Chartered Institute of Housing response to Ofgem's affordability and debt call for input

Introduction and summary of our response

The Chartered Institute of Housing (CIH) is the professional body for people who work or have an interest in housing. We warmly welcome the programme of work that Ofgem has instigated to explore how to improve outcomes for consumers in the energy market.[1]

In our response, we focus primarily on how energy affordability and debt issues are being experienced in the approximately 4.5 million rented homes in the social housing sector.[2] Although CIH works across the entire housing sector, a significant proportion of our members work in social housing, especially in housing associations and local authorities. CIH consults regularly with our members, and we have also undertaken specific pieces of work with smaller groups of key members to better understand the challenges they are facing in improving energy affordability for their residents.

We have used the insights gathered through this engagement to inform this response, and we will continue to harness the experience and expertise of our members to support Ofgem's work in this area. We do this, not because we think that social housing residents should necessarily be prioritised by Ofgem interventions and regulation, but because **examining the social housing sector's experience in detail shines a light on broader drivers of energy affordability and debt in Great Britain. By exploring in detail, the drivers of the affordability issues affecting housing associations, local authorities, and their residents, we aim to evidence the following key points**:

- **Persistently low household incomes, low levels of savings and financial resilience, and the inadequacy of the benefit system are fundamental drivers of energy affordability and debt.** To tackle energy affordability and reduce debt, action is required from government to boost incomes and improve the protection offered by the social security system.
- **Ill-health, disability, and issues of energy affordability and debt exist in a destructive, mutually reinforcing cycle**. (Fuel) poverty leads to increased ill-health, which in turn makes it more likely for an individual or household to fall into deeper (fuel) poverty. The negative health and wellbeing outcomes of energy unaffordability and debt are therefore severe, both for individual residents and in terms of costs to the NHS and wider society.

[1] CIH has responded separately to Ofgem's consultations on standing charge reform and involuntary prepayment meters.
[2] Regulator of Social Housing (2023) Annual social housing sector stock and rents statistics.

- Research undertaken in the social housing sector has shown that **prepayment meter users are particularly susceptible to high interest borrowing for the specific purpose of paying energy bills**. This shows that energy unaffordability does not just lead to energy debt - it leads to wider forms of high-risk debt that can be extremely harmful for individuals and households. This underlines the need for energy suppliers to have a coherent and holistic debt recovery strategy that addresses the total indebtedness of priority debts.
- The **key drivers are exacerbated by wider issues** of the energy inefficiency of domestic housing, the high costs of housing and other essentials, heating type, and – of course – the persistently high price of gas and electricity.
- While we do not wish to speculate without clear evidence, **it is likely that these drivers will persist without significant policy and regulatory intervention**. Furthermore, while we have set out below some of the actions that we feel Ofgem can take to tackle energy affordability and debt, **the 'drivers of the drivers' are often located outside of energy policy, at least defined as the remit of Ofgem and DESNZ**. These issues therefore fundamentally require cross-departmental strategies that engage with all relevant government departments and regulatory bodies, at both national and devolved levels. We have set out the actions we feel DESNZ, and wider government, should prioritise within these strategies in our response to question two below.
- **There are numerous examples of good practice in the social housing sector on supporting residents with debt and affordability issues.** This includes providing support for residents with complex needs and service requirements (e.g. people with learning disabilities, in prison, hospital, and care leavers). In Table 2, we have summarised the main policies and practices that social housing providers have developed, and how they could be transferred to the energy retail sector.

Based on this evidence, we have set out priority actions that we feel Ofgem, and government must take to begin to tackle energy affordability and debt once and for all. These are:

Ofgem

- Continue work to distribute the fixed costs of energy supply and distribution more fairly through standing charge reform, especially for prepayment metered customers.
- Examine how price cap allowances to service debt could be used to directly write off customer debt, and consider mandating the use of some of the debt allowance for this purpose.
- Ensure that energy suppliers follow good practice in debt recovery, and have a coherent and holistic debt recovery strategy that addresses the total indebtedness of priority debts.

- Work with the Regulator of Social Housing and respective sector bodies to research and facilitate the sharing of good practice between the energy retail sector and the social housing sector.

DESNZ

- Revive and consult on proposals for enhanced consumer protection in the energy market, including a social tariff, and set out a timeline for its implementation.
- Implement a Help to Repay scheme, of the kind developed by Money Advice Trust, to begin to bring down debt in the energy retail sector.
- Accelerate the delivery of clean heating and energy efficiency measures, with a particular focus on fuel poor homes.
- Accelerate work to make clean energy affordable for all, especially through the Review of Electricity Market Arrangements, rebalancing gas and electricity levies, increasing clean energy generation, and confirming the continuation and expansion of the Green Heat Network Fund and Heat Network Efficiency Scheme, to improve the affordability of heat networks.

Wider government

- Ensure the basic rate of benefits cover life's essentials and support never falls below. This would be best accomplished by the introduction of an Essentials Guarantee, the level of which would be set and reviewed annually by an independent process.
- End the two child limit and benefit cap, which are a major contributory factor to low household incomes and the inadequacy of the welfare system, and therefore to energy unaffordability and debt.
- Reduce the long term cost of housing through investment in social housing, which will increase the number of people who can benefit from below-market rents, free up household budgets for spending on energy costs, and reduce the impact of soaring private sector rents on fuel poverty levels.

Below we have provided responses to those questions in the call for input to which we can give an informed and evidence based response. We would welcome the opportunity to discuss any of our submission with Ofgem if it would be helpful.

April 2024

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Responses to call for input questions

Q1. What are the key drivers of energy affordability challenges and how do we expect those to change in the future?

Our starting point here is that the key drivers of energy affordability are dynamic and subject to considerable fluctuation. The traditional view of fuel poverty, which is still reflected in how the government approaches national fuel poverty statistics, is that it is primarily driven by energy prices, household income, and the energy efficiency of homes.[3] In its most recent statistics, DESNZ has acknowledged that rising housing costs have also played a significant role in increasing fuel poverty.[4] More broadly, the Warm Homes and Energy Conservation Act 2000 states that "*for the purposes of this Act, 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*."[5] This emphasises the centrality of household income as a key driver of energy affordability, which we will return to momentarily.

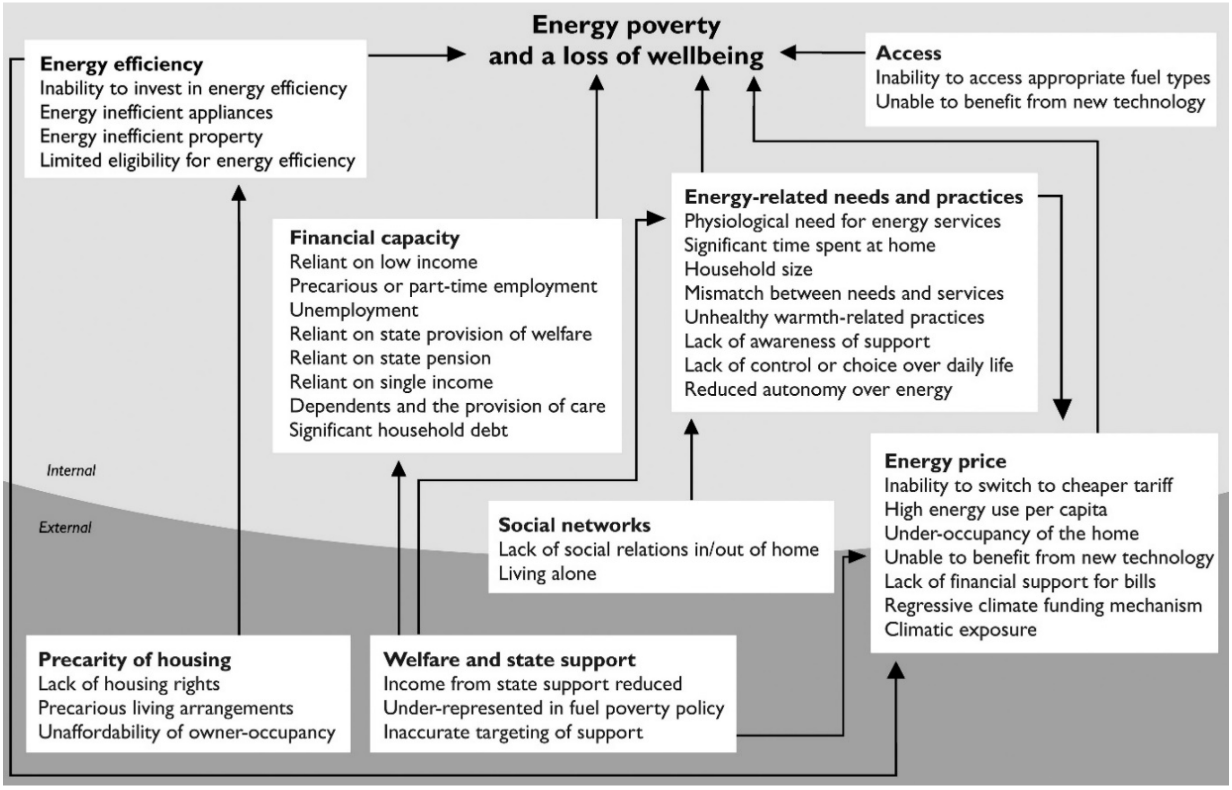

Figure 1 Energy affordability and poverty. The diagram maps out vulnerability factors that are both internal and external to the home that give rise to energy affordability and poverty. Reproduced from footnote 7.

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[3] DESNZ (2024) Annual Fuel Poverty Statistics in England, 2024 (2023 data), p.2.
[4] DESNZ (2024) Annual Fuel Poverty Statistics in England, 2024 (2023 data), p.2.
[5] Warm Homes and Energy Conservation Act 2000.

However, Ofgem's Vulnerability Strategy is correct to recognise that a number of factors influence energy affordability.[6] This includes issues located outside the energy market, such as a rise in zero hours contracts. This is consistent with academic research that has defined energy (un)affordability as dynamic; it needs to be thought of in a more holistic way alongside other issues that are both external and internal to the home (see Figure 1). This research underlines that "*low incomes, high energy prices, energy inefficiency within the built environment, above-average energy needs, inflexibility and precarity concerning living arrangements, a lack of social networks, and unhealthy energy-related practices in the home*" all affect energy affordability and poverty, and lead to negative health and societal impacts.[7]

Many of these factors are significant to shaping energy affordability in the social housing sector, particularly (but not exclusively) following the unprecedented rise in wholesale energy prices, and its subsequent impact on Ofgem's default tariff price cap. Research from the sector has identified the impacts of this:

- After food bills, electricity (63 per cent) and heating (60 per cent) bills were the most common bill that residents at one housing association struggled to pay in summer 2022, according to a survey.[8] When residents were asked how they would cope with the rising energy costs, 37 per cent said they were not going to use their heating at all.
- One in four households living in social housing last winter (2022/23) did not heat their homes for a period of at least one week, according to data gathered by Switchee.[9]
- Recent research by the housing association Orbit suggested that 60 per cent of their residents are paying more than 10 per cent of take-home pay on energy costs.[10]
- In a survey undertaken in August 2023 by Community Housing Cymru, difficulty affording their energy bills was the main reason residents contacted their housing association for help and support.[11]
- Evidence we have gathered from CIH members also points to an increase in the number of social housing residents seeking help with their energy bills. Some of our members have had more requests to support tenants who cannot clear standing charge debt on their prepayment meters, even when they do not use the supply at all.

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[6] Ofgem (2019) Consumer Vulnerability strategy, p.27-28.
[7] Robinson, C. et al. (2019) The Spatially Varying Components of Vulnerability to Energy Poverty, *Annals of the Association of American Geographers*.
[8] Letter from social housing providers to Lord Callanan and Amanda Solloway MP (2023).
[9] Switchee (2023) Housing Fuel Poverty Index.
[10] Orbit (2023) Working with customers to make net zero carbon a reality.
[11] Community Housing Cymru (2023) Cost of Living Report: October 2023.

In the following subsections we explore the drivers behind these statistics. While we cannot give a fully informed view on how these drivers will change in the future, and do not wish to speculate unnecessarily, the subsections also provide some evidence on this part of the question. We do this not because we think that social housing residents should necessarily be prioritised by Ofgem interventions and regulation, but because **examining the social housing sector's experience in detail shines a light on broader drivers of energy affordability and debt in Great Britain.**

The main drivers of energy affordability in the social housing sector

Household income, benefit levels, and financial resilience

Government fuel poverty statistics have consistently shown that social housing residents have a much lower household income (after housing costs, equivalised) than other tenures. Its latest statistics show that social rented households have a median income of £17,685, compared to £22,692 in the private rented sector and £34,552 in the owner-occupied sector (see Table 1).[12] Analysis in CIH's 2024 annual UK Housing Review similarly shows that local authority (£523) and housing association (£564) residents have a lower average weekly income compared to other tenures (between £600 and £700).[13] To a large extent, this has historically been driven by the way that social housing is allocated. Social housing is primarily targeted at households in the greatest need, and the relative scarcity of social housing means that people on lower incomes are prioritised for allocation, by default. Government proposals to introduce an income requirement as part of reforms to social housing allocations will only serve to further increase the number of low-income households in the social housing sector from its current level.[14]

Tenure	Median Equivalised Fuel Costs (£)	Median after housing costs (AHC), equivalised income (£)	Median Fuel Poverty Energy Efficiency Rating (FPEER)	Median floor area (m2)	Proportion of households within group that are fuel poor (%)	Average Fuel Poverty Gap (£)
Owner occupied	2,331	34,552	68	97	9.2	462
Private rented	2,098	22,692	68	72	24.1	460
Social housing	**1,841**	**17,685**	**72**	**66**	**14.9**	**228**
All households	2,198	28,818	69	85	13.0	417

Table 1 DESNZ fuel poverty statistics, supplementary statistics. Reproduced from footnote 12.

[12] DESNZ (2024) Fuel poverty statistics supplementary tables.
[13] CIH (2024) UK Housing Review, p.186, Table 37a. Figures are from 2021/22.
[14] DLUHC (2024) Consultation on reforms to social housing allocations.

Data from the English Housing Survey from 2021/22 also shows that most social renters fall into three main working status groups: full time work (29 per cent), retired (26 per cent) and other inactive (22 per cent). Social renters were more likely to be economically inactive for reasons such as a long-term illness or disability than other tenures. This means that a significant number of social housing residents receive welfare support. For example, the proportion of social renters who received full housing support in 2021/22 was higher (57 per cent) than for private renters (20 per cent). Of those social rented households in receipt of housing support, 57 per cent received housing support that exactly covered their rent while 43 per cent received housing support which covered part of their rent.[15] Most notably, analysis in CIH's 2024 annual UK Housing Review shows that in 2021/22, 34 per cent of social rented household's gross annual income came from total cash benefits, compared to 10 per cent of all households.[16]

This data indicates that a core driver of energy (un)affordability in the social housing sector is the inadequacy of welfare and benefits levels, relative to the cost of living. The Work and Pensions Committee's recent report into the adequacy of benefit levels presented evidence – both statistical and experiential – that benefit levels are too low, with recipients describing "*difficulties they faced trying to afford everyday living costs such as food and energy for heating their homes*."[17] In addition, data published covering 2023 by Citizens Advice highlighted that 48 per cent of people in social housing who received support from them were in a negative budget, and spending 48 per cent of their income on housing and energy costs.[18] Evidence from the government's Family Resources Survey has also indicated negative impacts on social housing residents, noting for example that households in the social rented sector were most likely to be food insecure and to have used a food bank in 2022/23, compared to other tenures.[19]

Lastly, evidence also shows that social housing residents have lower levels of financial resilience and higher levels of financial vulnerability to living cost shocks. With specific reference to energy, academic researchers have proposed a definition of low energy price resilience to understand the ability of different groups of households to absorb sudden increases in energy prices.[20] They found that compared to individuals who own their home (or have mortgages), living and renting in the social rented sector is associated with a lower probability of energy resilience on average. This is consistent with data from the English Housing Survey, which demonstrated that in 2021/22, social renters were less likely to have savings than other tenures. Those with savings in the social rented sector

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[15] References in this paragraph from English Housing Survey (2023) English Housing Survey 2021 to 2022: social rented sector.
[16] CIH (2024) UK Housing Review, p.187, Table 38a. Figures are from 2021/22.
[17] Work and Pensions Committee (2024) Benefit levels in the UK.
[18] Citizens Advice (2024) Housing data.
[19] Family Resources Survey (2024) Family Resources Survey: financial year 2022 to 2023.
[20] Burlinson, A. et al. (2024) Household energy price resilience in the face of gas and electricity market crises, *Energy Economics*.

also tended to have smaller amounts than other tenures. Specifically, just over a quarter (26 per cent) of social renters had savings, compared to over half of private renters (52 per cent) and just over three quarters (78 per cent) of owner occupiers, and only two per cent of social renters had savings of £16,000 and over, compared to 27 per cent of owner occupiers and 12 per cent of private renters.[21] This arguably makes social renters more likely to fall into energy debt, to borrow to pay their energy bills, and/or to severely cut back on the amount of energy they use in the home, as they are less able to absorb energy prices through the buffer of their savings.

Considered together, this evidence shows that **the core drivers of energy affordability and debt in the social housing sector are low household incomes and financial resilience, especially in the context of inadequate benefit levels, high energy prices, and wider inflationary pressures on the cost of essentials.** This ensured that when wholesale prices began to rise considerably in 2021, and inflationary pressures increased the cost of essentials, social renters were especially vulnerable to not being able to afford their energy bills.

The extent to which this driver will change in the future is fundamentally subject to policy decisions. We have set out some of the actions we think current and future governments should take to improve the statistics in this subsection in response to question two below. If these changes are not made, it is difficult to see how the statistics presented in this subsection will change meaningfully in the future.

Disability and long-term illness

It is now accepted that households with long-term illnesses and/or disabilities often require a higher standard of warmth than other households. This is particularly the case for households containing occupants with respiratory, cardiovascular, and musculoskeletal conditions, as well as mental ill-health.[22] Recognition of this is now enshrined in fuel poverty policies and strategies. For example, Wales' *Tackling fuel poverty 2021 to 2035* defines a 'satisfactory heating regime' as:

> "23°c in the living room and 18°c in other rooms achieved for 16 hours in a 24 hour period in households with older or disabled people. For other households, a temperature of 21°c in the living room and 18°c in other rooms for nine hours in every 24 hour period on weekdays, and 16 hours in a 24 hour period on weekends is considered satisfactory."[23]

This means that, all else being equal, households with long-term illnesses and disabilities need to pay more to maintain the level of warmth required for good health and wellbeing.

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[21] English Housing Survey (2023) English Housing Survey 2021 to 2022: social rented sector.
[22] See for example NEA (2017) Connecting Homes for Health: Phase 1 Review.
[23] Welsh Government (2021) Tackling fuel poverty 2021 to 2035.

This is particularly relevant in the social housing sector. Most notably, the latest English Housing Survey shows that social housing is the tenure with the highest proportion of households containing someone with a disability (56 per cent).[24] In addition, government data from 2021/22 shows that new social housing lettings classified as medical priorities are common, with 26 per cent of priority need lettings associated with medical welfare.[25]

This evidence indicates **that over half of households in the social housing sector need to spend more on energy to maintain good health and wellbeing at home, due to long-term illness or disability affecting at least one occupant.** Put differently, a significant driver of energy (un)affordability in social housing is the higher level of warmth and energy services (e.g. hot water, lighting) that many residents in the sector require. It should also be noted, in reference to income, that disability and ill-health itself can be considered a driver of low household income. For instance, in 2021/22, 31 per cent of disabled people were in poverty, and this was even higher (38 per cent) for people with a long-term, limiting mental health condition. Higher poverty rates for disabled people are partly due to the additional costs associated with disability and ill-health and partly due to the barriers to work they face.[26] Overall, poor health and wellbeing outcomes of energy unaffordability in the sector are severe and mutually reinforcing, both for individual residents and in terms of costs to the NHS.

While we are not aware of figures disaggregated by sector, evidence suggests that national trends in ill-health and disability will change because of our growing and ageing population. For example, research by the Health Foundation states that the number of people living with a major illness is projected to increase by 2.5 million by 2040, almost one in five of the population in England.[27] Many of the illnesses they project to increase in prevalence, such as COPD, dementia, cancer, and diabetes, are exacerbated and/or caused by cold homes.[28] Issues linked to cold homes will play a not insignificant part in these trends, placing considerable pressure on health and social care services.[29] Without rapid action to tackle fuel poverty and energy affordability, cold homes, ill-health, and disability will likely continue to exist in a vicious, recursive relationship.

Payment type

Although the evidence on this is not definitive, approximately four in ten (978,000) social rented homes in England are fitted with a prepayment meter.[30] In Wales and Scotland,

[24] English Housing Survey (2023) Chapter 1: Profile of households and dwellings.
[25] DLUHC (2024) Social housing lettings in England, April 2021 to March 2022: by ethnicity (vulnerable households by priority need).
[26] Joseph Rowntree Foundation (2024) UK Poverty 2024.
[27] The Health Foundation (2023) Health in 2040: project patterns of illness in England.
[28] National Energy Action (2017) Connecting Homes for Health: Phase 1 Review.
[29] Institute of Health Equity (2024) Left Out in the Cold: The Hidden Impact of Cold Homes.
[30] National Housing Federation (2023) Budget 2023: Energy support for housing associations and their residents.

this proportion is higher, with around half of social rented homes in Wales being fitted with a prepayment meter.[31] This is consistent with data gathered by the sector. In 2022, the housing association Peabody found that 37 per cent of their residents used a prepayment meter for either gas, electric, or both,[32] and evidence from the housing association Orbit shows that they have twice as many households (29 per cent) using prepayment meters compared to the UK average (14 per cent).[33]

Research undertaken with their residents by the housing association Peabody in 2022 provides further evidence on the dynamics of prepayment meter usage in social housing.[34] This research showed that:

- **Prepayment meters are a default for many in social housing**. A prepayment meter was already in the home when the resident moved in 56 per cent of the time, suggesting that the presence of a prepayment meter in social housing is more explainable as a default than as a specific outcome of consumer choice or involuntary installation to recover debt.
- **Prepayment meter users were more likely to take on expensive debt to pay bills**. Peabody residents using prepay were equally likely to be in debt with their energy supplier as those using direct debit to pay, but were nine times more likely to have borrowed from a short-term lender specifically to pay for energy bills.
- Despite this, a majority of Peabody residents preferred using prepayment to other methods, as it allowed them to monitor and control energy, pay for what they use and avoid estimate billing, and eschew large monthly or quarterly bills.

A key finding from this work is that **while social housing residents using prepay may not have been more likely to accrue energy debt, they were far more likely to borrow (at high interest rates) specifically to pay for their energy.** This shows that energy (un)affordability manifests as multiple different kinds of debt, not just energy debt, underlining the need for a coherent and holistic debt recovery strategy that addresses the total indebtedness of priority debts (see question seven below). Given that the evidence above tends to show that prepayment meters are the default in social housing, and that they are often preferred by residents, it seems likely that the overrepresentation of prepayment meters in social housing relative to other tenures will persist.

[31] Community Housing Cymru (2023) Permanent ban on prepayment meters now essential alongside new social energy tariff for vulnerable people.
[32] Peabody (2022) Energy, economy, environment: Protecting social housing residents from compounding crises.
[33] Orbit (2023) The cost-of-living crisis.
[34] Peabody (2022) Energy, economy, environment: Protecting social housing residents from compounding crises. For a more general account of experiences of prepayment meter usage during the energy crisis, see Robinson, C. et al. (2023) Testimonies From The Energy Crisis Low income households' experiences of paying for energy in a cost of living crisis.

Other drivers

In addition to the above, we would also note the following drivers as being important.

- **Housing and other essential costs**. DESNZ's latest statistics recognise that rising housing costs are contributing to increases in fuel poverty. They state that some households have seen significant rises in their housing costs which has brought an estimated 51,000 households into fuel poverty.[35] In social housing, rent increases are subject to government policy. In 2017, it was announced that increases to social housing rents would be limited to a maximum of CPI plus one per cent for five years, starting in 2020. After the Covid-19 pandemic and subsequent rises in inflation, most social housing residents were given a rent increase of 4.1 per cent in April 2022, the largest rise in a decade. Rent increases were then capped at seven per cent in 2023/24, a below inflation increase that was necessary to protect residents.[36] These increases, combined with broader rises in essential costs due to inflationary pressure (especially food, see Figure 2), have been a significant driver of energy affordability in the social housing sector. We would also note that these increases have been far lower than rents in the private rented sector, and that a lack of social housing supply has been a significant contributory factor to soaring private rented sector rents.
- **Energy efficiency**. The energy efficiency of social homes is generally higher than homes in the owner occupied and private rented sectors (see Table 1). However, there are still a significant number of social homes with EPC ratings of Band D or worse. DESNZ's latest statistics put this number at approximately 1,075,000, the vast majority of which are EPC Band D.[37]
- **Heating type**. Previous evidence suggests one in 12 social housing residents are part of a heat network, compared to one in 25 households nationally.[38] Most heat networks have never been subject to a price cap or a regulatory regime, and heat network users subsequently experienced very large energy bill rises following increases in wholesale prices. For some, there is evidence that this was as high as 700 per cent.[39] As of April 2024, the Heat Trust has found evidence of prices of between 50p/kWh and 80p/kWh, which could equate to bills of over £5,000 per year for heating alone.[40] Given the growing number of people who will be connected to heat networks in the coming years, it is essential that there is adequate protection from these issues. We have a persistent concern that

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[35] DESNZ (2024) Annual Fuel Poverty Statistics in England, 2024 (2023 data), p.2.
[36] See House of Commons Library (2022) Rent setting: Social housing (England).
[37] DESNZ (2024) Fuel poverty statistics detailed tables.
[38] Social Market Foundation (2023) We can't keep heating like this: A fairer deal for heat networks.
[39] Social Market Foundation (2023) We can't keep heating like this: A fairer deal for heat networks.
[40] Heat Trust (2024) Heat Trust calls for action as support ends for 500k households left out of energy bill cap.

connecting customers to heat networks through the zoning process could increase running costs for residents relative to the gas systems they replace.
- **Fuel costs.** As with all households across the country, the primary driver of energy (un)affordability in social housing in the last three years has been the soaring cost of wholesale gas and electricity prices. We will not recite the evidence for this here, which is well-known and will be better articulated by others.

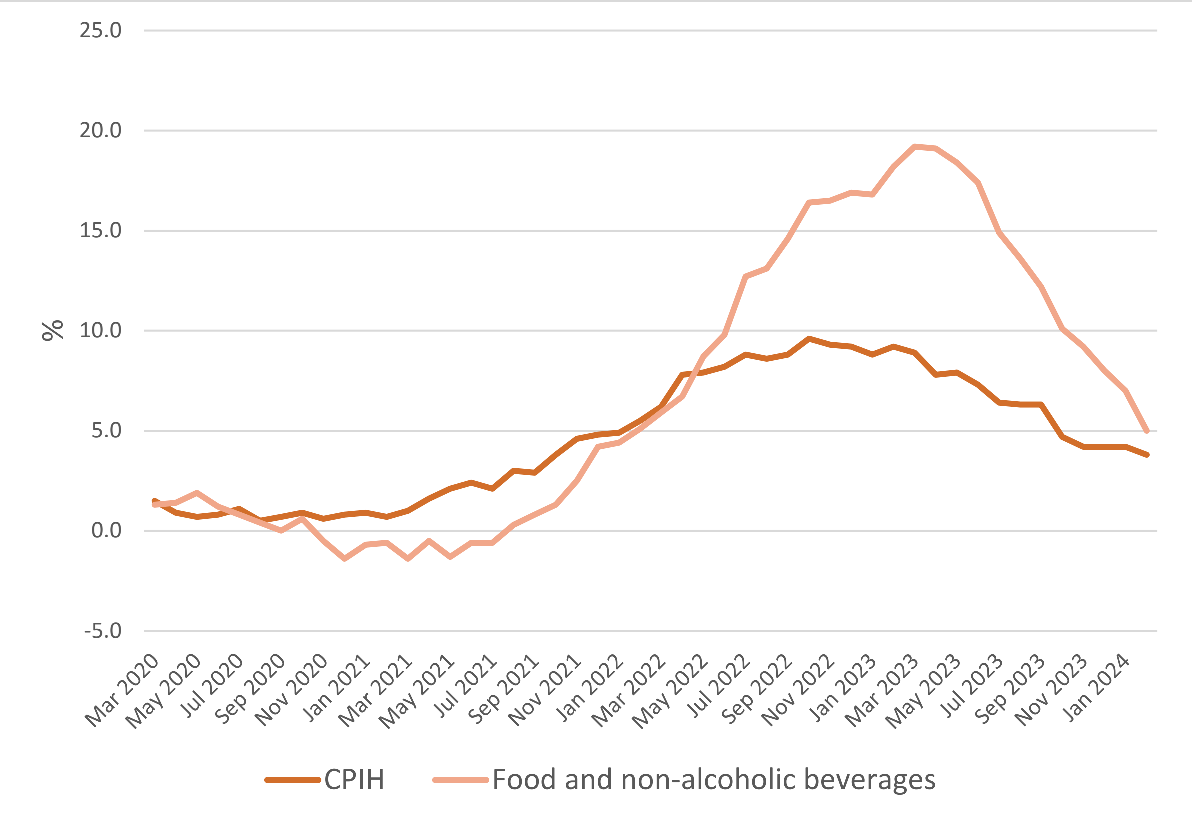

Figure 2 CPIH, and food and non-alcoholic beverages annual inflation rates, UK, March 2020 to January 2024. Source: ONS (2024) [Consumer price inflation, UK: February 2024](#).

Summary

The evidence presented above shows that:

- The core drivers of energy (un)affordability and debt in the social housing sector are low household incomes, low levels of financial resilience, and the inadequacy of state welfare.
- While difficult to forecast accurately, the evolution of household income is fundamentally subject to government policy decisions, especially on welfare policy.
- These drivers are exacerbated by over half of social rented households likely needing to heat their homes to a higher temperature to maintain good health and wellbeing at home, due to long-term illness or disability. Furthermore, without

rapid action to tackle fuel poverty and energy affordability, cold homes, ill-health, and disability will likely continue to exist in a vicious, mutually reinforcing cycle, adding to a rise in disability due to our growing and ageing population.

- There is limited evidence that prepayment meter users in social housing are disproportionately experiencing energy debt, but some evidence that they are resorting to high interest borrowing specifically pay for their energy. This highlights how issues with payment type contribute to wider forms of debt, not just energy debt. Prepayment prevalence in the social housing sector is also likely to remain higher than other tenures in the future.
- As with all households, the energy efficiency of the home, housing and other essential costs, heating type, and fuel costs have played an important role in shaping energy affordability and debt in the sector.
- Notably, the 'drivers of the drivers' are often located outside of energy policy, at least defined as the remit of Ofgem and DESNZ. Welfare policy is set by the Department for Work and Pensions (DWP), and social housing allocations policy and rent policy (as well as social housing policy more broadly) is set by the Department for Levelling Up, Housing and Communities (DLUHC). This means that tackling energy (un)affordability and debt requires a cross-government and cross-regulatory approach.

Q2. What options should be explored to tackle energy affordability?

There are three groups of options that must be explored to tackle energy affordability. These are:

- Options that could be implemented by Ofgem
- Options that could be implemented by DESNZ
- Options that could be implemented by wider government, especially DLUHC and DWP.

These options are not mutually exclusive. In addition, the evidence presented in the previous subsection supports the conclusion of National Energy Action's latest fuel poverty monitor, that cross-departmental strategies are essential to effectively tackling energy affordability. In their words:

> "It is not sufficient to have plans that sit solely within a single department. Fuel poverty spans energy, income, housing, and health policies so all new and refreshed fuel poverty strategies should be put together on a cross-departmental basis, including at least the relevant departments with responsibility for energy, housing and health."[41]

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[41] National Energy Action (2024) Fuel poverty monitor, 2022/23, p.43.

While we therefore present the options below as individual items, they must be brought together in a cross-departmental strategy that engages with all relevant government departments and regulatory bodies. We note from the consultation document that Ofgem may consider making recommendations for other actors, especially government, and present options for both Ofgem and government for this reason.

Options that could be implemented by Ofgem

- **Continue work to distribute the fixed costs of energy supply and distribution more fairly through standing charge reform, especially for prepayment metered customers.** CIH has responded separately to Ofgem's call for input on standing charge reform,[42] and supports action to allocate standing charges more fairly. We feel that the ideal outcome here is for standing charges (and/or unit rates) to be pegged to consumption. This would mean very low consumers would pay a proportionately smaller network cost, with high consumers – those who place the most demand on the energy networks – paying proportionately more.
- **Examine how price cap allowances to service debt could be used to directly write off customer debt, and consider mandating the use of some of the debt allowance for this purpose.** We are aware that suppliers collect between £1 billion and £1.5 billion through price cap allowances to service debt, and that the majority of this funding goes towards servicing debt. It is unclear whether any of these allowances are directly allocated to reducing debt costs.[43]
- **Ensure that energy suppliers follow good practice in debt recovery, and have a coherent and holistic debt recovery strategy that addresses the total indebtedness of priority debts.** Our evidence shows that energy unaffordability and debt do not just result in increased levels of energy debt; they contribute to debt across multiple financial domains, especially through high interest borrowing. Energy suppliers should be encouraged and, if necessary, mandated to follow good practice in the debt advice and recovery sector. We have set out some more details on this in response to question seven below.
- **Work with the Regulator of Social Housing and respective sector bodies to research and facilitate the sharing of good practice between the energy retail sector and the social housing sector.** In response to question seven below, we have set out how existing practice in the social housing sector could be transferred to the energy retail sector. We would welcome Ofgem instigating a dialogue with the Regulator of Social Housing and respective sector bodies to facilitate the sharing of good practice between sectors.

Options that could be implemented by DESNZ

[42] CIH (2024) Chartered Institute of Housing response to Ofgem Standing Charge Review Call for Input.
[43] NEA (2024) Debt and affordability briefing.

- **Revive and consult on proposals for enhanced consumer protection in the energy market, including a social tariff, and set out a timeline for its implementation.** CIH supports the introduction of a social tariff in the energy market, and we have published a prior report in July 2023 that articulates the possible benefits of a social tariff for the social housing sector and its residents.[44]
- **Implement a Help to Repay scheme, of the kind developed by Money Advice Trust, to begin to bring down debt in the energy retail sector.** It is clear that existing energy debt has now reached an unsustainable level that is unlikely to ever be repaid through usual recovery mechanisms. The introduction of a payment matching scheme of the kind developed by Money Advice Trust would help clear debts in the sector faster, which would result in better outcomes for both suppliers and customers.[45]
- **Accelerate the delivery of clean heating and energy efficiency measures, with a particular focus on fuel poor homes.** Any occupant of an energy inefficient home is at risk of experiencing energy insecurity and fuel poverty. The best and most impactful action that government can take to improve energy affordability is to drive the public and private investment that is needed to decarbonise our homes.[46]
- **Accelerate work to make clean energy affordable for all, especially through the Review of Electricity Market Arrangements, rebalancing gas and electricity levies, increasing clean energy generation, and confirming the continuation and expansion of the Green Heat Network Fund and Heat Network Efficiency Scheme to improve the affordability of heat networks.** The transition to net zero must be fair, affordable, and accessible to everyone, including households on the lowest incomes and living in social housing. Despite their efficiency advantages, the cost of running heat pumps and other low-carbon heating technologies is sometimes difficult to afford for millions of households, especially in an era of volatile and high energy prices. Driving down the price of clean energy is therefore critical to ensuring that it is accessible to all.[47]

Options that could be implemented by wider government, especially DLUHC and DWP

- **Ensure the basic rate of benefits cover life's essentials and support never falls below. This would be best accomplished by the introduction of an Essentials Guarantee, the level of which would bet set and reviewed annually by an independent process.** Universal credit and legacy benefit headline rates are not based on any objective rationale or assessment of need. This has left universal credit's basic standard allowance at the lowest level it, or its equivalents, have

[44] CIH (2023) A social energy tariff: the benefits of energy market reform for the social housing sector.
[45] Money Advice Trust (2024) Help to Repay proposal.
[46] See CIH (2023) Homes at the Heart: A Strategy for Housing, p.17-18, for more details.
[47] See CIH (2023) Homes at the Heart: A Strategy for Housing, p.19-20, for more details.

been in 40 years. Meanwhile, various policies can reduce income below these low headline rates. Collectively, these issues mean universal credit does not cover essential needs for many people and the shortfall is a significant driver of energy unaffordability. Adopting the 'Essentials Guarantee', developed by the Trussell Trust and Joseph Rowntree Foundation, would ensure that the core rate of universal credit at least covers people's essentials, including energy costs, and guarantee that reductions, such as the benefit cap or debt repayments to government, can never pull support below that level.[48]

- **End the two child limit and benefit cap, which are a major contributory factor to low household incomes and the inadequacy of the welfare system, and therefore to energy unaffordability and debt.** The two-child limit and benefit cap purposefully reduce a household's benefits below the already inadequate levels of benefit income. Removing the two-child limit would pull 250,000 children out of poverty overnight while 850,000 children would be in less deep poverty.[49] Removing the benefit cap would substantially reduce the depth of poverty for the 250,000 children living in families affected by the cap.[50] Given the impacts of cold homes on the health and wellbeing of children, these actions would particularly reduce the impact of energy unaffordability on the prevalence of cold-related illness in children.
- **Reduce the long-term cost of housing through investment in social housing, which will increase the number of people who can benefit from below-market rents, free up household budgets for spending on energy costs, and reduce the impact of soaring private sector rents on fuel poverty levels.** Currently, the supply of new social homes in England lags far behind the numbers needed - falling by 85 per cent since 2010.[51] The investment required is far above current investment levels but will be partly offset by substantial savings in the housing benefit costs of low-income residents being able to move out of the private sector, by NHS savings through lower levels of cold-related illness, and by reducing and eventually removing the need to use expensive, private sector temporary accommodation. Research by the National Housing Federation and Shelter found that building 90,000 social rent homes could add £51.2 billion to the economy over the next 30 years, and that the investment would break even after three years.[52]

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[48] JRF (2024) Guarantee our Essentials: reforming Universal Credit to ensure we can all afford the essentials in hard times.
[49] CPAG (2023) Official statistics reveal 1 in 10 children hit by two-child limit.
[50] CPAG (2023) The benefit cap: an unhappy anniversary.
[51] CIH (2023) Homes at the Heart: A Strategy for Housing, p.3.
[52] NHF and Shelter (2024) The economic impact of building social housing.

Q7. What lessons can we learn from other sectors and countries on managing affordability and debt? And how should they be applied to the energy sector?

There is considerable good practice in the social housing sector on managing debt and affordability issues, and there are ways this practice could be transferred to the practice of energy suppliers.

In 2022, CIH, in collaboration with Homes for Cathy and the National Housing Federation, published a compendium of good practice on how housing associations prevent and address homelessness.[53] Several of the examples discussed in this report are relevant, and are summarised in Table 2 on the final page of this document. CIH has also published several cost of living briefings over the last two years, which feature examples of good practice on how social housing providers are supporting people with debt, affordability, and other relevant issues.[54]

Lastly, our evidence showing that prepayment meter users in social housing may be more likely to borrow specifically to pay for energy, points to the need for a coherent and holistic debt recovery strategy that addresses the total indebtedness of priority debts. Energy suppliers should, at minimum, follow the general principles of good debt advice, especially accepting offers in proportion to the total indebtedness of priority debts, not just in relation to energy debt. This also entails not increasing repayments when a gas or electricity customer has an increase in their income to a level that is unrealistic or sustainable, and always accepting a realistic repayment plan when it has been arranged by a credible advice agency or intermediary, such as Citizens Advice.

Not following this practice can often mean that the only viable option left for the customer is bankruptcy, and a Debt Relief Order. This effectively prevents the energy supplier from collecting any debts owed and is severely damaging for the customer, both in terms of their credit worthiness and the impact on their health and wellbeing.

About CIH: The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals and their organisations with the advice, support and knowledge they need. CIH is a registered charity and not-for-profit organisation so the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org.

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[53] CIH, NHF, and Homes for Cathy (2022) A compendium of good practice for housing associations in preventing homelessness.

[54] See in particular our briefings on benefits and disability (2022); the impact of rising energy prices (2022); the impact of the cost-of-living crisis on social housing residents (2022); and how social landlords are supporting residents through the crisis (2022).

Social housing sector practice	Explanation	Impact	Transferability to the energy sector	How to implement
Using trauma-informed approaches to hardship and enforcement	During the Covid-19 pandemic, housing associations approached hardship issues creatively and sensitively, using trauma-informed and person-centred approaches and removed references to enforcement in correspondence about rent payments and debt. These approaches were so successful they have been maintained by housing associations post-pandemic, and continue to be used to the present day.	• Increased engagement from customers, due to the sensitivity of the approach taken. • Reduced evictions, due to building relationships with customers and mutually agreeing a way forward.	Trauma-informed, person-centred approaches could increase customer engagement and reduce the number of customers without an agreement to repay debt, leading to improvements in affordability and a reduction in involuntary prepayment installation.	• Focus on organisational culture change towards working supportively. • Retrain customer support agents with a focus on empathy, trauma, and mental health. • Focus on improving customer support agent knowledge of link between mental health and financial difficulty. • Remove references to enforcement in correspondence about arrears.
Acting as anchor institutions for supporting residents	Housing associations perform a range of tailored tenancy support functions, including helping tenants financially affected to claim benefits, supportive approaches to rent collection, hardship funds, check-in calls, and shopping for customers. This is typically in partnership with other organisations, with housing associations acting as anchor institutions in local areas. This also enables residents to access financial inclusion, hardship funds, and support with food, fuel, and skills/employment.	• Development of personalised support for residents, tailored to needs and circumstances. • Greater identification of support needs.	Given their embeddedness in local communities, energy suppliers could develop deeper partnerships with housing associations, and enable them to act as anchor points for supporting local people with energy debt (as well as wider affordability issues).	• Proactive development of more and deeper partnerships with housing associations by energy suppliers, including funding streams. • Potential for discovery research by energy suppliers (e.g. Energy UK) to understand the prevalence of these partnerships to date and opportunities associated with their expansion.
Flexible support to manage rent payments and arrears	During the Covid-19 pandemic, housing associations developed a range of practices to support residents struggling with affordability and debt issues. These practices have been successful and are continuing post-pandemic. They include: • Monitoring of arrears and checking on circumstances, and if there is any change, talking to the tenant and find out what has happened. • Pre-tenancy assessments to highlight support needs at the beginning of a tenancy. • Flexibility around collecting rent, according to changes in resident need and circumstances. • Collecting real-time feedback from staff and customers to analyse need and experience, which helps to tailor the advice and support offer.	• Early identification of support needs and financial vulnerability, through pre-tenancy checks. • Improved affordability of payments through flexible repayment options.	Undertaking a comparison and gap analysis of current energy supplier approaches, and the current approaches to managing rent payments and arrears in the social housing sector, could highlight opportunities for transferable practice. This could lead to the development of new approaches that improve outcomes for both customers and energy suppliers.	• Undertake a comparison of energy supplier approaches and social housing approaches to identify opportunities for transferable good practice. This could be undertaken by respective sector trade bodies, with support of Ofgem and Regulator of Social Housing. • Embed tailored, personalised approaches to better understanding financial vulnerability among new gas and electricity customers. • Utilise the knowledge and experiences of customers and customer support agents to maintain a real-time understanding of changes in gas and electricity customer issues and needs. • Maintain flexibility and regular contact points with gas and electricity customers on repayment plans and circumstances.
Developing multi-agency approaches to supporting customers with complex needs and vulnerabilities	Housing associations, in partnership with specialist agencies, have developed tailored approaches to supporting people who have specific needs often not well served by generic provision, including: • People from the LGBTQI+ community. • Gypsy, Roma, Traveller, and Nomadic communities. • People with mental ill-health. • Drug and alcohol support. • Prison, hospital, and care leavers. • Domestic abuse survivors.	• Reduced risk of affordability issues and debt, and therefore eviction and homelessness. • Development of tailored support plans, leading to improved access to and use of support services. • Improvements to BAU policy and procedures to make them more accessible.	While we are not aware of statistics disaggregating energy affordability issues and debt in similar ways, national fuel poverty statistics suggest that many social groups are more likely to be in fuel poverty than average. Learning from practice in the social housing sector could help develop innovative approaches to affordability and debt support that provide tailored support to groups more likely to experience fuel poverty.	• Practice sharing activities between the social housing sector and the energy retail sector, which could be facilitated by Ofgem and the Regulator of Social Housing in collaboration with sector trade bodies. • Development of specialist trained internal teams to support customers who are not well serviced by generic service offers.
Maintaining support beyond the conclusion of a single debt or affordability issue	Housing associations have increasingly recognised that the end of a period of homelessness does not necessarily represent the end of affordability issues. They have developed a range of approaches and services that provide continuous, ongoing support to residents to ensure they can live safely and independently at home.	• Reduction in the likelihood of affordability issues, rent arrears, and homelessness reoccurring. • Supports the development of relevant life skills, such as cooking or forming friendships. • Reduction of financial burdens associated with moving into a new home.	Energy suppliers could learn from this practice and view customer support with affordability and debt as less transactional or tied formally to a specific affordability or debt issue. Instead, they could build processes and procedures to support customers on an ongoing basis following the resolution of a formal issue (e.g. the repayment or write-off of a debt), with a focus on preventing reoccurrence.	• Development of 'cooling' support periods, whereby energy suppliers maintain a level of support to customers who have just exited a repayment plan, struggling to pay, or had a debt cleared. • Development of a mechanism and policy by energy suppliers that is activated when a customer informs them they are moving home. This would trigger a process to understand if the customer is likely to experience financial difficulty as a result of costs associated with moving home, and what support might be required.

Table 2 Good practice in the social housing sector on tackling affordability, debt, and hardship. Compiled from examples and information in footnotes 53 and 54.