

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Sixth Delegated Legislation Committee

DRAFT WARM HOME DISCOUNT
(MISCELLANEOUS AMENDMENTS)
REGULATIONS 2016

Tuesday 19 July 2016

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The Committee consisted of the following Members:

Chair: SIR ALAN MEALE

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| † Berger, Luciana (<i>Liverpool, Wavertree</i>) (Lab/Co-op) | † McCaig, Callum (<i>Aberdeen South</i>) (SNP) |
| † Berry, James (<i>Kingston and Surbiton</i>) (Con) | † Pennycook, Matthew (<i>Greenwich and Woolwich</i>) (Lab) |
| † Churchill, Jo (<i>Bury St Edmunds</i>) (Con) | † Pincher, Christopher (<i>Tamworth</i>) (Con) |
| Cunningham, Alex (<i>Stockton North</i>) (Lab) | † Reed, Mr Steve (<i>Croydon North</i>) (Lab) |
| † Donelan, Michelle (<i>Chippenham</i>) (Con) | † Robinson, Mary (<i>Cheadle</i>) (Con) |
| † Double, Steve (<i>St Austell and Newquay</i>) (Con) | † Thompson, Owen (<i>Midlothian</i>) (SNP) |
| † Gardiner, Barry (<i>Brent North</i>) (Lab) | † Tracey, Craig (<i>North Warwickshire</i>) (Con) |
| † Hurd, Mr Nick (<i>Minister of State, Department for Business, Energy and Industrial Strategy</i>) | † Wragg, William (<i>Hazel Grove</i>) (Con) |
| † Jayawardena, Mr Ranil (<i>North East Hampshire</i>) (Con) | Gavin O’Leary, <i>Committee Clerk</i> |
| † Lynch, Holly (<i>Halifax</i>) (Lab) | † attended the Committee |

Sixth Delegated Legislation Committee

Tuesday 19 July 2016

[SIR ALAN MEALE *in the Chair*]

Draft Warm Home Discount (Miscellaneous Amendments) Regulations 2016

2.30 pm

The Minister of State, Department for Business, Energy and Industrial Strategy (Mr Nick Hurd): I beg to move,

That the Committee has considered the draft Warm Home Discount (Miscellaneous Amendments) Regulations 2016.

It is a great pleasure to serve under your chairmanship, Sir Alan, and to open this debate opposite the shadow Secretary of State for Energy and Climate Change, the hon. Member for Brent North, who is an old friend. I have worked with him for a long time and have the greatest respect for him.

The Chair: Order. Before you proceed, Minister, if I could just take a moment of your time, I should say that if any Member wants to remove their jacket, that will be okay.

Mr Hurd: Thank you for that advice, Sir Alan, for which I am sure male Members will be grateful. It is ironic that we are debating these warm home discount regulations on the warmest day of the year.

The Committee may be aware that, in April, the Government consulted on the proposed extension of the warm home discount scheme. We proposed to make some relatively small changes to improve its effectiveness and make it simpler and more accessible. It is those proposed changes to the regulations and the extension of the scheme that we are debating, so that the scheme can continue.

It would be helpful if I gave the Committee some context by talking about fuel poverty and explaining the warm home discount itself. The Government remain firmly committed to tackling the problem of fuel poverty and to helping people, especially those in low-income, vulnerable households, to heat their homes. I am sure that all Committee members will be well aware from constituency cases of the pressures on low-income households that have arisen in recent years because of higher energy bills.

The warm home discount is one of a range of policies that aims to address the contributory factors of fuel poverty by either increasing income or reducing the cost of energy. Introduced in 2011, the scheme requires electricity suppliers with more than 250,000 domestic customer accounts to provide financial support to their vulnerable customers in respect of energy costs. The existing regulations for the scheme ended in March 2016. Although winter may feel a long time away, we need to make the new regulations now. The measure before us will ensure that more than 2 million low-income and vulnerable households receive support through a rebate of £140 on their energy bills.

The warm home discount scheme is made up of three parts. The first applies to eligible pensioners who are customers of participating electricity suppliers. They are described in the regulations as the “core group customers”. Under the core group, eligible pensioners receive a bill rebate of £140 from their supplier. The second part of the scheme relates to other low-income and vulnerable customers, who are described as “broader group customers”. Customers who fall into the broader group, such as low-income families and those with long-term disabilities, can apply for rebates through their supplier. The third part of the scheme allows customers to benefit from the industry initiatives element of the scheme, whereby suppliers provide a range of support measures, including debt assistance, benefit entitlement checks and energy advice, for domestic customers in or at risk of fuel poverty.

Since the scheme was launched, around 2 million households in or at risk of living in fuel poverty have benefited from lower energy bills each year. A total of £1.4 billion of direct assistance has been provided to low-income and fuel-poor households over the first five years of the scheme. More than 1.3 million of the poorest pensioners received £140 off their electricity bill in the winter of 2015-16, more than 1.2 million of whom received it automatically, without their having to apply—it was hassle free. More than 700,000 additional low-income and vulnerable households, including families, received £140 off their electricity bill in the winter of 2015-16.

As a result of that success, the Government have committed to extending the warm home discount to 2020-21, with expected spending of £323 million in 2016-17 rising with inflation each year. In the next five years we want to simplify how the scheme is delivered, targeting it more accurately at those households who need it most. To allow that to happen, the Government have introduced the Digital Economy Bill, which includes powers that allow wider sharing of data across Departments and with obligated energy suppliers for the purposes of delivering the warm home discount.

Should those wider data sharing powers be implemented, we could see more of the warm home discount provided using automatic data matching from 2017-18. That would not only improve the targeting of the scheme but mean that vulnerable families who currently have to apply for a rebate would not miss out. In addition, that would reduce the administrative costs for suppliers to participate in the scheme. However, at this point in time we are not certain if and when such powers will be in place or what changes will be possible and desirable from 2017-18. Therefore, the regulations before the Committee establish the warm home discount for the next two scheme years. Should we be in a position to make substantive changes from 2017, including on wider data sharing, we intend to consult later this year. For the short term, and for this coming scheme year, the Government consulted on the proposed extension of the scheme in April. Respondents to the consultation were supportive of extending the scheme and the Government’s response has been published.

I shall now briefly try to explain the main changes to the warm home discount, which will be implemented by the regulations. I stress that the core group and broader group will remain unchanged. Low-income pensioners receiving state pension guaranteed credit will continue

to receive a £140 rebate automatically, and low-income households will still be able to apply to their suppliers for the broader group rebate.

We do, however, propose to make a small number of changes to improve the industry initiative elements of the scheme. We propose placing a cap on suppliers' total spending on debt write-off of no more than 50% of their industry initiative allowable spend in the next scheme year. While we understand the help that debt write-off can provide to the small number of households who benefit, we would like to encourage greater diversity of industry initiatives that are more aligned to our fuel poverty strategy.

We also want to achieve that by providing an option for suppliers to achieve part of their industry initiative spending through contributions to centrally pre-approved schemes, rather than through initiatives they have set up themselves. We envisage that under these provisions, local authorities or charities could submit proposals for fuel poverty schemes. Those could, for example, offer support to people with specific health conditions that make them more susceptible living in a cold home. Subject to Government approval, such schemes could receive industry initiatives funding from suppliers. We believe that that could lead to more innovation, targeted local delivery and a reduced administrative burden on suppliers.

We also propose to make a small number of operational improvements to the scheme. First, following feedback from warm home discount recipients, we are providing suppliers with the option to pay the rebate on the gas bill if requested by the customer. We want to encourage participating suppliers to pay the rebate on the gas bill where the customer has a dual fuel account with them. That will enable households with gas heating to use their rebate directly to achieve a warmer home.

Secondly, we will require energy suppliers to report to the scheme administrator Ofgem exactly how many prepayment meter customers have benefited from the rebate. There are situations where prepayment meter customers do not claim the voucher they receive. The proposed change would mean that suppliers report on such instances, with their spending target the following year adjusted upwards accordingly.

Finally, the regulations will set the end of the next scheme year for May 2017, allowing suppliers longer to meet their obligations given the later start this year. While avoiding overlapping scheme years, our intention is eventually to return to scheme years starting in April and ending in March. As with the consultation proposal in general, most respondents agreed with those operational changes.

In conclusion, these amendments to the warm home discount regulations are necessary to help another 2 million households this winter. The changes that we propose to make will mean that suppliers provide assistance to a greater number of low-income families, making the scheme simpler and improving its operation.

2.40 pm

Barry Gardiner (Brent North) (Lab): It is a great pleasure, as always, to serve under your chairmanship, Sir Alan. You are one of the most experienced and knowledgeable Chairs that we have in Parliament, given all your years of service.

Of course, I am very grateful to the Minister for his kind remarks, which I entirely reciprocate. I said yesterday and I will reiterate today in this Delegated Legislation Committee that the new team at the Department of Business, Energy and Industrial Strategy is one of the most thoughtful sets of Ministers, and that has been evidenced in what the Minister has already said to us today, because some of the old shibboleths are being cast aside—we will get to that.

It would be incredible if Opposition Members were to oppose the delivery of this scheme and of course that is not our intention at all; we will not be moving to a vote. However, there are aspects of the scheme that the Minister has alluded to that we need to probe and seek further reassurances from him about.

As of 2014, the latest year for which we have official fuel poverty statistics, 2.38 million households in England were in fuel poverty, which is, of course, more than 10% of all households in England. The old Department, as we must now term it, of Energy and Climate Change estimated that across the UK, using the 10% methodology—whereby a household is in fuel poverty if it spends more than 10% of its income on fuel—an estimated 4.5 million low-income households could not adequately heat or power their homes, and that figure has grown by 500,000 over the last five years. The last recorded figures—also for 2014—show that there were 43,900 excess winter deaths in England and Wales. So the problem that we are discussing today materially affects millions of our fellow citizens and can be fatal for many, many thousands of them. I think the recent “Panorama” report on those 43,900 excess winter deaths said that 9,000 were directly related to a failure to heat homes adequately.

These figures show the huge importance of this scheme and other measures to support the vulnerable. Of course, when my party was in government we legislated to make the initial voluntary scheme compulsory. It was our intention then, when the voluntary agreement came to an end in 2011, to continue the discounts through compulsory support from companies. The amount spent was to be increased, which it was, and the most vulnerable consumers were to be targeted. However, that is where I and my party believe that this scheme is failing, and it would appear from what the Minister has said that he is of like mind.

There are 1.3 million lower-income pensioners targeted in the core group of beneficiaries of the scheme and 800,000 low-income families are in the broader group. By my reckoning, that makes 2.1 million households and, as I have said previously, as of 2014, 2.38 million households were in fuel poverty in England and Wales, as counted using the Government's main methodology. It might seem, therefore, that the scheme is doing well, with 2.1 million out of 2.38 million households served. However, that would be to belie the facts.

The previous Minister in DECC, the right hon. Member for South Northamptonshire (Andrea Leadsom), acknowledged in a written answer to a parliamentary question that we posed on 25 April that only 15% of those 2.38 million households receiving the discount were in fuel poverty. That was a quite startling revelation. Of course, what it shows is that the targeting of this scheme has been absolutely abysmal. We found out in April that DECC tried to redress that. In an exchange

[Barry Gardiner]

between the then Secretary of State, whose constituency I have entirely forgotten, and the Chancellor, the Treasury said that it was

“unconvinced of the need to change a system that works”

and that it

“can’t approve changes to a successful scheme without having a clear idea of how many losers this will create and who those losers will be”.

If one knows that 85% of the scheme is delivering to the wrong people only to express concern about the losers—it is of course right that there is clarity, but it would appear that the Treasury was more concerned with the political impact of getting the scheme right than the health impact of targeting it correctly. That was an error and one that I am delighted to see from the Minister’s remarks that the Government are now looking to overcome.

The previous Minister also stated that the Government may consult later this year on better targeting but in a written answer she said that was

“subject to positive progress on data sharing legislation”.

The Minister went slightly further than that in his remarks, but we need real assurances that this is now a project for his Department, in liaison with his counterpart at the Department for Work and Pensions. For the scheme to address fuel poverty to benefit only 15% is unsustainable. The Minister has said today that he believes that it can be targeted more accurately through data sharing, and that certainly needs to be done.

The Government are also letting energy companies off the hook and I would be grateful if the Minister would look at the situation. Even though the Competition and Markets Authority said that customers were being overcharged by £1.7 billion a year over the past five years, incredibly it would appear that the Government have acquiesced in putting the blame back on to the consumer, saying that people should just shop around and switch more often, and in that way save this money.

There must be a much greater burden put on the energy companies; it should not always be left to the consumer. Yet again, it is the fuel poor, such as pensioners who perhaps do not have internet access and cannot go on switching websites, who have least capacity to redress their situation in the way the Government suggest on the back of the CMA report.

Will the Minister explain why the data on current recipients of cold weather payments are not shared, so that those recipients could also receive the warm home discount? Does the Minister agree that powers should be extended through legislation to enable that? These are families with children under five and people with disabilities. The data on those people should be shared with Ofgem to facilitate these schemes. Households may not even be aware at the moment that they are entitled to these rebates.

The data protection issues that are often cited as the reason sharing does not happen could be overcome by a simple clause authorising data sharing being incorporated into all the benefit application forms. Will the Minister undertake to meet his counterpart at DWP to try to

agree that co-operation—whatever is necessary—to ensure that this scheme does not reach just 15% but 100% of those who need it?

The Chair: Just to be helpful, the former Secretary of State to whom the hon. Gentleman might have been referring is the right hon. Member for Hastings and Rye (Amber Rudd).

2.49 pm

Mr Hurd: I thank the hon. Member for Brent North for his typically thoughtful and constructive response. He is quite right to remind the Committee about the scale and importance of the underlying issue here: far too many people, far too many of our constituents, are still struggling to heat their homes in the right way and to pay their bills. It is a big and very important issue which touches a lot of people’s lives. He is also right to point to the challenge of targeting these schemes in the most appropriate and effective way. I think I made it clear that my instinct on day one in the new job is that there is a lot more to be done to target these schemes at those who most need them.

Of course, we must not fall into the trap of just looking at this issue through the prism of the warm home discount scheme; we need to look at the effect of other schemes, such as the energy company obligation, ECO; the work that the Government are doing to increase competition and to encourage people to reduce their bills by switching, which remains a very valid message; and the bigger picture of what the Government are doing to build a strong economy and reduce taxes on the poorest in society. There are many dimensions to tackling these problems, but better targeting of this scheme and the ECO scheme, focusing on the challenge of fuel poverty, must be part of the future. As the hon. Gentleman indicated—I close by giving him the reassurance that he seeks—the key to that is making the sharing of data easier, so that we get a more accurate picture of where the need is. The lack of that has undermined progress in the past.

As I said, the appropriate Act of Parliament, the Digital Economy Bill, was introduced on 5 July, so it has started its passage through Parliament. It is a Bill that matters a lot to us at the Department, since it will enable greater sharing of data. The hon. Gentleman, as an experienced Member of Parliament, will know, as will all members of the Committee, that there will be a lot of debate about the Bill, because Members will quite rightly be concerned about securing privacy for their constituents, so we cannot be entirely sure about the outcome. That is, in part, why we have tabled these regulations to last for two years. That is the key to facilitating and enabling the next stage we would like to see, which is much more effective targeting of this scheme and ECO at the most vulnerable, so that this assistance is directed at those most in need.

Question put and agreed to.

2.53 pm

Committee rose.