

Still cold

What next for older people in cold homes?



Introduction

Every winter in England and Wales one older person dies every seven minutes from the cold. Many of these deaths could be prevented if all homes were warm homes.

Age UK has calculated that over the last 60 years there have been 2.5 million avoidable deaths among older people in England and Wales due to winter cold.¹ Cold weather causes a massive spike in associated health problems such as heart attacks and strokes and there is a strong relationship between poor insulation and inadequate heating of houses, low indoor temperatures and excess winter deaths among older people.² Cold homes cost the NHS £1.36 billion per year³ – and yet government programmes designed to transform cold homes are still not doing nearly enough to help older people stay warm and well in winter.

Over the last 60 years there have been **2.5 million avoidable deaths among older people** in England and Wales due to winter cold.

The Government has made some progress. The Fuel Poverty (England) Regulations 2014 set a fuel poverty target to ensure that as many fuel poor homes ‘as is reasonably practicable’ achieve a minimum energy efficiency rating of Band C by 2030. This includes interim milestones of as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band E by 2020, and Band D by 2025.

However, Age UK believes that these targets are insufficiently clear – what does ‘reasonably practicable’ actually mean? This will make it impossible to know exactly how many of the 2.35 million fuel poor households in England,⁴ including 1 million older people, will get any help at all over the next 15 years. These targets are also desperately unambitious and they will result in discussion about how to combat fuel poverty continuing beyond 2030, which will be too late, sadly, for many of today’s pensioners.

The twin problems of excess winter deaths and fuel poverty persist because while energy prices have risen by around 150 per cent over the last 10 years,⁵ successive Governments have failed to take effective action to improve the energy efficiency of our housing stock.

The Government's flagship energy efficiency schemes, the Energy Company Obligation (ECO) and the now-closed Green Deal, have not gone nearly far enough. There are 6 million low income homes in the UK with an energy efficiency of Band D or lower,⁶ but only 1.6 million energy efficiency measures have been installed in around 1.3 million homes as of July 2015, and the majority of these were single measures (a new boiler, for example), which are not enough on their own to bring homes up to Band C.

To be as energy efficient as newly built housing, our older housing stock needs more radical treatment, involving whole-house retrofits to bring houses up to Energy Performance Certificate (EPC) Band C or higher. Fitting a new boiler alone

in a home, without installing proper insulation, does not solve the problem of cold and leaky housing.

In this report we examine why ECO and the Green Deal have had insufficient impact. We also share the stories of older people in England who have struggled to access support from government schemes and we set out what the energy efficiency schemes of the future should look like and how we think they should be funded.

At Age UK we believe that no older person should have to worry about the cold and everyone should be able to keep warm and well in winter. A legacy of warm and well-insulated homes would make a significant contribution to enabling everyone – not just older people – to keep warm, well and healthy into the future.

Why isn't the Energy Company Obligation (ECO) working?

ECO puts the responsibility on energy companies to improve energy efficiency and install other measures for customers in vulnerable situations and hard-to-insulate properties. ECO started in January 2013 and runs until March 2017.

Older people who own or privately rent their homes and who are on Pension Credit, or who meet various other criteria set by their energy companies, are able to apply for ECO via their energy suppliers. They can apply to get all or part of the cost of insulation work, for example to their loft or cavity walls, and apply to upgrade or repair their boiler, or get other upgrades to their heating.

However, there are three significant problems with ECO.

Cost

ECO is regressive: consumers pay for it through their energy bills, but it is often low-income households who spend more of their income on energy and therefore end up paying proportionally more of their income for ECO. There is also no way of knowing how much consumers are paying because although suppliers must meet targets for how much they pay out through ECO, they can recover the costs from their customers' bills however they want to, i.e. either as a flat rate or according to energy consumption. There is currently inadequate data from suppliers on the impact of ECO on their customers' bills and there is no cap on what suppliers can charge for ECO.



Inadequate reach

ECO targets different groups of householders through its three different strands of work, but only 57 per cent of ECO is aimed at low income or vulnerable consumers and consumers living in deprived areas, while the remaining 43 per cent can be spent on any consumer, regardless of their need.⁷ Since its inception, over 1.3 million households have benefited from ECO, but most have received only one ‘measure’ and only 5 per cent of the measures being installed are for the homes of low income or vulnerable households.⁸ People living in rural areas and off the gas grid also continue to suffer from a lack of support because their properties are hard to reach and hard to treat (see Lesley and Harry’s story on pages 14–15).

Inadequate scale

When global energy prices rose in November 2013, the Government scaled back ECO, reducing the £1.3 billion scheme by a third and giving energy companies easier and cheaper targets. While this knocked an estimated £50 off the average annual energy bill,⁹ it also led to delivery rates falling and people having to wait longer to have energy efficiency measures installed. As a result, the lowest number of households since 2002 are now set to receive energy efficiency support this winter and next in Britain and, at present rates of delivery, just 1.7 million households are set to get energy efficiency support by 2025.¹⁰



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Why didn't the Green Deal work?

The Green Deal was a scheme that enabled people to take out a loan to fund energy efficiency improvements on their homes and repay the loan via their energy bills. It ran from January 2013 until July 2015.

The Green Deal was known as an 'able-to-pay' scheme because it targeted those who could afford to make a contribution to the cost of improving their homes. The loan they could take out was attached to the electricity meter on the property, rather than the person, meaning that if you sold your property without repaying your loan, the debt would be passed on to the person buying your home.

The Green Deal failed to deliver energy efficiency improvements to a large number of homes. While there were no official Green Deal targets, the Energy and Climate Change Minister at the time, Greg Barker, said in March 2013 that he wanted 10,000 Green Deal plans signed in the first year.¹¹ In reality, 1,612 households had Green Deal Plans in progress at the end of December 2013¹² and only 15,408 homes had Green Deal Plans in progress at the end of August 2015.¹³ In July 2015 the Government announced that it would no longer fund the Green Deal as it was not providing 'value for money for taxpayers'.¹⁴

Evidence from older people, such as the stories told in this report, demonstrates how the design of the Green Deal posed a particular set of problems:

Complexity

The concept of the Green Deal was difficult to understand, especially the idea of the loan being attached to the property rather than the individual. Also confusing was the fact that the loan was governed by the 'Golden Rule', which meant that consumers could not borrow more than they could expect to save on their energy bills when upgrading their homes. The application process itself could be long and it was unfortunately also undermined by providers going out of business (see the stories on the following pages).

Cost

Some older people, particularly those in fuel poverty, had serious concerns about taking on debt in later life, particularly when the payback period was 10 or more years. They were also worried about passing that debt on to the next person who bought their home. The rate of interest charged on Green Deal loans (7 per cent plus charges) seemed a poor deal compared with the interest rates older people receive on their savings and it meant that many energy efficiency measures could not be installed because of the Golden Rule, since households would end up borrowing more than they would save. As a result, many households had to meet part of the cost of energy efficiency measures themselves.

Lack of incentives

The Green Deal took a universal ‘one size fits all’ approach to consumers – regardless of their age or personal circumstances – and failed to explain to people why they needed energy efficiency measures in the first place. All the focus was on the financial side of things, i.e. the loan and how it worked. Given that it was not a financially attractive scheme in the first place and there were no strong incentives to encourage people to improve their homes, it is not really surprising that take-up of the Green Deal was so low.



The rate of interest charged on Green Deal loans seemed **a poor deal compared with the interest rates older people receive on their savings.**

Alicia and Malcolm's story

Alicia, 75, and Malcolm, 77, live in Darlington, in a semi-detached bungalow which has solid walls and was built in the 1930s. They are on Pension Credit. Alicia has a heart condition, asthma and arthritis and Malcolm has angina, conditions which put them at risk of ill health during the winter.

When Alicia and Malcolm first moved in to the bungalow in 2011 it had no central heating. They got funding from the Warm Front Scheme¹⁵ to install a boiler and five radiators, but they had to pay for two extra radiators themselves as the house still wasn't warm enough. They tried several times to get solid wall insulation through the Green Deal but found the costs prohibitive.

'We first heard about the Green Deal in the news. A man came around saying his company could do solid wall insulation and the Government would pay for it. He took photos and said he'd be in touch. He then sent someone to drill the wall – we had to pay £145 plus for that – and then the next we'd heard, the firm had gone bust!

After that, we heard of one company offering to pay up to £4,000 towards heating systems, but then they told us we'd have to pay that ourselves and borrow £800 over 25 years to pay the rest! And we had to pay £1,842 upfront before they'd even started.

We were a bit shocked at the costs to be honest. We just couldn't afford it. Plus, we have to think about if something happens to either of us, where would the money for that come from?

We're OK, we're not in debt. We've never really had big money so we're used to it, but we've given up on getting any help at all now, especially now that the Green Deal's closed.'



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John's story

John, 72, from Hartlepool, lives alone in an end of terrace, four-bedroomed house which was built in the 1860s. The house has solid walls but no insulation. John owns the house and has lived in it for 28 years. He tried several times to access the Green Deal but found it too expensive.

'I applied for the Green Deal through a firm in Stockton that was fitting houses in Hartlepool with solid wall insulation. I thought it'd make a great difference because this house in the winter is freezing. A guy came along, measured up, went away, and I didn't hear anything for ages.

Finally I had a message from someone else saying that the firm had gone bust. So I looked around, my gas company only wanted to do cavity walls, so it was a couple of years later when a woman down the street had her solid walls done. I asked her who was doing it and I went down to see them, filled in some forms, then a guy came along to measure up and it was the same guy from the previous company!

After that I didn't hear anything for a year and a half. The thing is, I would've had to pay for it all myself anyway and they said I might get a small rebate or something. I would have expected to have paid between £10,000 and £12,000 which I simply don't have.

Last year I had shingles and was confined to the house for nine months. I had the heating on a lot to stay comfortable, which means my bills are now horrendous – I'm paying £240 a month.

I've got various things wrong with me – Type 2 diabetes, arthritis in my spine and ribs, high blood pressure, sleep apnoea... You know I'm 72 and I'm not getting any younger. I try and look after myself all the time and I've still got all my faculties, but if you're not warm, your thoughts get muddled and you can't function properly.'

Gordon and Margaret's story

Gordon and Margaret, both 77, live in a three-bed, semi-detached house that was built around 1963. They rent their house and have been there since 2010. Gordon has a heart condition and arthritis and Margaret has an irregular heartbeat. They recently tried to access the Green Deal but were unconvinced by what was offered to them.

'We had cavity wall and loft insulation fitted through a council scheme when we first moved in, but we didn't qualify for a new boiler through ECO because we're not on Pension Credit. Our boiler's thirty years old and not very efficient. I mean it's OK, but it needs replacing really. But we're just over the threshold financially to get it done for free, so we thought we'd try the Green Deal.

I was watching this TV advert about the Green Deal, I contacted the number and found it difficult to find out who in the area actually did it. Eventually I got a number for a firm near Sheffield.

They were here for an hour altogether and then a couple of weeks later we got this report. It didn't say anything at all about the boiler but talked about the floor. They said that if the floor was replaced – it's solid – it would be warmer. I thought, well a

new floor might help a little bit, but the main problem was the heating, not the floor! And it was going to be one hell of a job moving everything out of here to do the floor – it didn't make a lot of sense.

To go ahead with it there was an upfront fee of £100 or so, so I just dropped it, I thought it's not going to do what we really need. A new boiler would be much more efficient than the one we've got and not do as much damage to the environment, but the boiler didn't come into the report.

I felt like our time was completely wasted. The chap who came around was fine, but no one told us properly about the Green Deal. The scheme just didn't seem to work.'

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**'I felt like our time was
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‘Once you’re immobile you feel the cold quickly.’
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Lesley and Harry's story

Lesley and Harry, both 65, live in the north Pennines in a detached, stone-walled cottage that was built in the 1700s and is off the mains gas and electricity grids. They rely on a multi-fuel stove, a log-burning stove, a small generator and a small wind turbine for their energy needs.

'We've got stone walls and one cavity wall, but we've not got any cavity wall insulation because when anyone rings you about grants, they say they can only do the whole house or nothing. And we've been inundated with calls for grants but none of them are for people who are off-grid. We were offered free solar panels too, but as soon as they found out we were off-grid the offers just disappeared.

Cost-wise, it's very expensive. We've got two small private pensions but we're not well off. We put in a small, domestic wind turbine 16 years ago, which cost us £3,000. We had no help buying the generator, which cost us around £5,000, and if there's a problem with it we have to pay up to £400 for it to be serviced. And the minimum order of diesel for the generator is £400.

We fill the stove up two or three times a day, so we buy 10 bags of solid fuel to burn in the stove which costs us £180 a month. We also buy bundles of logs for the other stove at £40 each. Every day, you're carting a load of logs and putting them in the shed. You have to do a lot of bending and lifting.

If it's really cold in the house we tend to stay in one room. We've found these last two or three years, it's got harder. What wasn't a problem 10 years ago is now – with my arthritis, particularly in the morning I can hardly walk about and I'm quite miserable.

If you can keep yourself warm you do feel a bit better. But once you're immobile you feel the cold quickly. I have a lot of physical problems, but the bottom line is you just have to keep going.'

What next for ECO?

ECO ends in March 2017, meaning that there is now a genuine opportunity to reform the scheme to ensure that it reaches far more older people on low incomes who are living in cold homes.

Age UK is calling on the Government to ensure that going forward, an energy efficiency scheme for those who cannot afford to pay for energy efficiency improvements should:

1. Target low income households, not just the fuel poor

Targeting only fuel poor households entails a complex and intrusive gathering of household data, slowing down the process and raising the administrative cost of any intervention. Targeting low income households is easier and would still help many of the fuel poor. Increased data-sharing between Government departments, energy suppliers and local authorities, would help to identify fuel poor and low income households more effectively.

2. Carry out whole-house retrofits

To be successful, an energy efficiency programme needs to make all of our existing housing as energy efficient as today's newly built housing. It is more cost-effective (and only marginally

more disruptive) to carry out whole-house improvements to deliver one improvement at a time – a policy which inevitably entails repeat visits to the same homes.

3. Have more ambitious targets

The Fuel Poverty (England) Regulations 2014 set a fuel poverty target to ensure that as many fuel poor homes 'as is reasonably practicable' achieve a minimum energy efficiency rating of Band C by 2030 and interim milestones of as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band E by 2020, and Band D by 2025. We believe that these targets need to be far more ambitious and aim to bring 2 million UK low income homes up to EPC Band C by 2020 and all 6 million low income homes up to EPC Band C by 2025.

A **clear, identifiable levy** would help consumers understand what they are paying for.

4. Transform the supplier obligation into a clear levy on people's energy bills, supplemented with funds from capital or infrastructure spending

Currently ECO is regressive and consumers have no way of knowing how much they are paying or whether suppliers are passing on any cost savings to them. A clear, identifiable levy would help consumers understand what they are paying for. However, the money ECO currently raises is not enough for an ambitious energy efficiency scheme, so a levy must be supplemented by capital or infrastructure budgets to create a central pot of money. To achieve this, energy efficiency must be made a national infrastructure priority.

5. Use the money to fund locally-led, area-based energy efficiency programmes

Since housing development has largely happened area by area, it is possible to focus on the places where there are a lot of energy inefficient homes, i.e. by identifying rural properties that are off the gas grid, houses with solid walls, or those built before 1945. Age UK believes that this kind of approach is most successful and cost-effective when delivered locality by locality, street by street, with the leadership of councils and the support of local communities. Given that fuel poverty is such a cross-cutting issue, a successful scheme must bring together a lot of players, among them local public, private and third sector partners working on public health, housing, income support and energy efficiency.

What next for the Green Deal?

The Green Deal scheme closed abruptly in July 2015 and there has been no discussion yet about its replacement. Now is the time to design a new scheme that would improve the energy efficiency offer and the support available to 'able-to-pay' households.

Age UK is calling on the Government to replace the Green Deal with a new scheme that would:

1. Bring homes up to EPC Band C or higher

The average EPC rating of homes in England and Wales is currently D, but to reach a good level of energy efficiency¹⁶ homes need an EPC of Band C or higher. This means installing as many energy efficiency measures as required to bring homes up to this standard and allowing customers to breach the Golden Rule, if necessary, in favour of whole-house improvements.

2. Be financially attractive

An able-to-pay scheme must be financially attractive, have low interest rates and short payback periods. Because of its high rate of interest the Green Deal did not provide people with enough of a net saving and could not compete with mortgage finance or personal loans. Having low interest rates would also enable shorter repayment periods, which could allay many older people's concerns about taking on debt in later life, thereby risking passing it onto future homeowners. It would also be sensible to make available other sources of finance for energy efficiency improvements as a package within an approved scheme, such as conventional loans or mortgages.

An able-to-pay scheme must be **financially attractive, have low interest rates and short payback periods.**

3. Offer better financial incentives

The Government could introduce a financial incentive for consumers to make energy efficiency improvements at a key trigger point: when buying and selling their homes. For example, the Government could pilot a scheme whereby homeowners who made their homes more energy efficient before selling them would pay less in stamp duty on the home they are buying, or receive a discount on council tax. There could also be incentives for whatever community or statutory local agency is proposing the scheme, as well as for the householder themselves.

4. Convince people of the benefits of energy efficiency

Many people remain unconvinced by the concept of energy efficiency because it is seen as complicated and disruptive. A new scheme needs to enthuse people by promoting energy efficiency improvements as a positive way to improve their lifestyles, health and wellbeing, not just as an investment opportunity.

Conclusion

Every winter tens of thousands of older people in the UK experience ill health or even die as a result of the cold. Shockingly, these are preventable tragedies.

At the root of these problems are cold, badly insulated homes. Other, much colder countries have significantly lower excess winter death rates than the UK, largely due to their better insulated homes. However, with proper insulation and energy efficiency measures nearly all of our homes could be made much warmer.

Cold weather increases health problems among older people and, coupled with high energy bills, results in around 1 million older people risking their health because they are unable to afford to heat their homes adequately.

The Government has acknowledged the problem and published its fuel poverty strategy, but the targets attached to it are far too timid in Age UK's view and will mean relatively few of today's older people stand to benefit.

To help more older people and to drive forward an ambitious energy efficiency programme, we need the Government to make energy efficiency a national infrastructure

priority and commit to bringing 2 million UK homes where the household is living on a low income up to EPC Band C by 2020 and all 6 million such homes up to EPC Band C by 2025.

Unfortunately, these targets cannot be met with the Energy Company Obligation (ECO) in its current form, as it lacks the reach, scale and stability required. There is now a genuine opportunity to reform ECO to ensure that it reaches many more people in need and Age UK has set out its recommendations in this report.

Following the closure of the Green Deal in July 2015, we also need a financially attractive scheme for those who can afford to make a contribution to making their homes more energy efficient. This must genuinely engage and incentivise consumers to get on board in a way the previous scheme clearly failed to do. At Age UK, we believe that everyone should be able to keep warm and well in winter, both now and into the future. It's time to get our act together on energy efficiency in this country.



Notes

- 1 Age UK analysis of ONS excess winter mortality statistics 1953/54 to 2013/14
- 2 The Marmot Review Team (2011), *The Health Impacts of Cold Homes and Fuel Poverty*, London: Friends of the Earth
- 3 Age UK's calculation based on the method described in South East Regional Public Health Group Factsheet (2009) *Health and Winter Warmth*. This made use of a calculator produced by the Chartered Institute of Environmental Health to estimate the total cost to the NHS in England arising from cold homes. Age UK updated its figure (£859 million) using 2011 household numbers estimates for England (Office for National Statistics) and the GDP deflator (from HM Treasury's website) to inflate the estimates to 2011/12 prices
- 4 Annual Fuel Poverty Statistics Report, 2015, DECC. Occupancy is averaged at 2 persons per 60+ household
- 5 <http://www.uswitch.com/gas-electricity/guides/gas-electricity-prices/>
- 6 *An end to cold homes: One Nation Labour's plans for energy efficiency*, 2014, Labour Party
- 7 *A Local Approach to Energy Efficiency*, 2015, Which?
- 8 *Left out in the Cold*, 2015, Association for the Conservation of Energy
- 9 DECC, November 2014, *Estimated impacts of energy and climate change policies on energy prices and bills*
- 10 *Left out in the Cold*, 2015, Association for the Conservation of Energy
- 11 Greg Barker, 2013
- 12 *Domestic Green Deal and Energy Company Obligation in Great Britain*, Monthly report, January 2014, DECC
- 13 *Ibid.*
- 14 DECC, 2015, <https://decc.blog.gov.uk/2015/07/23/changes-to-green-home-improvement-policies-announced-today/>
- 15 The Warm Front scheme was a Government-funded initiative which was designed to make homes warmer, healthier and more energy efficient. Grants of up to £3,500 were available for insulation and heating improvements and open to qualifying homeowners and tenants who lived in England. The scheme ran between June 2005 and March 2008
- 16 *Building the Future: The economic and fiscal impacts of making homes energy efficient*, 2014, Energy Bill Revolution, Verco and Cambridge Econometrics



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any help at all now,
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Age UK's campaign for warm homes is calling on the Government to reform its energy efficiency programmes to enable all older people in England to live in a warm home.

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