

# COMMUNITIES

## HEALTHIER COMMUNITIES – Proposal for Fuel Pre-payment Support

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### Summary:

This report sets out the rationale for establishing and funding a fuel provision from the 2023/24 allocation of Household Support Fund and includes a proposal setting out how this would operate including the infrastructure requirements and costs.

The Household Support Fund 2023/24 grant conditions states ‘energy bills may be of particular concern to low-income households during the period of The Fund, and Authorities should prioritise supporting households with the cost of energy. Support which can make a quick but sustainable impact on energy costs is particularly encouraged’<sup>1</sup>.

To ensure alignment to this requirement, the proposed service will provide:

1. Immediate financial support for households with pre-payment meters who are experiencing severe fuel poverty, and / or immediate disconnection of their energy supply.
2. Follow up advice and support from Councils ‘Warm Homes’ team and access to the wider Warm Homes offer.

The report is based on the following premise:

- Berneslai Homes receives further funding to continue their own fuel offer to their tenants via their ‘Tenants First’ team.
- Approval is given to establish the proposed service the within the Councils ‘Warm Homes’ team to create a ‘crisis’ intervention, with relevant follow up support.
- A waiver is approved to secure a fulfilment provider able to offer immediate financial top ups to energy pre-payment meter customers.

### Evidence Base:

#### Fuel prices:

The increasing cost of gas and electricity has contributed to the cost-of-living crisis. Volatile gas prices are affecting everyone around the world. As a result, the amount suppliers pay to buy energy on the wholesale market has risen sharply and because gas is used for electricity generation, this pushes up retail electricity bills as well as retail gas bills.<sup>2</sup> The Governments ‘energy price cap’<sup>3</sup> has limited the amount charged per unit of energy, but this still results in significantly higher bills than prior to 2022.

Government support with energy costs has been extended for a further three months, following Ofgem’s announced on 27<sup>th</sup> February that the energy price cap from April will be £3,280 per annum for households with average utilisation, up from £1,287<sup>4</sup> in 2020. This will equate to households spending an average of £273 per month on energy (based on energy unit cost payable by direct debit / quarterly billed payees).

#### Pre-payment meters:

A pre-payment meter is a gas or electricity meter which requires the user to add credit to a card or key in order to access energy, unlike the traditional method of paying monthly by direct debit or in arrears via a quarterly bill. In theory a pre-payment meter may appear an attractive way of keeping usage in check, however:

<sup>1</sup> <https://www.gov.uk/government/publications/household-support-fund-guidance-for-local-councils/1-april-2023-to-31-march-2024-household-support-fund-guidance-for-county-councils-and-unitary-authorities-in-england>

<sup>2</sup> <https://www.ofgem.gov.uk/information-consumers/energy-advice-households/check-if-energy-price-cap-affects-you>

<sup>3</sup> <https://www.ofgem.gov.uk/information-consumers/energy-advice-households/check-if-energy-price-cap-affects-you>

<sup>4</sup> <https://www.switchcraft.co.uk/energy/save-money-on-energy-bills/what-is-the-average-gas-and-electricity-bill-in-the-uk/>

- The unit cost of energy for pre-payment customers is higher than for those paying by direct debit or quarterly bill, and suppliers may also use the credit paid via a pre-payment meter to recover existing debt.
- They are typically installed where a customer is already in arrears, to prevent them from accruing further debt to the supplier. In such cases, an individual who has been unable to meet the cost of lower priced energy offered to direct debit customers, is even less likely to be able to meet the higher costs of pre-payment energy without either significantly reducing utilisation or experiencing periods of disconnection.

Where a customer fails to pay a bill after 28 days, the energy supplier may contact the customer about the possibility of disconnecting their gas or electricity supply. It's rare to be fully disconnected as the supplier will usually offer to install a prepayment meter instead<sup>5</sup>; if you have a 'smart' meter, this can be changed to pre-payment remotely without the supplier needing access to the property.

The Citizens Advice Bureau estimated 600,000 people were forced to make the switch to pre-payment meters after racking up debt with their energy supplier in 2022, compared with 380,000 in 2021. A report by CAB revealed that 3.2 million people – the equivalent of one person every 10 seconds – were left with cold and dark homes last year as they ran out of credit<sup>6</sup>. The forced installation (or remotely switching a smart meter) of pre-payment meters for vulnerable customers was halted by Ofgem until 31<sup>st</sup> March 2023, however, they may still be installed by force where all other options have been exhausted, and the customer is not classed as vulnerable.

Pre-payment customers were eligible for the Government energy support payable over the winter of 2022/23; however as this cannot be automatically credited to their accounts as done for those paying by direct debit or quarterly bill, a voucher was sent via email which can be redeemed at either a PayPoint site or at a Post Office.

In practice, this has resulted in many recipients being unable to access vouchers sent to old or incorrect email accounts, with a report in February 2023 showing that 19% of all eligible recipients had failed to redeem their vouchers<sup>7</sup>. As the vouchers are time limited, this equates to approximately 380,000 households who may miss out on this support further increasing the financial vulnerability of this cohort.

#### Impact:

In addition to the immediate issue of being unable to cook or heat the home, there are serious longer-term risks associated with living in cold properties, especially for those with additional vulnerabilities. Excess moisture in poorly heated homes leads to mould growth which can be severely detrimental to health. In 2020, an inquest ruled that 'the death of a two-year-old boy was directly linked to his exposure to mould in a flat'<sup>8</sup>.

Furthermore the higher cost of pre-paid energy further reduces available household income, potentially increasing the household's exposure to wider poverty including food and hygiene, resulting in increased demand for wider crisis interventions.

#### Demand:

IGN member	Local Authority name	Local Authority Ranking (1= most vulnerable)	Food Insecurity (% of all adults)	Fuel Poverty (% of households)	Child Poverty (% of children)	Universal Credit Claimant Count (% of working age)	Economic Inactivity (% of working age)	Low Pay (% of jobs)
South Yorkshire Combined Authority	Barnsley	30	15%	19%	33%	4%	27%	17%
	Doncaster	12	14%	18%	35%	5%	25%	25%
	Rotherham	17	14%	17%	34%	5%	26%	20%
	Sheffield	47	8%	17%	36%	5%	24%	21%

<sup>5</sup> <https://www.citizensadvice.org.uk/consumer/energy/energy-supply/problems-with-your-energy-supply/if-youve-been-told-your-energy-supply-will-be-disconnected/>

<sup>6</sup> <https://www.theguardian.com/money/2023/jan/11/call-to-end-forced-installation-of-uk-prepayment-meters-after-millions-suffer-without-power>

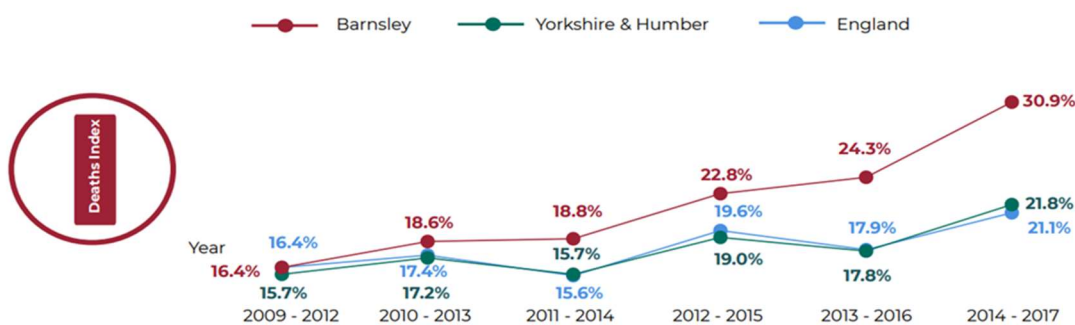
<sup>7</sup> <https://www.bbc.co.uk/news/business-64541204>

<sup>8</sup> <https://www.bbc.co.uk/news/uk-england-manchester-63542651>

<sup>6</sup> <https://www.gov.uk/government/publications/household-support-fund-guidance-for-local-councils/1-april-2023-to-31-march-2024-household-support-fund-guidance-for-county-councils-and-unitary-authorities-in-england>

Barnsley currently has the highest level of fuel poverty in the South Yorkshire region, coupled with the highest level of food insecurity.

### Excess Winter Deaths Index



Trends in recent years show that excess winter deaths have increased locally. Currently Barnsley's rate is significantly higher than the England and Yorkshire and Humber rates.

In the most recent Joint Strategic Needs Assessment, Barnsley also has a higher rate of excess winter deaths than the regional and national average, all of which points to a local population at high risk from severe fuel poverty.

There is currently no data available about the number of households in Barnsley with pre-payment meters; largely due to the constant fluctuation of meters being installed and removed, however the level of fuel poverty identified in Barnsley suggest there will be a high prevalence of households currently pre-paying for energy, and those at risk from being imminently transferred to pre-payment.

Anecdotal evidence gathered from partner organisations including Berneslai Homes has also found that households unable to top up their pre-payment meter are also experiencing severe hardship in other areas – including food and hygiene

#### Support currently available to pre-payment customers:

Ofgem regulations stipulate that energy suppliers are responsible for providing emergency credit in certain circumstances; however any advances must be repaid when the meter is next topped up, which can push the customer into further hardship.

Locally, tenants of Berneslai Homes can access Immediate financial support for pre-payment top ups via a service funded by Household Support Grant. This service uses 'Charis' to supply top up codes, which are generated to the recipient via SMS message.

For tenants of other social landlords, private landlords, or those who own their own home, there is currently no universal 'cross tenure' service providing an immediate intervention to restore their energy supply. Where financial support can be accessed, this typically requires a comprehensive means assessment, delaying the restoration of the energy supply. Other services offer vouchers for other essentials (typically food) to free up household income for energy costs, however this approach presumes the household had enough money for food, which discussions with front line organisations reveals is not always the case.

#### Household Support Fund:

As part of the Household Support Grant October 2021 to March 2022 an Energy grant was available to enable eligible households to pay off fuel debt. This required a comprehensive financial assessment, so could not provide an immediate response, however during the four months this scheme was active, 957 households successfully applied for funding. Using these figures an estimated 2,871 households would have applied over a 12-month period if there had been no changes to the energy market and economy in general, however we know that energy prices have sharply risen over the last 12 months therefore it is reasonable to assume that the number of households requiring this support has also risen sharply.

The Household Support Fund grant conditions 2023/24 permits for the first time the funding of advice services in which affords an opportunity for the proposed service not just to collaborate with existing longer-term support, but potentially be co-delivered to provide a joined-up approach to avoid households repeatedly falling into crisis.

The Warm Homes service currently provided by Barnsley Council offers non-crisis interventions to reduce household energy costs and strengthening this offer to include pre-payment support would provide a holistic response to avoid repeat referrals for crisis fuel funding, and ensure Warm Homes long term interventions are targeted at those in the greatest need.

**Proposal:**

To establish a service within the councils Warm Homes team, which will provide immediate pre-payment top ups, and proactive support to applicants about schemes and interventions to reduce energy costs. To achieve this, the following actions are required:

1. Funds be allocated from the Household Support Grant to fund the administration and delivery
2. An in-house infrastructure is developed which comprises:
  - a. Repurpose an existing case management system used by Warm Homes to manage applications with an approved audit trail
  - b. Recruit a fulfilment provider – which can deliver immediate pre-payment meter top ups
  - c. Establish and recruit staff – two FTE to be situated in the Warm Homes team, who will be responsible for administering the pre-payment top ups and providing onward proactive support.
3. Identify and train a network of appropriate ‘trusted partners’ who will be authorised to make referrals
4. Launch the scheme to operate initially until 31/03/2024 based on the operational process plan (attached)

Resources & Costs:

The required resources and associated costs are anticipated to be:

1. Case Management System:

The e-form and case management system already in place within the Warm Homes service will be re-purposed. The rechargeable cost of the work required by IT to complete this work is not yet confirmed but is identified on their forward plan.

2. Staffing:

Two full time equivalent fixed term post will be established within the Warm Homes team, to be funded by HSG for one year. Additional funding will be provided by Warm Homes to extend these posts for three years to increase the sustainability of the support offer. The cost for these positions would be GRADE 6 PLUS ON COSTS.

3. Fulfilment Provide

Paypoint<sup>9</sup> has been identified as offering the most comprehensive fulfilment option, offering the lowest administrative costs (based on expenditure exceeding £100K per annum).

- Provides immediate energy top ups via issue of a code sent via SMS message or email which can be redeemed in any of 27,000 outlets across the UK, including many in Barnsley with extended opening hours, including supermarkets (Asda), petrol stations etc.
- levies upfront joining and license fees for member organisations, and a reduced fee for subsequent years:

PayPoint:	Cost (Year 1)	Cost (subsequent years)
Setup fee	£4,200 (one off)	£0
User set up fee	£315 x 2 (one off per user) - £630	£0
Management fee	£5,800 (per annum)	£5800
License fee	£175 x 2 (per annum / user) - £350	£350
<b>Total:</b>	<b>£10,980</b>	<b>£6,150</b>

- Charges £0.69 per transaction, plus £0.07 per text message.
- Provides pre-payment top ups for most major energy providers, with the exclusion of British Gas.
- Can provide cash advances where the energy provider is not supported, however, this may require the customer to visit another location (a Post Office counter for example) to top up their meter.
- Operates on a ‘draw down’ basis, where funds are lodged in a ‘holding account’
- Member organisations have access to PayPoint IT system for monitoring and utilisation data.

<sup>9</sup> <https://corporate.paypoint.com/>

As PayPoint is dominant in this market, with other smaller fulfilment providers using the PayPoint network on a sub-contracting basis (eg Charis who is used by Berneslai Homes) it is not considered beneficial to undertake a competitive procurement process to secure a fulfilment provider. Instead, it is recommended that a waiver is sought to secure the services of PayPoint to provide the fulfilment requirements for the proposed fuel service.

### Trusted Partners

A network of ‘trusted partners’ will be enlisted to receive and approve applications for assistance via their own networks, apply the eligibility criteria and submit an e-form for those who they approve for support.

Trusted partners will be recruited by Healthier Communities and will include organisations who have previously received HSG funding to provide support with energy costs, and those who identify as working with people experiencing fuel poverty. By ensuring all organisations refer to this service, rather than offering their own individual provision, will avoid duplication and ensure those experiencing severe fuel poverty receive consistent and sustainable support.

It is envisaged that ‘trusted partners’ will include internal and external organisations who will sign an agreement that they will apply an agreed eligibility to all applications and maintain a record of all applications submitted via the e-form which will be available for any future audit. It will be the trusted partners responsibility to check the applicant meets the agreed eligibility criteria. The trusted partner will not receive any payment for administration as the eligibility criteria and referral process will be minimal.

Each trusted partner will be allocated a maximum spend during each month of the fuel services operation to ensure resources are available throughout the operating period and are not disproportionately depleted by one partner. The amount available to trusted partners will increase during colder months. Spend by trusted partners will be monitored and adjusted where appropriate to ensure resources are re-profiled to best meet presenting need.

An example of how total funds would be apportioned across a calendar year is shown below (using an example total fund of £100k).

2023							2024				
April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March
£7.5k	£5k	£2.5k	£2.5k	£2.5k	£7.5k	£10k	£15k	£15k	£15k	£10k	£7.5k

Each trusted partner would then be apportioned an amount of this allocation based on the number of clients they anticipate supporting or have supported if HSG funding has been provided previously.

### Costs:

Staff – 2 x Grade 6 Warm Homes Officers* (£37,6889 / post)	£75,378
PayPoint annual costs**	£10,980
PayPoint transaction fees (based on £100k funding)**	£1,550.40
Total:	<b>£87,908.40</b>

\*Funding for these positions is being funded directly from the councils overall HSG allocation. The costs are based on the highest point of Grade 6 plus associated costs.

\*\* The remaining costs will be met from the Healthier Communities HSG allocation.

The commencement date of the proposed service will be predicated by the recruitment process for the Warm Homes Officers, and the contracting arrangements being finalised with PayPoint.

### Summary

This proposal will ensure Barnsley residents who are most at risk of experiencing extreme fuel poverty which results in a loss of energy supply can access and receive immediate support to restore their gas / electricity supply along with longer term support to reduce future energy costs available via the wider Warm Homes service offer.

It will also ensure Barnsley Council is compliant with the grant conditions of the Household Support Fund April 2023 to March 2024.

A process map is included on the next page which sets out how the proposed service would operate within the infrastructure as set out in this report.

**Any decision required:**

1. Support for the development of the service is required.
2. Support the recommendation for a waiver to secure PayPoint as fulfilment provider.

**Any actions agreed:**

## Process

### Customer identified

Customer approaches or is identified by a trusted partner as being in severe fuel poverty with insufficient credit on a pre-payment meter.



### Trusted Partner – Process 1

- Assesses the applicant against the agreed eligibility criteria and advises the applicant if they meet the criteria (subject to checking for duplicate applications)



### Trusted Partner – Process 2

- Completes and submits the e-form and gives the client their reference number



### Application processed in-house

- Staff member queries duplicate applications with Trusted Partner
- Progresses application with fulfilment partner



### Outcome:

- Applicant has £££ added to pre-payment meter
- Applicant is provided with onward support from Warm Homes to reduce household energy costs

## Fulfilment

### Eligibility Criteria: (example)

- The applicant has a pre-payment meter
- There is insufficient credit on the meter to last until the next business day.
- The applicant is not a Berneslai Homes tenant (who have their own service)
- The trusted partner is satisfied the applicant has insufficient funds to top up the meter and meet other essential expenditure.

### Trusted Partners

Internal and external partners trained and trusted to apply the agreed eligibility criteria, to include (but not limited to):

- BMBC – Housing Options Team
- BMBC – Social work teams
- Citizens Advice Bureau

### E-form and Case Management:

- Using the existing Warm Homes system
- Includes an e-form for trusted partner to complete (not publicly accessible)
- Applications held on Requestry to create an auditable record of applications and spend

### Staff resource:

- Two FTE (fixed term) position to be established to process applications
- Posts will be situated in the Warm Homes

### Fulfilment Partner:

- PayPoint to be appointed as a fulfilment partner able to provide immediate pre-payment meter top ups.

