

Consultation Response

Department for Business, Energy, and Industrial Strategy (BEIS)

Warm Home Discount Scheme 2021/22

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About this consultation

This consultation proposes to extend the Warm Home Discount scheme to winter 2021 to 2022 in Great Britain. It also proposes several minor changes to industry initiatives, small operational changes, and some considerations around the future of the scheme, beyond the one-year extension.

Key points and recommendations

- Age UK fully supports the proposal to extend the Warm Home Discount Scheme into Scheme Year 11 (2021/22).
- We support the rebate remaining at £140 so that as many eligible households as possible can benefit within the current funding arrangements.
- Given the short timescales for legislation to go through Parliament, and for suppliers to make wider administrative changes, we support eligibility for the Core and Broader Groups to continue unchanged for the one-year extension.
- We support the proposed scheme wide debt-write off cap of £6m, and of £2,000 per household. Capping the amount spent across the scheme at £6m allows for increased spending on Industry Initiatives such as benefits checks, energy advice and making homes more energy efficient. These activities are likely to be more valuable in the short and longer-term to many fuel poor homes.
- Due to limitations on funding, we do not believe that those already receiving the £140 rebate should be eligible for additional financial assistance. We want suppliers to identify more older households who are not receiving the rebate, to benefit from any additional financial support funded by the scheme.
- Despite the success of the scheme, there are still hundreds of thousands of older people missing out from support as they do not receive it automatically. This includes those who are eligible for but not receiving Pension Credit or are Fuel Poor but do not qualify for either the Core or Broader Groups.
- Whilst not in the scope of this consultation, we support the extension and expansion of WHD eligibility and funding so that more fuel poor older people can benefit, as well as those with health and housing needs particularly impacted by cold temperatures.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe, and secure at home; and feel valued and able to participate. We have drawn on this experience in responding to this consultation.

Introduction

We welcome the opportunity to respond to this consultation on extending the Warm Home Discount Scheme (WHD). Age UK has seen first-hand over the first nine scheme years, how valuable the rebate has been to millions of older people. Through the scheme's Industry Initiatives¹, our network has been able to provide income maximisation sessions, energy advice, and energy efficiency installations that allow older people to stay warm and well at home. We estimate that our Industry Initiative funded programmes have identified approximately £170 million in unclaimed benefits. As we enter the winter of Scheme Year (SY) 10, the importance of the extending the financial and other assistance provided through WHD funding is even more significant given the impact of the Covid-19 pandemic.

We are fully supportive of the proposal to extend the WHD into SY11 (2021/2022). Whilst the scope of the consultation is not to consider how the rebate might be extended and expanded beyond this period, due consideration of this will need to be given shortly so that more people in fuel poverty and other vulnerable circumstances can receive assistance. The current funding envelope means there are difficult trade-offs between the extent and breadth of support provided to different groups. The WHD's cash-limited funding, and the first-come-first-served eligibility basis for the Broader Group also lead to many older people in need being excluded from support. Future reform will help mitigate these trade-offs and logistical issues.

The system of data-matching for those claiming the Guarantee element of Pension Credit has in the most part, been extremely successful in easily identifying and providing the rebate to eligible older people. However, there are still significant numbers of people missing out. In SY7 (2017/18), there were 1.4m recipients of the Guarantee Element of Pension Credit¹ but only 1.21m recipients of the WHD from the core group². It is positive that all those in receipt of the Guarantee Element of Pension Credit are sent a letter saying if they will receive the rebate automatically or have to apply, but further work is needed to ensure more older people receive the rebate automatically. There are many barriers older people face in applying for the rebate, particularly if they have health or cognitive issues or are digitally excluded.

The success of this data-matching approach means the Government need to explore further ways with which people can receive the rebate without the need to apply. Future WHD schemes will benefit from a blended use of greater automatic delivery as well as targeting those with particular health or housing needs for support. Entitlement which is mostly linked to receipt of certain benefits will exclude, as the consultation document notes, "the 52% of fuel poor households not on the benefits system". This approach also excludes those eligible for but not receiving qualifying benefits. We are extremely concerned about the 660,000 older people³ not claiming the Guarantee Element of Pension Credit they are entitled to and therefore excluded from the Core Group. We believe that by definition, these are some of the most vulnerable older people, given that they are not receiving a low-income benefit that they are entitled to.

¹ Through the Industry Initiatives portion of the scheme, energy suppliers provide a range of measures including debt assistance, benefit entitlement checks, energy advice and energy efficiency measures to domestic customers in or at risk of fuel poverty. These initiatives can encourage a wider range of solutions to support vulnerable households with their energy bills rather than just the provision of a £140 one-off rebate.

1. Do you agree the size of the rebate should remain at £140 for 2021/22? If not, what size do you think the rebate should be, and why?

We support the rebate remaining at £140 for SY11 so that as many households as possible can benefit within the current funding envelope.

2. Do you agree that the Core Group element of the Warm Home Discount scheme should continue unchanged for a one-year extension, to scheme year 2021/22?

Given the short timescales to implement any reform of the scheme, we agree that eligibility for the 2021/22 Core Group should continue unchanged. Going forward, the benefit should be expanded so that more fuel-poor and other households in need of support can benefit.

3. Do you agree that the Broader Group element of the Warm Home Discount scheme should continue unchanged for a one-year extension, to year 2021/22?

We agree that the Broader Group should continue unchanged for 2021/22, in part to speed up the legislative process, but again believe future reform should expand eligibility for the WHD.

4. For suppliers only

5. Do you agree that the cap on debt write-off should remain at £6 million for scheme year 2021/22?

We tentatively support the cap on debt write-off remaining at £6 million for SY11. Debt write-off is an important component of Industry Initiative funded financial assistance. However, spending on other activities such as energy advice, benefits checks, and energy efficiency installations are likely to make more significant short and long-term improvements to people's ability to pay their fuel bills. Income maximisation is on average worth far more to a household than the value of the rebate itself. In SY9 of the Industry Initiative funded Warm Homes programmes that Age UK delivers, the average individual unclaimed benefit entitlement was £3,237.81.

Given the impact of the pandemic and as we enter the winter months, we are concerned that the number of energy accounts in arrears will rise from the previously estimated (December 2018), 1.3m for electricity and 1m for gas⁴. Ofgem's strengthening of licence conditions, which require suppliers to provide greater support to those struggling with debt and their energy bills,⁵ should have a positive impact. Recent trends saw historically low numbers of energy accounts in arrears⁶ by Quarter 3 of 2018. However, given the impact of the pandemic we will likely see these numbers rise. Concerted action from Government and suppliers (funded separately from the scheme) in the form of payment matching and debt write-off is needed to address any rising levels of arrears, and the resulting risks of customers self-disconnecting and self-rationing their supply.

6. Do you agree that there should be a cap on individual debt write-off at £2,000 for scheme year 2021/22? If not, provide evidence for alternative levels. –

We agree with the proposal so that the limited pot of debt relief funding can meaningfully support as many households as possible. As part of their licence conditions, suppliers should be actively working with customers with debt of more than £2,000 to agree reasonable repayment plans. In

addition, suppliers should also be offering customers payment matching, debt write-off, and promote Fuel Direct² and supplier administered energy grant schemes.

7. Do you agree that the restriction on providing financial assistance to Core Group and Broader Group recipients should be removed?

We do not support the proposal as we believe it should be incumbent on suppliers to identify more fuel poor and other households in need of support. WHD spending should keep to the principle of trying to support as many households as possible. We are concerned that removing restrictions would mean suppliers would likely provide financial assistance to households they could most easily identify (e.g. the Core and Broader Groups), at the expense of others. Nearly a third of those entitled to the Guarantee element of Pension Credit in 2017/18 did not receive it⁷, equating to approximately 660,000 older people⁸. This group is therefore not eligible for the WHD Core Group. Due to the limited funding available, we believe additional financial assistance would be better directed at groups of low-income older people not already receiving the £140 rebate.

Age UK's advisers also expect some impact on the number of Pension Credit claimants given the difficulties in providing in-person benefit advice during lockdown. Financial assistance funding represents an opportunity to identify and support otherwise ineligible fuel poor homes as well as those living with health conditions affected by the cold. Many older people also miss out due to the cash and time-limited support provided to the Broader Group. Those who do not self-identify for support are often in some of the most vulnerable circumstances due to health, mental capacity or cognitive issues or being digitally excluded. Suppliers should work with charities, community groups and local authorities as well as using their own data and PSR register to expand the number of beneficiaries for financial assistance beyond the Core and Broader groups.

8. Do you agree that the £5 million cap for financial assistance (12.5% overall industry initiative spend) should be maintained for the scheme year 2021/22?

If the Government does remove the restrictions on providing assistance to the Core and Broader groups, we support lowering the £5 million cap for financial assistance in favour of increased funding for other Industry Initiatives. If restrictions were removed and the cap were to be set at £5m and reached, then it would result in reduced spending on other Industry Initiative activities which are likely to be more meaningful than the provision of fuel vouchers and financial assistance.

9. Should Government keep the financial assistance eligibility criterion of customers living in communities wholly or mainly in fuel poverty? If not, please provide reasons.

We support the proposal and also believe that the Government should use the statutory definition of fuel poverty as in the Warm Homes and Energy Conservation Act 2000: "A person is to be regarded as living "in fuel poverty" if he is a member of a household living on a lower income in a home which cannot be kept warm at reasonable cost". Given that the metric for estimating levels of fuel poverty varies across the three nations where the Warm Home Discount operates, this statutory definition provides the fairest way of satisfying the needs of each nation.

² Bills (including rent, services charges, fuel, or water bills) can be paid directly out of benefits payments if someone is having difficulties paying them. This is called 'third party deductions' and sometimes Fuel Direct. <https://www.gov.uk/bills-benefits>

10. Do you agree that, in addition to energy advice, advice about the benefits of smart meters should be provided, so far as is reasonably practicable, to every customer benefiting from an Industry Initiative?

We support the inclusion of advice about the benefits of smart meters. The pandemic has shown the benefits of using smart data in monitoring usage and potential rationing and disconnecting. It has also allowed users of Smart Prepay to have their meters credited remotely if there are logistical or other difficulties for them topping up. However, the smart meter roll-out is a separately funded programme and it is important that advice on its benefits does not take precedence over other equally important energy advice. Suppliers should allow partners delivering Industry Initiatives to be flexible and use their knowledge and expertise to provide advice most relevant to the circumstances of clients. We also note the challenges of providing in-person advice at present and possible delays to the smart installation programme due to lockdown.

11. Do you agree that businesses installing and repairing boilers and central heating systems under the WHD Industry Initiatives should be TrustMark registered from 1 April 2021? Please provide reasons for your answer.

12. Do you agree that the installations of boilers, in high risk properties, and central heating systems in all homes, should be installed in accordance with PAS 2030:2019 and PAS 2035: 2019 from 1 April 2021? Please provide reasons for your answer.

We support the above proposals to bring WHD Industry Initiatives in line with the requirements of ECO and the Green Homes Grant Scheme for installers to be TrustMark registered and installed in accordance with PAS 2030:2019 and PAS 2035.

13. Do you agree with the introduction of technical monitoring for boilers and central heating systems installed or repaired under WHD from 1 April 2021? Please provide reasons for your answer

We agree with principle of the proposal, but it will be costly and is not proportionate. While it would clearly be useful to know whether an installation has been completed to the required standards, the practical difficulties of achieving this would be significant. Limited funding would be better spent on delivery of more boilers and heating systems rather than administering this technical monitoring.

14. Do you agree that the supplier participation thresholds should remain unchanged for scheme year 2021/22?

We support the proposal as realistically there is a lack of time to get more suppliers on-stream.

Question 15 – For suppliers

16. Do you agree with the requirement for the failing energy supplier to report on their paid and unpaid Core Group and Broader Group customers and Industry Initiative spending incurred? If not, please explain your reasons. We welcome views on potential alternative arrangements.

We support the proposal.

17. Do you agree that an SoLR and WHD participant who volunteers to pay non-core obligations of a failing WHD participant should be allowed 10% non-core overspend? If not, why not? If you think a different % should be applied, please explain your rationale.

We agree but question whether the 10% overspend would be enough to cover WHD commitments after a supplier failure.

20. How might changes to scheme design result in costs to suppliers, for example if eligibility were different in different national schemes, and how could these impacts be prevented or mitigated? – should be consistent across the nations

21. Should supplier thresholds for separate schemes be the same in England and Wales and Scotland? Please provide your reasons.

Age UK believes scheme design should not differ across the nations. Divergence in supplier thresholds would create additional complexity for suppliers, households, advisers, and organisations that deliver Industry Initiatives.

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/867976/pension-credit-tables-2017-2018.ods

² https://www.ofgem.gov.uk/system/files/docs/2018/12/whd_sy7_annual_report.pdf

³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/867976/pension-credit-tables-2017-2018.ods

⁴ <https://www.ofgem.gov.uk/publications-and-updates/infographic-energy-company-performance>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-strengthens-protections-customers-struggling-energy-bills-winter>

⁶ <https://www.ofgem.gov.uk/data-portal/number-accounts-consumer-repaying-energy-debt>

⁷https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/867973/income-related-benefits-estimates-of-take-up-2017-2018.pdf

⁸https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/867976/pension-credit-tables-2017-2018.ods