its inaugural meeting.
- 3.7 On the 22nd April 2015 an interim report of the Working Group was presented to Council and it was established that following its work, the Scrutiny Working Group would produce a report with clear recommendations to a future meeting of the Council.
- 3.8 At its inaugural meeting the Working Group were appraised of the key factors which contribute to fuel poverty and its effects on those most vulnerable residents within RCT, currently estimated to affect 24% of households across the most deprived areas of the County Borough. The Working Group learned that fuel poverty is caused by a combination of three factors – low incomes, energy prices and the energy efficiency of homes. There has been an increase in fuel poverty amongst the owner occupied and private rented sector where the figures can be underestimated as many residents under heat their homes due to costs and therefore do not meet the definition. It was also realised that many fuel poor households are living in houses that are hard to treat.
- 3.9 As a commitment to reducing fuel poverty in RCT the Council has identified an opportunity to promote the revised Heat & Save Boiler scheme (which has replaced the original Heat & Save initiative) and is designed and aimed at those residents who are not receiving benefits and are therefore ineligible for other schemes. Other Fuel Poverty initiatives within the County Borough include the Home Improvement Loan and the Capital Schemes-Warm Homes both of which look to assist with those living in fuel poverty. The Working Group also learned that the Welsh Government scheme Nest also works to reduce the number of households in fuel poverty by supporting those households on lower incomes to help them achieve lower energy bills. The Nest scheme operates on a whole house assessment via British Gas but will only be carried out if it can be ascertained whether the property is F or G rated and the individual is in receipt of appropriate means tested benefits.

- 3.10 The Working Group concluded that although there are various schemes in place towards making homes across the County Borough warmer and more energy efficient, they felt that the schemes could be better promoted amongst local residents via the numerous channels available to the Council.
- 3.11 Members learned that Cyd Cumru (the All Wales Collective Energy Buying scheme) was first piloted in 2013 as a result of Cardiff and the Vale of Glamorgan Councils receiving funding from the Welsh Government Regional Collaboration Fund. The model endeavours to get the best deal for prospective participants in Wales through collective switching and has undergone 4 switches to date, the third having combined with a larger UK switch resulting in 60,000 registrations. (In RCT this equated to 108 households registering, 40 households actually switched representing a total of 37% of households switching). However, the numbers of households registering are still considered to be low by energy companies and there is a short window of opportunity to register for the scheme which has a limited time period of approximately six weeks a year.
- 3.12 A number of marketing initiatives were undertaken within RCT to promote the Cyd Cymru scheme via a number of free sources such as press releases, social media and internet updates as the Local Authority had to finance their own marketing approaches. It has also been recognised that a number of barriers are in place which have prevented many households from engaging in the scheme such as:-
- Lack of knowledge and understanding of energy tariffs which are often complicated to understand
 - Loyalty – Consumers stay with what they know and trust their own energy providers even though they could get a better deal (Information revealed by the Department of Energy and Climate Change (DECC) in March 2015, identified that 13.5 households across the UK had never switched, which meant there were £2.7 billion in savings to be made i.e potential saving of £312 per household per year).
 - Lack of support – To resolve queries or assist with inputting information to achieve accurate estimated savings
 - Engagement –The groups to target are considered to be the hardest to engage, digitally and/or financially excluded
- 3.13 The Working Group was informed that following the initial 3 year scheme no further funding is available to Cyd Cymru which now needs to be self financing for any future switches (using referral fees). The approach for RCT is that it aims to increase its communication and marketing strategy and utilise existing resources to target communities in order to further increase awareness of the benefits of switching.
- 3.14 Members of the Working Group were informed that RCT continues to raise the bar on fuel poverty and a number of areas will be explored such as developing a targeted plan to tackle those areas of high deprivation and producing case studies and sound bites of those who have benefitted from switching.

4. **Becoming A Direct Energy Supplier**

4.1 Whilst the Working Group had concentrated on the wider issues around fuel poverty and the Cyd Cymru process to date, on the 30th March 2016 the Working Group met to consider the different models for Direct Energy supply. The Head of Operational Procurement reported that to date none of the Welsh bids for the Department of Energy & Climate Change (DECC) Collective Energy projects had been successful which had partly led to the creation of the Cyd Cymru initiative in 2013 as the only Welsh option. It was confirmed that to date, no single Welsh Local Authority has become a Direct Energy Supplier.

4.2 A number of examples of those English Local Authorities who have made progress with Direct Energy since 2013 were provided:-

- The Cornwall Collective Energy initiative is led by Community Energy Plus, the Cornwall-based charity who have partnered with the national switching organisation energyhelpline to deliver this initiative and link into the group buying power of several other collectives across the country at the same time (a similar model to Cyd Cymru).
- iChoosr is a collective switching scheme aimed at multiple customers, a similar model to Cyd Cymru but from the private sector
- Fairerpower and OVO – This is a partnership between Cheshire East Council and a single energy supplier, OVO Energy. Cheshire East Council sets the tariff and OVO manages all energy buying and billing aspects
- Bristol Energy – A municipal company wholly owned by Bristol City Council which uses other companies to trade energy and provide services

4.3 Members learnt that there are risks involved in becoming a Direct Energy Supplier which include some complex options and obligations for a registration process with OFGEM or the need for an EU Procurement process to appoint a partner.

5. **CONCLUSIONS**

5.1 The Working Group concluded that the alleviation of fuel poverty within RCT is a key priority and as such Members were united in wanting to influence an agenda at a local level which they consider is primarily controlled by the “Big 6” energy companies and their pricing structures.

5.2 The Working Group acknowledged that there has been some progress made by Cyd Cymru in addressing the issue of fuel poverty by producing savings of just under £950,000 across Wales as a result of 4 switches. Nonetheless, the Working Group considered that any future initiatives would need to be more actively promoted so that the benefits of switching are realised by residents of RCT. The Working Group was keen for partnership working to continue

alongside other Local Authorities in order to investigate options to replicate the existing initiative.

- 5.3 The Working Group agreed that exploring opportunities for a local switching scheme should be undertaken as the most effective route to reducing energy costs, but not in a silo. It was considered that working in collaboration with other partner agencies particularly the Social Landlords to investigate opportunities for a local switching scheme would demonstrate a commitment to tackling fuel poverty.
- 5.4 Ultimately, the Working Group felt that a more targeted approach to tackling fuel poverty within RCT is required together with further promotion of the range of fuel poverty initiatives we have in the County Borough.

6. RECOMMENDATIONS

- 6.1 The Scrutiny Working Group believes that the following three recommendations will strengthen the services available and opportunities to raise the profile of fuel poverty and help prioritise action on achieving an Affordable Warmth Strategy:-
1. Continue to work with other Local Authorities to evaluate and identify opportunities to replicate Cyd Cymru and,
 2. Investigate opportunities for a local switching scheme or local supplier scheme in collaboration with our Social Landlords and other partners and,
 3. To adopt a holistic approach in applying the appropriate focus to all aspects of a fuel poverty initiative to compliment the effective working of an Affordable Warmth Strategy

LOCAL GOVERNMENT ACT, 1972
as amended by
THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL
COUNCIL

COUNCIL MEETING – 29TH JUNE, 2016

List of Background Papers

Report of the Director Legal & Democratic Services

Item - Fuel Poverty Scrutiny Working Group Report

Freestanding Matter

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