

Report to: Portfolio Holder for Homes & Health  
 Decision Date: 19 January 2023  
 Portfolio Holder: Cllr. Tm Wendels  
 Director Lead: Suzanne Shead – Director Housing, Health & Wellbeing  
 Lead Officer: David Price – Business Manager Housing Income and Leasehold Management

<b>Report Summary</b>	
<b>Type of Report</b>	Open report Non key decision
<b>Report Title</b>	Proposal to establish a Fuel Bank
<b>Purpose of Report</b>	To present an overview of the impact of the increase of energy costs on prepayment customers and propose establishing a fuel bank to offer support to residents in fuel crisis.
<b>Recommendations</b>	<p>a) As part of the Council’s Cost of Living Response, to support the creation of Fuel Bank in the district through partnership with the Fuel Bank Foundation in line with the proposed referral mechanism</p> <p>b) To support £30k of funding to establish the fuel bank split equally from the HRA and General Fund</p>
<b>Alternative Options Considered</b>	Not applicable
<b>Reason for Recommendation</b>	To help support residents as part of the Cost of Living Response
<b>Decision Taken</b>	As per the recommendation

## **1.0 Background**

1.1 The increase in the cost of living is putting household budgets under increasing pressure with the increase in gas and electricity prices a key factor.

- 1.2 The increase in the energy price cap from October 2022 and the predicted increase from January 2023 will apply further pressure to already stretched household budgets.
- 1.3 The government's proposed 'energy price guarantee,' announced on 8<sup>th</sup> September 2022, will lessen the impact of the energy price cap increases but will not prevent a significant proportion of our residents remaining in fuel poverty and at risk of fuel crisis.

## **2.0 Prepayment of energy**

- 2.1 While no one is immune from the impact of the increase in energy costs, it is those who pay for their energy through prepayment meters will be impacted most.
- 2.2 While some customers choose to pre-pay for their energy, many are forced to have prepayment meters due to having a poor credit history or having accrued energy debts.
- 2.3 Prepayment customers have fewer and less competitive tariff options available than those who pay for their energy by Direct Debit.
- 2.4 A greater proportion of prepayment customers are vulnerable, on low incomes and as a result less able to afford this additional cost. A high proportion of social housing tenants are prepayment customers.
- 2.5 This additional cost forms part of the 'poverty premium' – the additional expense of buying services, such as energy and insurance, for those on lower incomes.
- 2.6 Prepayment customers often pay for their energy 'on demand' rather than averaging out the cost of their anticipated usage over the year. This results in a sharp increase in costs during the colder months and vulnerable to managing unexpected or prolonged cold spells.
- 2.7 Prepayment customers could mitigate the spike in energy usage over the colder months by regularly topping up their meter throughout the year. This would build credit to provide a buffer during the more expensive months. However, the reality of stretched budgets and competing priorities means that it almost impossible for many customers to follow this strategy.
- 2.8 The recent increases in standing charges will impact on those customers who do not to top up their meter through the warmer months. The standing charge will continue to be charged to the account resulting in a debt accruing that will need to be cleared.
- 2.9 Failure to top up prepayment meters will result in the supply of energy being cut. This is considered by the energy industry as 'self-disconnection.'
- 2.10 When customers are at risk of or have self-disconnected with no funds or money available to restore supply, they are considered to be in 'fuel crisis.'

## **3.0 Impact of self-disconnection**

- 3.1 In addition to the significant physical and mental health impact of self-disconnection on our residents, there are wider service delivery implications for the council.

- 3.2 Self-disconnection provides significant challenges to us delivering on our obligations as a landlord to provide safe and healthy homes.
- 3.3 We are unable to complete gas safety checks if there is no gas supply to the property. In such cases the meter will be capped until supply can be restored and a safety check completed at a later date. This adds additional pressure to the gas servicing programme at a time when it is vital the programme runs as efficiently and effectively as possible.
- 3.4 A lack of energy supply to a property can result in a longer-term impact to the fabric of the building. Damp and mould issues can develop which can result in costly remedial works as well as increasing the risk of disrepair claims.
- 3.5 The cost of re-connecting supply can soon become unmanageable for customers. Debts may have to be cleared in lump sum or a longer-term repayment plan put in place, often an additional debt charge is applied weekly to the meter which needs to be satisfied before the remaining credit is used for fuel.
- 3.6 This increases the risk of budget allocated for other essential expenses being used to reconnect or maintain supply. Where these essential expenses include council tax and rent payments, both for our tenants but also private sector tenants putting their homes at risk, there are clear implications for the council. This risk is further exacerbated by the continued roll out of Universal Credit and the central feature of direct payment of rent support to the claimant who will likely need to make tough choices.
- 3.7 Given the current cost of living crisis and as we approach winter, it is inevitable that more customers will present in fuel crisis, and this will not only a significant impact on the wellbeing of our residents but will also impact on the delivery of council services.

#### **4.0 Mitigating the impact through Fuel Banks**

- 4.1 Fuel Banks provide emergency fuel credit to people in fuel crisis in much the same way food banks provides emergency food packages to people in immediate food poverty.
- 4.2 There are numerous fuel bank initiatives and partnerships across the country including those in working in collaboration with the Fuel Bank Foundation.
- 4.3 The Fuel Bank Foundation was originally set up by Npower but is now an independent registered charity and follows the below principles:
- Crisis support is provided to households who have self-disconnected or are at risk of self-disconnection
  - Crisis support is designed to provide breathing space while the client accesses support to tackle the issues that lead to fuel crisis
  - Crisis support is limited to avoid dependency on the scheme

- 4.4 The Fuel Bank Foundation works with a wide range of partners including local authorities, social housing providers and advice services and has helped establish over 350 fuel bank centres across the UK.
- 4.5 The Fuel Bank Foundation provides the infrastructure and expertise to enable organisations to get emergency credit added to customers' accounts quickly and securely.
- 4.6 Support is designed to get customers through immediate crisis and not be a long-term repeated solution. The vouchers issued are at a set value of £49 in winter (November to March) and £30 (April to October) and are designed to provide breathing space to allow longer-term solution to be put in place. The voucher value can be split across electricity and gas if required.
- 4.7 In order to limit dependency on the scheme, customers are limited to three vouchers in 6 months and each voucher issued is followed up with support from the Fuel Bank Foundation. More than one voucher can be issued at a time if required such as in instances where debt needs to be cleared from a meter to restore supply.
- 4.8 In order to cover the costs of administration, which includes background checks to reduce potential fraud, each voucher issued costs £5.
- 4.9 Reports are also provided by the Fuel Bank Foundation so partners can track referrals, if vouchers have been redeemed and general scheme utilisation.
- 4.10 Partner organisations are required to provide the funding for the emergency support and also ensure processes are in place to ensure the support criteria set by Fuel Bank Foundation are followed.

## **5.0 Proposal/Options Considered and Reasons for Recommendation**

- 5.1 Given the current and developing need for additional support for residents in fuel crisis, along with the implications this has for wider council functions, it is recommended SLT support the proposal to develop a partnership with the Fuel Bank Foundation.
- 5.2 It is proposed, as part of the Council's Cost of Living Repsonse as agreed by Cabinet on 6<sup>th</sup> December 2022, that £30k of funding is used to establish the fuel bank with £15k coming from the HRA and General Fund respectively.
- 5.3 This will cover the cost of providing over 550 (winter) fuel bank vouchers
- 5.4 We will be able to configure the set up the Fuel Bank to enable customer facing staff, including customer services and staff delivering the gas servicing programme, as well as key partners such as Citizens Advice, the ability to refer into the Fuel Bank to get support to customers quickly.

## **6.0 Implications**

- 6.1 Financial Implications – FIN22-23/7287

- 6.2 The £30k one-off funding requested to establish the fuel bank will be funded from both the Councils' General Fund and the Housing Revenue Account (HRA), split equally with £15k coming from both.
- 6.3 With regards to the HRA, the £15k funding will come from the HRA Efficiency Savings Pot. The General Fund contribution will come from the Corporate Contingencies budget used for emergency provisions.

### **Background Papers and Published Documents**

Nil.