



Vulnerability and Carbon Monoxide Allowance#2 Updated Strategy

May 2023

**we are
the network**

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1. Background

The Vulnerability and Carbon Monoxide Allowance (VCMA) was a newly created fund, worth £60 million, for the Gas Distribution Networks (GDNs) over the period April 2021 to March 2026. This £60 million fund will be split between all four GDNs between 2021 and 2026, to do much more than keep customers safe and warm. There is published Ofgem guidance, detailing how the fund can be spent. For Northern Gas Networks (NGN), the amount available to spend is approximately £1.3 million per annum. This is a use it or lose it allowance and a minimum of 25% can be used for collaborative projects.

<https://www.ofgem.gov.uk/publications/vulnerability-and-carbon-monoxide-allowance-vcma-governance-document-0>

In April 2023 Ofgem published a consultation on the future of the Fuel Poor Network Extension Scheme (FPNES) and proposed that a large proportion of the remaining allowance be repurposed into VCMA. For NGN this equates to an additional £12.79m allowance to invest by the end of GD2, still allowing a minimum of 25% towards collaborative projects.

For the purposes of this strategy, and to demonstrate our approach moving forward, we will refer to the original VCMA allowance (existing funding) as VCMA#1 and the re-purposed allowance as VCMA#2 (new funding which will address current and emerging need).

2. Our Ambition

At NGN we recognise and embrace our responsibility and moral obligation to help customers in vulnerable situations, living within our communities. As a compassionate and caring organisation, we empathise with individuals and groups who are facing difficulties, and also those organisations who are providing critical support. Through our research, partnerships, stakeholder feedback and daily interactions, we understand the challenges they face. Challenges that can arise from our day-to-day operational activities and more broadly the physical, mental, environmental and financial challenges faced by vulnerable households within the communities we serve.

Given that 1 in 5 customers may need extra support during interactions with NGN, and we only might serve that customer once in their lifetime, it is essential that we have a strategy that focusses wholly on looking after our customers in vulnerable situations. Our strategy also takes account of vulnerable situations that occur beyond and outside registration on the Priority Services Register (PSR), and also beyond our core function of managing the local gas distribution network.

We understand that vulnerability is complex and can be transitory and multi-faceted. It cannot be pigeon-holed and prescriptive, but must be looked at through a flexible, wide-eyed, and innovative lens. Vulnerability is not just singular; it could be a whole household that needs extra support, or indeed a whole community. Also, vulnerability is sometimes also not recognised by those who are most vulnerable, who simply accept their situation as the norm

Our research has highlighted that issues around vulnerability are dynamic, particularly in a rapidly evolving landscape such as the energy sector. Changes within the energy market can significantly impact the movement of customers in and out of fuel poverty. These market factors can impact individuals, households and communities in very different ways, and we need to be mindful to consider these with the approach that we take.

Our VCMA#1 strategy supported:

- Individuals/households that have been directly impacted by our services.
- Individual/households that may need extra support to access our services.
- Colleagues to proactively recognise and act on indications of customers experiencing vulnerability.
- Individuals/households/communities that are off grid; and
- Individuals/households exposed to a changing landscape – Pandemic/Energy/Cost of Living Crisis

Whilst we understand that vulnerability is complex, in practical terms, we have developed 5 broad categories which support our colleagues to recognise and embed our strategy;

1. Financial hardship
2. Physical challenges, inclusive of communication issues, physical space.
3. Mental wellbeing
4. Rural vulnerability
5. Temporary vulnerability

Our NGN definition of vulnerability goes beyond the potential detrimental impact that NGN's activities can have to consider those in our communities who may never be impacted by our activities but have characteristics that could be defined as vulnerable.

3. Data and Research

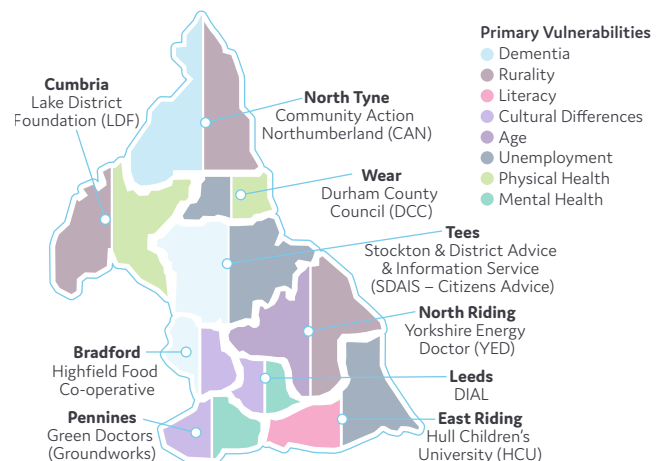
Alongside stakeholder feedback, lived experience and community insight, the use of data and research is key for NGN to be able to guide and inform VMCA#1 projects that we have supported in our region.

Described below are some key data sources that we have used to identify areas for VCMA support.

Social Indicator Mapping, Northern Gas Networks – June 2022

This Bi-annual research presents data on the number and proportion of customers in the NGN area that could be classified as vulnerable through a range of criteria. The data aligns to our 5 strategic themes including financial; physical health; mental health and wellbeing; rurality; other (homelessness or language difficulties). We use this data to make sure that we have the right strategic partnerships in place across our network, to help us build and deliver projects that address specific needs within each of our 9 regions.

This data will be used to supplement feedback for VCMA#2 and the types of projects we're looking for. For example, our most recent set of data reported very sharp rise in the population aged 85+ nationally and across the NGN area, where the numbers in this group are projected to rise by 58% to approx. 260,000 people (from 165,000 in 2021). This is then overlaid with rurality data, and we can see that the areas with the sharpest rise are in rural locations, specifically coastal areas. We then triangulate this with reports such as <https://www.ofgem.gov.uk/publications/involuntary-ppm-supplier-code-practice> in which Ofgem have defined 85+ age group as high risk, to help guide and shape our VCMA investment.



Vulnerability Mapping Tool

This is an interactive model which maps multiple vulnerabilities from ONS and other data sources. From this we can identify gaps based both on geographical location and vulnerability themes to be able to identify and target suitable projects across our network.

Customer Perceptions Research

Annual research is undertaken annually to monitor key business areas across GD2 and is iteratively reviewed to assess how customer views change over time. In January 2023 financial hardship continued to be the dimension of vulnerability that most customers prioritised, with 'difficulty paying bills' and 'concerns about energy spend' being identified as key challenges for customers since the previous research took place in January 2022.

Citizens Advice Cost of Living Tracker

Monthly data provided by Citizens Advice predicts that debt/financial hardship will continue to worsen during 2023. Some particular groups are at risk/seeking greater levels of support including those with health issues and disabilities.

We look across all these data sets to make sure we can identify areas in most need of support.

4. Strategy and Approach

a. VCMA#1

Actual and forecast spend						
VCMA spend	2022	2023	2024 (forecast)	2025 (forecast)	2026 (forecast)	Total
NGN only	£466,254.4	£1,151,644.9	£707,887.8	£581,177.0	£579,677.0	£3,486,641.2 (51%)
Collaborative	£122,332.2	£658,289.8	£1,176,357.4	£939,837.8	£466,541.6	£3,363,358.8 (49%)
Total	£588,586.6	£1,809,934.7	£1,884,245.2	£1,521,014.9	£1,046,218.6	£6,850,000.0

VCMA#1 Headlines

We increased our level of spend this year 2022/23 and are forecasting to spend the full allowance by the end of March 2026.

Of the forecast spend over the next three years, we only have c£800k from VCMA#1 that hasn't been allocated to a specific NGN/collaborative, which will be utilised by focussing on CO specific projects from year 3 onwards.

We have ensured that collaborative spend delivers value to customers, specifically within the NGN region. Collaborative spend at end of year two is 49% of overall allowance – this is supported by our regional stakeholders.

We have **addressed geographical and needs gaps** in funding that were identified in year 1 – we are now funding projects within West Yorkshire (geographical gap) and have launched a collaborative partnership with Scope (addressing physical needs gap).

We have **65 live VCMA projects** ranging from small amounts of less than £10k (NGN) to £500,000 per annum (collaborative).

We measure the impact of all our projects, both individually, and the aggregated impact where relevant. For example, each year NGN conducts external research to understand if awareness of Carbon Monoxide is increasing (the survey covers approximated 1500 domestic and non-domestic customers in the NGN region). This is to help understand the overall impact of campaigns and awareness activities that are running concurrently. The most recent results (August 2022) showed that significantly more customers reported that their CO awareness has increased over the past few years (57% vs 48%) and almost twice as many recalled seeing or hearing campaigns that raise awareness of CO.

We have **strong internal governance processes** to approve all new/extended VCMA projects (see Section 7). This includes an external expert panel who discuss, challenge and sanction all NGN VCMA projects

We have **engaged widely with our stakeholders** to understand views about our approach to VCMA#1, so we can take this learning forward to VCMA#2. The following are key themes that have come through from our stakeholders on VCMA#1 (full notes of these conversations can be found within the associated document – VCMA#2 Stakeholder Feedback).

What has worked well with VCMA #1?

- We have extended successful projects for multiple years as we understand that this is key to ensuring security of resource and service provision within our partner organisations.
- We have considered administrative burden/ reporting for smaller projects, and have extended support to our partners, which includes:
 - Using NGN colleague volunteering days to provide expert support to partners, covering areas from reporting collation and presentation to GDPR management and Cyber resilience.
 - Giving partners free of charge access to NGN services such as graphic design and copy writing, to reduce existing partner overhead.
 - Establishing networking forums, such as the annual NGN Open Day, where partners can showcase existing projects, meet with each other and NGN, strengthen existing links and build new ones.
- We have used triangulated data and stakeholder/customer feedback to guide decision making.
- We have engaged with a broad range of stakeholder and customer groups, including the NGN Customer Engagement Group; Customers in Vulnerable Situations partners; Strategic Partners; Citizen's Panel; Young Innovators Council. This has led to funding being used in the right way, to achieve maximum impact.
- We have been flexible and adaptable to meet changing needs and circumstances. An example of this was to switch our strategic approach, following feedback from our Customer Panel in October 2022, to develop projects that tackled immediate need as a result of the cost-of-living crisis, rather than longer term, sustainable projects.
- We have developed and shared resources, as well as encouraging partners to share their own resources with each other to reduce duplication and individual efforts. This has included collaboration with other GDNs and utilities within our network area to create awareness and advice booklets focussing on energy efficiency, PSR and CO themes.
- We have used VCMA#1 to nurture smaller grassroots and community projects into larger projects with greater impact at a local, regional and national level.

What could be improved from VCMA #1?

- Collaboration is key and should be expanded.
- Linking up of partners has worked well locally. Do more of this, and on a national level.
- Duplication of effort and overlap needs to be avoided and the targeting of specific geographical areas identified as most at risk should be a priority.
- Administrative burden at the outset of projects and cyber issues proved to be a challenge for partners, especially smaller organisations.
- Scale up quickly and as far as possible focus on the projects that have proven high social value.
- Where projects have been successful, work hard to understand why, and take those lessons forward.
- Continue to build strength and depth with stakeholder engagement.
- VCMA#2 needs to be more strategic (many of the projects funded through VCMA#1 are responding to a specific issue/need). This needs to be done alongside still supporting projects that meet the immediate needs of our customers. Consideration needs to be given to how we can transition to this approach.

b. VCMA#2 Engagement – what we've heard

Stakeholder feedback is helping us drive the decision making and adopt a change in direction. We started engaging in January 2023 to ensure we get this right and that the money is spent in a strategic way. Here is a snapshot of the VCMA#2 engagement to date. This has been running alongside our existing programme of Customers in Vulnerable Situations Engagement, and where appropriate, we have combined the two together. For example, at our Customers in Vulnerable Situations Annual Strategic Workshop, we asked stakeholders about their priorities so that we can align this through our VCMA#2 strategy.

Channel	When	Feedback
NGN Customer Engagement Group – VCMA Deep Dive	10 th Jan 2023	Get the right resources to support spend; consider partner capability to spend increased allowance; early identification of existing projects to scale up
NGN Customers in Vulnerable Situations – Strategic workshop	25 th April 2023	Exploit opportunities to link to health sector. Prioritise low-income households with support for energy costs
Ofgem – vulnerability conference	24 th April 2023	Financial vulnerability should be the key focus for all our support mechanisms
NGN Key Stakeholder Bilaterals	May 2023	Bilaterals held with National Energy Action, Northern Powergrid and Fuel Bank Foundation, NGN CEG. Further bilaterals planned to include Citizens Advice, Northumbrian Water
Ofgem – Working Group #1	3 rd May 2023	Ofgem, GDNs and key stakeholders – action for GDNs to review current VCMA Governance Document and suggest modifications for VCMA#2
NGN Community Partner Roundtable	24 th May 2023	Gather further feedback on VCMA#2

We also work with our partners who have been unsuccessful in receiving VCMA#1 funding to understand what learnings can be taken forward.

c. VCMA#2 - Adapting our approach

Having gathered a significant amount of feedback from Stakeholders since January 2023, we have used this to change and refine our approach for VCMA#2.

Fuel poverty will be the primary focus; however, we also acknowledge that there are complex needs associated with this, that need to be considered. This updated strategy has evolved around the original 5 vulnerability themes; stakeholder feedback has importantly identified new and emerging issues, around health and financial hardship.

The six key themes identified by our stakeholders on areas to prioritise are summarised below.

Increased focus on health:

- There needs to be a hard-wired link between energy savings and warm homes.
- Must be driven by priorities of NHS to avoid hospitalisation.
- Support is required for those at greater risk and those with more complex health vulnerabilities.
- Projects should align health and high-risk deprivation – building on health projects that use data well.
- Use data to inform health categories most at risk and least able to achieve affordable warmth.
- Consider Core 20 + 5 health model that has been delivered in partnership with NEA in the Leicester region. This could be expanded out either regionally or nationally to get to the heart of linking fuel poverty with health.

Collaboration and linking up partners and funding:

- Targeting specific geographical areas mutually identified with partners as areas of high deprivation/risk but underserved by way of current projects. This could be achieved by joint stakeholder engagement.
- Outreach programme to get more partners on board, targeting hard to reach areas.
- Build on existing northern networks, such as Infrastructure North, to maximise reach.

Increasing capacity for support within partner organisations:

- Scaling up to reach more people in fuel poverty within areas of poverty - consider grant funding via larger national charities to reach smaller local groups.
- Longer term projects funded to increase sustainability/certainty. Consideration of immediate versus long term support.
- Consistency of service provision across the network in terms of advice and information. It may be necessary to increase partner capacity within key strategic referral networks, to address inconsistencies in support provision through localised referral networks.

Connecting and responding to different aspects and complexities of vulnerability, including:

- Targeting support to reach those who may not have access to or knowledge of support available.
- Those who may not ask for help.
- Those seeking support for the first time.
- Young people who may be living independently for the first time and struggling to meet/ understand their energy needs/requirements.
- Tailoring VCMA#2 response to match the diverse nature of NGN communities and needs.
- Understanding needs and tailoring approach to where it is needed.
- Digital inclusion, household and community resilience.
- Acknowledgement of key medium and high risk vulnerability categories as defined within the Ofgem Involuntary PPM Code of Practice (relationship and risks between vulnerability and financial hardship) <https://www.ofgem.gov.uk/publications/involuntary-ppm-supplier-code-practice>.

Financial hardship

- Financial hardship is more widespread therefore affecting more people – more people are vulnerable/needing to access support in general (debt advice).
- New vulnerabilities are emerging and impacting those people who are “just about managing”.
- Within this, there are some with greater risks/depth/complexity of vulnerability e.g. greater barriers/challenges to accessing support – knowledge of services/access to services/digital exclusion/language or communication barriers.
- Consider geography – coastal towns and tenure.

Scaling up existing projects

- Build on successful projects. For example, WASH – Warm and Safe Homes (ensuring all GDN involvement where possible), and Fuel Bank Foundation (FBF)– supporting the FBF to extend partnership network into areas of greatest need, so that available financial support through FBF referrals can be effectively deployed.
- Continue to learn and share from each other. Where a project may have concluded within one region, it may be that the approach can be effectively used in another region. For example, Empowered by Energy (NEA with SGN/SSEN) has been effectively used to support asylum seekers and refugees. This model could be used within the Bradford area of the NGN region to support identical customer need.

d. VCMA#2 Collaborative Spend – adapting our approach

As referenced earlier in the document, a minimum of 25% of the overall VCMA allowance should be spent on collaborative projects.

There is an existing framework of engagement, including the VCMA Steering Group, with subject specific sub-groups feeding into this. Terms of reference are agreed and reviewed annually for the VCMA Steering Group. The focus of this group includes:

- Co creation with stakeholders, projects and activities to be delivered via the Collaboration Groups.
- Identify and support suitable research opportunities.

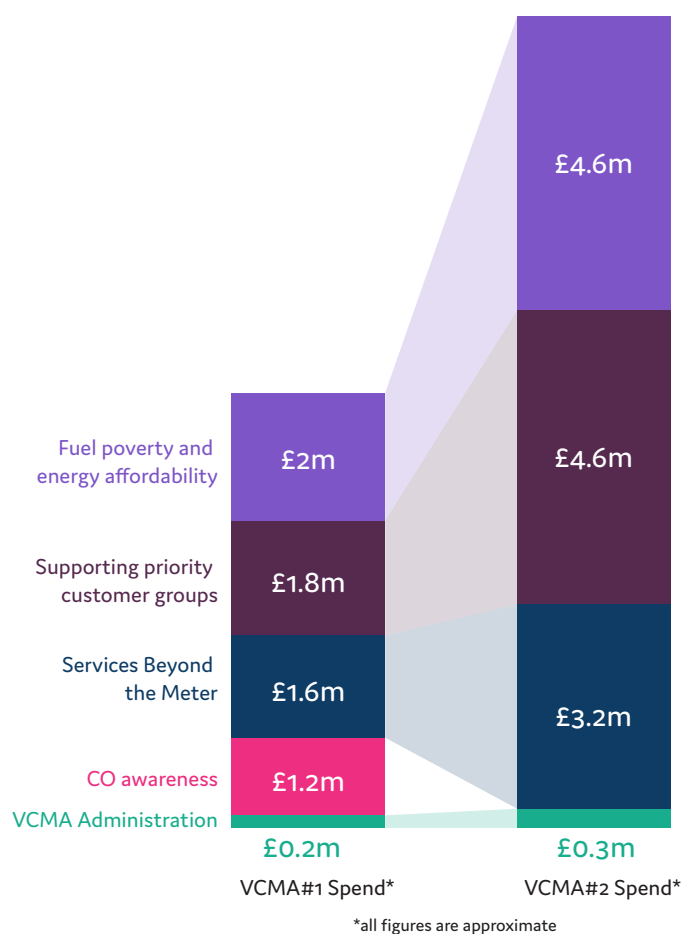
- Develop a national calendar of activities, and ensure effective support is put in place.
- Where appropriate, lobby and influence changes to address vulnerability as appropriate to the GDNS responsibilities.
- Identify and support “best practice” within and beyond the GDN group.
- Develop an annual work plan, reviewed each year.
- Be responsible for budgets/spend of collaboration groups.
- Foster innovation to bring benefits.

Through this way of working, the GDNs have been flexible to adapt to changes in need, such as those driven by the cost-of-living crisis. The GDNs are continuing to work together to make sure that the existing collaborative strategy is fit to meet the increase in allowance under VCMA#2.

We will work with the GDNs to consider stakeholder feedback received specifically about our collaborative spend, including:

- Linking health to fuel poverty has come through as a national issue as well as regional from the stakeholder engagement that we have undertaken. It is an important theme for the GDNs to work collaboratively on.
- Look to invest more than the 25% minimum cap into collaborative projects, recognising that collaborative projects can address strategic issues, and often deliver economies of scale through effective delivery, releasing more impact directly to customers. For example, NGN has engaged with stakeholders, and have received support for spending more than the minimum 25%, as long as the money is targeted to needs identified within the NGN VCMA strategy.
- Develop an effective cross-GDN approach to effectively support the lead GDN network in ‘delivery’ of collaborative projects.
- Being innovative in our approach to identifying new partnerships and approaches. For example, Cadent, with support from NGN, is looking at how effective partnerships can be ‘married-up’ through a Partner Ecosystem, so that services can be joined up within a specific geography, and customers receive a ‘one-stop-shop’ for all the support that is available.
- Recognising that due to the increased level of funding, there is an increased risk that partners will create structure and services that may reach a ‘cliff-edge’ at the end of VCMA#2. GDNs must work with partners to mitigate any associated risks, and where possible, build projects that are sustainable.
- Continuing to develop projects that enhance our core operational support provision to customers in vulnerable situations that we impact through our daily GDN activities.

e. Overview of forecast spend for VCMA#2



- Establish greater relationships with the health sector to ensure that there is a hard-wired link between energy savings, affordability and warm homes
- Support those at greater risk and with more complex health vulnerabilities, by using data to support projects for those who are least able to achieve affordable warmth
- Identifying areas to introduce outreach programmes and onboard more partners in areas of poverty, to target the hardest to reach and building on our Warm Hubs model
- Work to ensure consistency of service provision across the network, in terms of advice and information and helping to increase partner capacity, through key strategic referral networks
- Reviewing and extending our community and strategic partnership networks
- Connecting and responding to different aspects and complexities of vulnerability through our networks
- Targeting support to reach those who may not have access to or knowledge of support available, as well as those who may not ask for help and those seeking support for the first time
- Work with partners to ensure reach into geographical areas of greatest need (e.g. coastal and rural) to maximise the support we can offer
- Build on and increase our current service offering around repair/replacement and servicing of appliances
- Increased training of our front line workers and engineers, to offer a service that is more flexible and adaptable
- Continue to work with GDNs to ensure a consistent approach to eligibility checking, around qualifying criteria and benefits
- Work with GDNs to establish a mechanism which helps to prevent appliance issues occurring, in advance of them happening

For the purpose of VCMA2, CO awareness will continue to be supported through the other themes shown, rather than on projects that are specifically related to CO

5. Commitments and Delivery

The following table is based on the approximate figure allocated to NGN within the Ofgem Statutory Consultation.

Year	Approx. investment	VCMA#2 Focus
Year 1 (23/24)	£2m	Scaling up successful projects – both NGN/collaborative; Strengthening existing partnerships into priority areas, such as links with fuel poverty and health.
Year 2 (24/25)	£5.35m	Delivery of projects as per VCMA#2 strategic priorities.
Year 3 (25/26)	£5.35m	Maintain focus on VCMA#1 delivery – specifically focusing remaining spend on Carbon Monoxide awareness projects.

To support delivery, we will be recruiting three further roles into the NGN Vulnerability Team:

VCMA Partnership Development Manager
VCMA Social Impact Manager
VCMA Project Co-ordinator

We will continue with our approach to fund community based roles that help build the capability of organisations to benefit from current and future VCMA funding. For example, under VCMA#1 we have funded a specialist Warm Hubs advisor role within Community Action Northumberland. This role is helping to deploy our successful regional Warm Hubs project on a national basis.

We are now building a detailed programme of work to support our VCMA#2 strategy, and will include:

- Projects identified to scale-up.
- New projects to support VCMA#2 priorities, alongside key engagement.
- Enhanced stakeholder engagement, such as place-based sessions, to raise awareness of VCMA.

6. Evaluation and Reporting

We recognise that with the increased VCMA#2 allowance we need to reflect on existing reporting and assurance frameworks, and work with Ofgem and the GDNs to make improvements/additions where appropriate and necessary.

All GDNs and DNOs will be using a consistent Social Return on Investment Model from mid-2023 onwards. For all existing projects, NGN benchmarks against a draft version of this model to ensure consistency of approach.

All VCMA project partners submit quarterly and annual reports detailing performance against objectives.

Monthly partner meetings are held on all VMCA funded projects, to discuss progress, risks, opportunities etc.

NGN will be supplementing existing approval documents (PEAs for VCMA#1 and VCMA#2 projects) with detailed evidence of our robust internal governance processes and agreements (framework is detailed below).

7. Governance

NGN has a well-established independent **VCMA Governance Group** to review NGN regional projects. The panel is made up of colleagues from Water Companies, Distribution Network Operators (DNOs) and Citizens Advice (CA), currently meeting every quarter. Project proposals are shared in advance of the meetings. Project review process involves addressing the following:

- Does the project proposal meet VCMA eligibility criteria?
- Does the proposal align with NGN's current Customers in Vulnerable Situations Strategy?
- Cost per beneficiary/
- What is the SROI value?
- Feedback for organisations on projects are rejected and a follow up action plan drafted, to work with the partner identify gaps in proposal.

We acknowledge that the increased VCMA #2 funding will provide an opportunity for this panel to be broadened and review meetings will become more frequent. We will also use this forum to seek challenge and sanction on NGN's participation within GDN collaborative projects

In addition to the VCMA Governance Group, we also have additional external and internal assurance on our overall VCMA Strategy, including:

ISO 22458 – Consumer Vulnerability Kitemark (evolved from BSI 18477, which NGN has held since 2015) - awarded in 2023

Business in the Community – Responsible Business Tracker. Assess against this standard since 2020. Engagement with community partners recognised as best practice.

Customer Engagement Governance Group and Social Issues Subgroup. VCMA strategy v delivery is a key topic area for challenge and review. This is discussed quarterly through deep dive sessions with the social issues subgroup, feeding into the main quarterly CEG strategic meeting.

NGN Board. VCMA strategy delivery is detailed in monthly management reports, and any changes in approach/strategic direction are discussed.

8. Summary

NGN are really excited about the opportunities that the additional funding is going to create and are working hard to understand feedback from stakeholders. We still have several partners to speak to. In parallel to completing this engagement we will develop a detailed investment plan, to support our VCMA#2 strategy, and maintain investment/reporting under VCMA#1.

We will also work hard to use **additional shareholder funds** to support delivery of VCMA#2, as we have done through VCMA#2. These are:

NGN Community Partnering Fund (£50k per year). This is used as seed funding for grass roots projects and partnerships, that can then be grown via VCMA funding. This means that new projects can be trialed, and the benefits/impact understood using shareholder money. We then move successful projects through VCMA.

NGN Customer Support Fund (£150k per year). This is used to plug gaps in existing funding mechanisms, and consistent with all of our initiatives has been created, shaped and implemented using customer and stakeholder feedback.

NGN will continue to engage with stakeholders to ensure the VCMA#2 strategy remains up to date and continues to align with the evolving landscape.