



# THE UK FUEL POVERTY MONITOR 2013



*Action for Warm Homes*





# The UK Fuel Poverty Monitor 2013

5	FUEL POVERTY REPORT CARD
7	SECTION ONE The UK Fuel Poverty Monitor - key findings
15	SECTION TWO Fuel poverty in the United Kingdom
19	SECTION THREE Fuel poverty in England
31	SECTION FOUR Fuel poverty in Scotland
40	SECTION FIVE Fuel poverty in Wales



## Fuel Poverty Report Card

- [Defining fuel poverty](#)

The Westminster Government's proposals for a revised definition of fuel poverty are not supported by informed objective commentators; nor are they supported by any of the devolved administrations.

- [Energy efficiency programmes](#)

The Governments of Scotland, Wales and Northern Ireland are maintaining or increasing funding for their domestic energy efficiency schemes targeted on fuel-poor households. The closure of the Warm Front scheme makes England unique in providing no Exchequer-funded support to improve heating and insulation standards for financially disadvantaged vulnerable households.

- [Community-based energy efficiency programmes](#)

The Scottish and Welsh Governments will adopt a community-based approach to deliver energy efficiency improvements in a cost-effective and efficient manner. Despite nominal support for this model from the Westminster Government there has been minimal action to engage local authorities in England in community-based delivery of energy efficiency programmes.

- [Energy efficiency standards in social housing](#)

Both Scottish and Welsh Governments continue to work towards significant improvements in the social-rented stock of these countries whilst in England there has been no progress beyond the minimal requirements of the Decent Homes Standard. In practical terms, the Northern Ireland Housing Executive has achieved comparatively demanding standards across social housing.

- [The private rented sector](#)

No Government has set ambitious mandatory targets to improve housing in this sector. Where minimum standards are required, their implementation will be unreasonably delayed and undemanding and there are serious concerns that the cost of remedial works will fall on the tenant or, through the Energy Company Obligation, on energy consumers.

- [Health and housing](#)

The Housing Health and Safety Rating System has the potential to address fuel poverty in the private rented sector in England and Wales if action and enforcement could be more widely applied. However, financial constraints on local authorities have meant that use of this mechanism has been minimal.

Delegation of public health responsibilities to local authorities in England is generally seen as a rational and positive step. However if local authorities are to undertake work on preventive measures to resolve the problem of cold-related illness they will require additional financial and staffing resources to achieve this objective.

The Department of Health in England has developed a Cold Weather Plan to protect vulnerable households during severe winter weather; the Plan is supported by a Warm Homes Healthy People Fund.

Plans in the other nations of the UK are less well-structured and would benefit from study and replication of the English example. Disappointingly, the Scottish Government appears unconvinced of the relationship between cold housing and health and has developed no initiative to link these issues

- [Excess winter mortality](#)

Whilst there are considerable uncertainties around the links between cold homes and excess winter mortality there has been progress in this area across all four nations. The National Institute for Clinical Excellence is to consult on development of guidance to cover prevention of excess winter mortality and morbidity. Scotland, Wales and Northern Ireland should all contribute to the on-going consultation process and consider adopting final recommendations as appropriate.

- [Fuel Poverty Advisory Groups](#)

These bodies are appointed to provide informed comment and recommendations to their national Governments on their respective policies and programmes. However, despite the experience and expertise of advisory group members their status and influence is highly variable. The most constructive relationship between advisory group and Government is in Scotland where the Government has delegated review of existing programmes to the forum in Scotland and has acted positively on the recommendations.

## SECTION ONE

### The UK Fuel Poverty Monitor – Key findings

1. The UK Fuel Poverty Monitor is published on a regular basis in an attempt to identify emerging problems and solutions related to fuel poverty policy in a post-devolution political framework. Fuel poverty policy is complicated by the fact that whilst Westminster and the devolved administrations have overall responsibility for fuel poverty in their respective nations, the policy mechanisms to address fuel poverty represent a complex mix of devolved and reserved powers and responsibilities.

1.1 The purpose of the UK Fuel Poverty Monitor is to scrutinise relevant policy areas where the Governments and Assemblies of the United Kingdom have adopted different approaches in addressing fuel poverty with a view to identifying good practice that might be replicated across the other nations. In practical terms this generally means examination of statutory energy efficiency programmes developed and implemented by the legislatures of England, Scotland, Wales and Northern Ireland.

The emphasis on energy efficiency is not only because most other areas of policy such as action on energy prices and support with energy costs are reserved, it is also because improved heating and insulation standards are seen as the most rational and sustainable means of ensuring affordable warmth

1.2 Whilst the main focus in the Monitor is on heating and insulation programmes there are other policy areas where good, or at least better, practice can be identified. The Monitor seeks to identify those areas and, in effect, advocate their wider replication across the UK as appropriate. The Monitor consists of a brief overview of fuel poverty in the UK supplemented by more detailed commentary on the situation in the individual nations. The national reports provide informative overviews of developments in the UK nations but whilst these may have some intrinsic interest it is as potential drivers of pan-UK improvement where the real value can be found.

#### Defining fuel poverty

1.3 The original UK Fuel Poverty Strategy discussed and endorsed the merit of a national (UK-wide) definition of fuel poverty and increasing convergence was anticipated. However issues around comparatively minor differences in defining fuel poverty have been marginalised by the imminent proposals from the current Westminster Government which will radically change how fuel poverty is defined and, by doing so, will significantly alter the scale of fuel poverty (downwards) and the characteristics of households defined as fuel poor.

1.4 The definition of fuel poverty was also considered in Scotland with the Scottish Government delegating responsibility for an initial review to the Scottish Fuel Poverty Forum. The Forum concluded that the existing definition should be retained on account of 'its simplicity and ability to capture all fuel poor' and this recommendation was accepted by the Cabinet Secretary for Infrastructure and Capital Investment.

However the Scottish Government is considering the Forum's recommendation to look at the underlying assumptions of temperature levels, income assessment and occupancy levels.

- 1.5 Whilst recognising that the Hills definition will only apply to England, The Welsh Government anticipates a knock-on effect in Wales if existing policies that apply across Great Britain are shaped to meet the new Westminster definition of fuel poverty and has stated its intention of assessing the impact of applying the Low Income High Costs definition to Wales. Any future review in Wales will be subject to discussion with stakeholders and partners.
- 1.6 A preliminary review of the fuel poverty definition in Northern Ireland concluded that the existing definition remained robust. The review further concluded that the Northern Ireland Fuel Poverty Strategy was sound and that lack of progress on fuel poverty was attributable to the inadequacy of remedial action.
- 1.7 Comment: The findings of the Hills Review of fuel poverty in England were met with a combination of general endorsement and deep concern. Fuel poverty campaigners recognised the value of much of Professor Hills' analysis and welcomed his sympathetic understanding of detrimental effects of fuel poverty. However there was universal rejection of the final proposals for a revised definition in that it failed to fully understand the concept of 'affordable warmth'.
- 1.8 Finding 1: *The initial approach of the Scottish Government in endorsing a constructively revised version of the existing definition of fuel poverty is closer to the views of the overwhelming majority of informed commentators on fuel poverty issues.*

## Energy efficiency funding

- 1.9 Following termination of the Warm Front scheme in January 2013, England is the only UK nation without a Government-funded energy efficiency programme for low-income households. In contrast, Scotland and Wales have maintained and even expanded funding for their own national programmes. In the current year, before the premature curtailment of Warm Front, the scheme's funding was £100 million. In 2012/13 Scottish Government core funding for energy efficiency and fuel poverty programmes was £65 million whilst funding in Wales totalled £36 million and £10.25 million in Northern Ireland. Extrapolated to take account of disparities in population, England would require expenditure of £585 million to match Scotland, £612 million to match Wales and £315 million to match Northern Ireland.
- 1.10 Finding 2: *The Westminster Government is failing in its duties under the Warm Homes and Energy Conservation Act 2000. The Government has previously conceded that reducing Warm Front funding to zero would put it in breach of its legal obligations but has done just that. We support and commend the Governments of Wales, Scotland and Northern Ireland for their commitment to maintain or increase funding for fuel poverty programmes during the current period of economic austerity. We note the intention of the Scottish and Welsh Governments to ensure, as a minimum, equitable access to funding from the Energy Company Obligation (ECO).*



## Energy efficiency programmes

- 1.11 The Scottish Government is to implement a provisionally titled National Retrofit Programme (NRP) on the basis that: 'an area-based approach offers the most effective and efficient delivery method based on evidence from schemes across Great Britain.' The Programme will integrate its public funding with ECO, the objective being that consumers should benefit from a seamless service. The NRP will consist of area-based programmes to ensure support is prioritised for those households in greatest need. The current Energy Assistance Package will continue, albeit in a reduced form, to offer demand-led assistance outside the NRP areas. Both programmes will focus on private sector housing.
- 1.12 The Arbed scheme in Wales also adopts an area-based approach which utilises criteria that include indices of multiple deprivation and hard-to treat-housing to prioritise assistance. As in Scotland, the Welsh Government will continue to fund the Nest programme to assist the most vulnerable private-sector households living in the least energy efficient housing.
- 1.13 In contrast the Warm Front programme in England was terminated early, although the underspend of approximately £30 million was distributed across 61 successful bids involving 169 local authorities to fund additional fuel poverty programmes.
- 1.14 Northern Ireland has a range of energy efficiency initiatives with the main programme being the Warm Homes Scheme. Whilst Northern Ireland was to the fore in testing the area-based approach to fuel poverty reduction the Warm Homes Scheme is an individual, demand-led programme.
- 1.15 We note and fully endorse the UK Energy Minister's recent comments on the merits of an area-based approach to fuel poverty and energy efficiency improvements: '*So what we need is a street-by-street focus, a community roll-out ... what we need is much more focus on a sweeping street-by-street, community-led, local authority-based approach. That is what I have endeavoured to embed into the Green Deal and ECO!*'
- 1.16 Finding 3: *A national domestic energy efficiency programme operational at a community level and with local authorities at the heart of the scheme should represent the most efficient and cost-effective model to deliver heating and insulation improvements. Despite repeated endorsement of such a model by many key stakeholders there is little evidence that the Westminster Government will seek to build on the knowledge and experience gained from the Community Energy Saving Programme. This approach could have been strengthened and formalised in the recently revised guidance to local authorities in England under the Home Energy Conservation Act.<sup>1</sup> However, the guidance imposes no duties on local authorities other than preparation and publication of progress reports and no associated funding will be provided. That such an opportunity has been missed is seriously detrimental to energy-related social and environmental aspirations.*

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<sup>1</sup> The Energy Act 2011 repeals the Home Energy Conservation Act in both Scotland and Wales.

## Social housing

- 1.17 All Governments have adopted minimum energy efficiency standards for social housing. The Welsh Housing Quality Standard is the most aspirational in specifying that all social housing should achieve an energy efficiency rating of SAP 65 by 2012. The standard introduces a more subjective element in specifying that heating systems should be reasonably economical to run. By the end of March 2012 around three-quarters of social housing in Wales was fully compliant in achieving both of the above targets; however it is unclear whether targets have since been met for all social housing properties.
- 1.18 In Scotland, whilst there has been a steady decrease in the number of dwellings failing the current Scottish Housing Quality Standard, the required energy efficiency rating of NHER 5 (broadly equivalent to SAP 50) is clearly inadequate. It is proposed to publish a new energy efficiency standard for social housing later this year. The Scottish Government consultation on social housing standards for 2020 proposed energy efficiency ratings ranging from SAP 50 to SAP 80 dependent on property type and heating fuel. However this new standard may not be closely linked to fuel poverty since it seems likely to be based on the Environmental Impact Rating of the EPC rather than the SAP rating.
- 1.19 In energy efficiency terms, social housing in Northern Ireland attains the highest standard at an average of SAP 68 across that tenure category. This is very close to the aspirational targets, subsequently abandoned, for social housing in England (see below).
- 1.20 The quality of social housing in England is maintained through compliance with the Decent Homes Standard (DHS) although the specification of minimal insulation and a controllable central heating source is clearly inadequate. Almost all social housing now meets the DHS. However, the current Government has abandoned the previous administration's intention to introduce a Warm Home Standard which would have required all social housing to be improved to a minimum standard of SAP 70 by 2020.
- 1.21 *Finding 4: Social housing is occupied by some of the most financially disadvantaged households in the country. Their economic disadvantage is somewhat mitigated by the fact that heating and insulation standards are more rigorous in this sector; however we would strongly support a programme of continuing improvement across this tenure group. Whilst still below a standard that can ensure that properties are 'fuel-poverty proof' the SAP 68 standard achieved in Northern Ireland demonstrates what might be expected of all social sector housing in the UK.*

## Private sector housing

- 1.22 Private sector housing, particularly private rented housing, represents some of the worst dwellings in the housing stock. The Energy Act 2011 seeks to address the problem for private rented homes through the setting of minimum standards in England and Wales. From 2016, landlords are obliged to permit tenants to undertake energy efficiency improvement works and, from 2018, it should be illegal

to rent out a property that is rated Energy Performance Certificate Band F or Band G. However, landlords can meet this minimal standard through a Green Deal arrangement which passes through repayment costs to current and future tenants. Private sector dwellings in Scotland are not subject to any prescribed energy efficiency requirement although the Scottish Government is to consider introducing some form of regulation in this sector by 2018. The Welsh Government proposes to legislate on the private rented sector in the near future. Whilst legislation will focus on landlord registration and accreditation it is envisaged that this will facilitate links to the Green Deal and other energy efficiency programmes.

- 1.23 Neither the Westminster Government nor the devolved administrations have firm proposals to introduce minimum standards within owner occupied housing – for example at the point of sale. The Westminster Government also recently decided against requiring households to meet minimum energy efficiency standards when carrying out major improvements to their homes, despite the successful and non-contentious application of this policy by a number of local authorities.
- 1.24 *Finding 5: There are no really effective drivers of high energy efficiency standards in the private rented sector; this is often attributed to the 'split incentive' in that the landlord sees no benefit in reducing energy costs for the tenant and the tenant is not motivated to invest in measures to improve the landlord's property. Proposed mandatory energy efficiency standards are too low, are unreasonably delayed in implementation and it is iniquitous that tenants should face the prospect of funding improvement works to the benefit of a private sector landlord. Equally, it seems unreasonable that works might be funded through the Affordable Warmth element of the Energy Company Obligation thereby passing on the cost of remedial work on behalf of a commercial enterprise to the domestic energy consumer. It is incomprehensible that a sector that often provides unacceptably low standards of accommodation should not be better regulated. As a minimum, we would wish to see the 2018 deadline to comply with energy efficiency criteria brought forward across the UK and with guarantees that measures should not be funded or subsidised by tenants or energy consumers. However it should be noted that the Nest scheme in Wales, which funds improvement works across all private-sector housing sets a target energy efficiency rating of Energy Performance Certificate Band C (SAP 69 to SAP 80). Rather than disburse public funds or levies from energy consumers for these works private landlords should be encouraged to utilise tax allowances under the Landlords Energy Saving Allowance for this purpose.*
- 1.25 *Finding 6: As the dominant category of tenure, owner-occupied housing accounts for the great majority of fuel-poor households. Action by the respective Governments to introduce minimum energy efficiency standards, for example at the point of sale and underpinned by grants for low-income households, could be a significant policy in driving up standards in the sector.*

## Health and housing

- 1.26 The connection between poor housing standards and impaired physical and psychological well-being is generally understood and accepted and this is particularly true of cold damp housing. However, despite general awareness of these links it

has proven difficult to engage health services in rational and cost-effective preventive action. In England and Wales the primary mechanism to resolve the negative impact of cold homes is the Housing Health and Safety Rating System. Scotland still retains the general Below Tolerable Standard as the most basic indicator of housing quality although we note that the relationship between poor housing and ill health is not universally accepted.

- 1.27 Across Northern Ireland, the Public Health Agency (PHA) is working in partnership with the public, private, community, voluntary and academic sectors to research, evaluate and deliver a range of local and regional initiatives to alleviate fuel poverty and maximise income for those living in fuel poverty. The PHA has established a regional fuel poverty and health network to develop a more strategic approach to fuel poverty and health across the region. A major priority is to engage with frontline Health and Social Care (HSC) staff and highlight their key role in identifying vulnerable households and signposting to relevant support services and grants.
- 1.28 Whilst Wales has no formal Fuel Poverty Plan, The Welsh Government has focused on support for people to keep well, warm and safe during the winter months by funding the Keep Well This Winter campaign which is a broad campaign incorporating both 'heating and eating' concerns run by Age Cymru in Wales, as well as maximising support for benefit entitlement, and support through the Nest scheme to improve the fuel efficiency of their home.
- 1.29 *Finding 7: We believe that the Housing Health and Safety Rating System represents a precise and effective method of addressing cold damp housing in the private rented sector. However local authority enforcement action has been minimal mainly as a result of limited resources and competing pressures on local authority Environmental Health Officers. However, we also note the recent Land Tribunal decision in Liverpool that a property that is incapable of providing affordable warmth can be deemed a Category 1 Cold Hazard and believe that this precedent should act as a driver to increased local authority action on cold damp private sector housing.*
- 1.30 *Finding 8: The Public Health Outcomes Framework for England includes action to reduce fuel poverty within the indicators relating to 'Improving the wider determinants of health'. Delegation of public health responsibilities to local authorities and publication of comparative statistical data should increase engagement in policies to mitigate the adverse health consequences of cold homes. However it should be emphasised that increased prescription must be accompanied by appropriate additional funding to enable local authorities to undertake further work on fuel poverty-related health issues.*

## Cold Weather Plan

- 1.31 In October 2012 the Department of Health published its second Cold Weather Plan for England. The Cold Weather Plan is intended to raise both public and professional awareness of the effects of severe cold on health. Advice and guidance on the prevention of cold-related morbidity and mortality is at the heart of the Plan which involves a wide range of statutory and voluntary agencies and individuals. The Cold Weather Plan included a Warm Homes, Healthy People Fund which supports the

objectives of the Cold Weather Plan by enabling local authorities and partners to reduce the scale of mortality and morbidity resulting from cold housing. The Warm Homes Healthy People Fund has undertaken a range of interventions including, emergency heating, energy efficiency improvements and 'warm packs'.

- 1.32 Finding 9: *Scotland, Wales and Northern Ireland should consider following the example of England in developing and implementing an official Cold Weather Plan intended to protect the health and welfare of vulnerable individuals during periods of severe winter weather.*
- 1.33 Finding 10: *The Warm Homes Healthy People Fund has been operational in England over two consecutive winters. However, financial support has been made available on an ad hoc basis and with limited time for bids to be submitted to the fund. The Warm Homes Healthy People Fund should be instituted as a formal on-going element within the Cold Weather Plan.*

## Excess Winter Mortality

- 1.34 The Department of Health has requested the National Institute for Clinical Excellence (NICE) to develop guidance to support the prevention of excess winter deaths and morbidity and the health risks associated with cold housing. The initial phase of consultation closed on March 8 2013. NICE guidance on public health issues is applicable only to England. Over the next two years NICE will gather evidence on this issue, including evidence on cost-effective preventive measures; these may include initiatives where health service funding can be utilised by housing providers. NICE is expected to publish guidance in 2015.
- 1.35 Finding 11: *The devolved administrations should engage fully with the NICE consultation process and consider development of their own guidance or, ultimately, adoption of the final guidance published for England, suitably adapted to reflect the different institutional arrangements for delivery of public health and housing provision.*

## Fuel Poverty Advisory Agencies

- 1.36 In December 2011 the Welsh Government abolished its Ministerial Advisory Group on Fuel Poverty justifying the decision by indicating that fuel poverty-related issues would be subsumed into wider anti-poverty initiatives. The Scottish Fuel Poverty Forum continues to advise Scottish Government Ministers whilst the Fuel Poverty Advisory Group (FPAG) performs a similar role in England. The fuel poverty advisory mechanism has changed in Northern Ireland. In 2012, the Fuel Poverty Advisory Group was replaced with a new structure comprising four Thematic Action Groups:

- Achieving Affordable Warmth
- Prevention
- Targeting
- Opportunities, Synergies and Risks

Each Thematic Action Group has produced an action plan and these are currently being incorporated into one single action plan by the Department for Social Development officials.

The Westminster Government published its response to the FPAG Annual Report 2011-2012 in February of this year which, whilst generally understanding of the Group's arguments, rejected the main proposal for hypothecation of carbon tax revenues to fund a national energy efficiency programme.

- 1.37 Finding 12: *The advisory bodies appointed to provide informed comment and recommendations on fuel poverty issues have been diligent and rigorous in fulfilling these duties. The Welsh Government should reinstate its advisory forum demonstrate a willingness to act on the forum's in-depth advice on policies and programmes. It is extremely disappointing that, unlike the Scottish Government, the Westminster Government is not more receptive to the advice received from its advisory body and, given that most areas of fuel poverty policy are reserved, that there are not stronger lines of communication between Westminster departments and advisory agencies in Scotland, Wales and Northern Ireland.*

## SECTION TWO

# Fuel poverty in the United Kingdom

### Background

2. The Warm Homes and Energy Conservation Act 2000 was the catalyst for the UK Fuel Poverty Strategy published in November 2001. Despite its title the Strategy never had a genuine UK-wide remit given that overall responsibility for fuel poverty objectives in England rests with Westminster but is devolved to the Governments of Scotland, Wales and Northern Ireland.
  - 2.1 In addition, whilst the Warm Homes and Energy Conservation Act is the foundation of fuel poverty targets in England and Wales, the Housing (Scotland) Act provides the basis for fuel poverty objectives in Scotland and there is no legislative driver for the eradication of fuel poverty in Northern Ireland.
  - 2.2 Consequently, and inevitably to some degree, the original assumption that fuel poverty definitions and targets would converge has never been realised. On the contrary, in those areas of fuel poverty where matters are devolved there has been increasing divergence in practice. The primary common areas of fuel poverty policy have been where powers are effectively reserved to Westminster e.g. Winter Fuel Payments made through the Department for Work and Pensions.

### Fuel poverty, policy and programmes

- 2.3 The three main factors in predisposing to fuel poverty are:
  - Inadequate heating and insulation standards
  - Low household incomes
  - High energy costs

### The scale of fuel poverty in the United Kingdom

- 2.4 Much of the disparity in the scale of fuel poverty in the constituent countries is attributable to national circumstances. Whilst there is some variation in household income this is much less significant than other issues such as the scale of hard to treat housing and the extent to which households lack access to mains gas supply. This latter issue is the dominant factor in the extraordinary high incidence of fuel poverty in Northern Ireland but also partly explains the high numbers of fuel-poor households in Scotland and Wales.

## Fuel poverty in the United Kingdom <sup>2</sup>

Country	Number of households	% of households	Total households
England	3,900,000	18.0%	21,600,000
Scotland	684,000	28.9%	2,368,000
Wales	332,000	26.2%	1,268,000
Northern Ireland	294,000	42.0%	701,500
United Kingdom	5,218,000	20.1%	25,937,500

Note: Figures for England and Wales cover 2010 and for Scotland and Northern Ireland 2011.

### Heating and insulation programmes – Great Britain

2.5 In theory the issue of heating and insulation standards is the responsibility of the devolved administrations but the reality is more complex. The Government-funded Warm Front scheme in England closed in January 2013 whilst Scotland, Wales and Northern Ireland have continued to support their own heating and insulation programmes to prioritise assistance to low-income vulnerable households (see individual reports). The Westminster Government maintains that the new Energy Company Obligation (ECO) will more than compensate for the loss of Warm Front but the ECO will be disbursed across England, Scotland and Wales with the majority of expenditure devoted to environmental rather than social programmes. In fact the Affordable Warmth element of ECO will be less than funding in previous supplier obligations and, of course, Northern Ireland remains excluded from this programme.

2.6 There are no energy efficiency programmes that benefit all four countries of the United Kingdom. Energy supplier obligations have generally applied across England, Scotland and Wales. Northern Ireland does impose a comparatively modest levy of around £9 per electricity customer (both domestic and business). This generates annual revenues of some £7.2 million, 80% of which is ring-fenced to assist vulnerable consumers.

Concerns around existing energy prices and the scale of fuel poverty make higher levies politically and socially sensitive. Indeed, the regressive nature and increasing levels of levies placed on all customers through their gas and electricity bills, regardless of income, is a cause of growing concern.

2.7 The table on the next page shows how future expenditure to address fuel poverty through heating and insulation improvements will be severely reduced compared with funding levels in 2010/11. Of course, as discussed in the key findings of this report, the table takes no account of energy efficiency expenditure on the part of the Westminster Government or the devolved administrations.

<sup>2</sup> Data taken from the House Condition Surveys of the individual nations.



## Expenditure on energy efficiency programmes 2010/11 and 2013/14

Programme	2010-11	2013-14
Community Energy Saving Programme	£117 million	-
Carbon Emissions Reduction Target - Priority Group	£654 million	-
Energy Company Obligation - fuel poverty programmes	-	£540 million
Total Expenditure	£771 million	£540 million

Note: Fuel poverty expenditure comprises £350 million for the Affordable Warmth Obligation and £190 million for the Carbon Saving Communities Obligation.

### Households off the gas network

- 2.8 Exposure to fuel poverty is exacerbated by the built-form of the dwelling and by lack of access to mains gas, as long as mains gas remains comparatively economical. It is unclear what level of support will be available for solid wall insulation under the Carbon Saving Communities Obligation but it seems unlikely that this measure will be an option under the Affordable Warmth Obligation due to the cost of such interventions.
- 2.9 The gas and electricity regulator, Ofgem, does offer some incentives to District Network Operators to extend the mains-gas network to fuel-poor households and/or to install renewable energy systems but these schemes are modest in scale (the mains-gas extension programme has a target to assist 80,000 households).
- 2.10 It has been highlighted that domestic fuels other than gas and electricity are unregulated. A recent inquiry by the Office of Fair Trading did identify some areas of concern but concluded that, overall, the market was competitive and effective.

### Low household incomes

- 2.11 In the context of fuel poverty this area is unique in applying consistent statutory measures across all four nations of the UK in the form of Winter Fuel Payments and Cold Weather Payments. The Department for Work and Pensions administers both of these benefits across Great Britain whilst the Department for Social Development performs this function in Northern Ireland.
- 2.12 The table overleaf shows expenditure, or estimated expenditure, on these benefits during 2010/11 and 2013/2014. In relation to Winter Fuel Payments, the earlier figure reflects a peak in spending since payments were increased (from £200 to £250 and from £300 to £400 depending on age) in this period. Expenditure on Winter Fuel Payments should continue to fall year on year as entitlement is linked to the rising women's state retirement age. Future expenditure on Cold Weather Payments can only be estimated and the 2013/14 figure represents average spend across the last four years.

## Expenditure on fuel poverty-related income support

Programme	2010-11	2013-14
Winter Fuel Payments	£2.7 billion	£2.1 billion
Cold Weather Payments	£431 million	£265 million
Total expenditure	£3.13 billion	£2.365 billion

## High energy costs

- 2.13 With the introduction of the Warm Home Discount we will see the phasing out of discretionary energy supplier assistance for vulnerable and financially disadvantaged households. The combination of effective data-sharing and prescriptive eligibility criteria will increasingly lead to a fully mandatory programme of assistance for vulnerable energy consumers – except for those in Northern Ireland where there is no equivalent scheme.
- 2.14 From 2011/12 the existing voluntary agreement by which the ‘big 6’ energy suppliers committed to a range of measures to support vulnerable and financially disadvantaged consumers was replaced by the statutory Warm Home Discount. The Warm Home Discount comprises several elements including Core Group support for low-income pensioner households and Broader Group support for other vulnerable low-income households. The table below shows that this is one area of fuel poverty policy where expenditure has increased although it should be noted that the Warm Home Discount is also funded through a levy on consumer bills.

## Energy price support <sup>3</sup>

Programme	2010-11	2013-14
Supplier voluntary agreement	£150 million	-
Warm Home Discount	-	£282 million

<sup>3</sup> Most households eligible for the Core Group discount will receive this automatically through data-sharing provisions. Consumers receiving their electricity supply from a smaller non-obligated supplier will not usually qualify for the Warm Home Discount. Households who qualify under the Broader Group eligibility criteria will generally have to apply for assistance.

## SECTION THREE

### Fuel poverty in England

#### Background

3. The Warm Homes and Energy Conservation Act 2000 supplemented by the subsequent UK Fuel Poverty Strategy 2001 formalised recognition of fuel poverty as an issue of social and political concern. Almost uniquely in terms of social policy objectives, the Act incorporated a legislative commitment to eradicate fuel poverty, whilst the Strategy introduced an official definition of fuel poverty, an in-depth discussion of the causes and consequences, and consideration of the range of policies and programmes that would be required to meet the fundamental intention of the Warm Homes and Energy Conservation Act that: 'as far as reasonably practicable persons do not live in fuel poverty'. The legislation required that the primary fuel poverty objective should be achieved within a 15-year timescale and the Strategy adopted a further voluntary interim target to end fuel poverty for 'vulnerable' households by 2010.

The first priority is therefore to ensure that by 2010  
no older householder, no family with children and  
no householder who is disabled or has a long-term  
illness need risk ill health due to a cold home.

The UK Fuel Poverty Strategy recognised that fuel poverty resulted from a combination of factors including:

- Inadequate heating and insulation standards across the housing stock
- Low household income
- High energy costs
- Households occupying dwellings that were too big for their needs and means

Consequently, it was acknowledged that the Strategy must seek to address a number of these factors through:

- Programmes to improve the energy efficiency of dwellings occupied by fuel-poor households through grant schemes in the private sector and programmes based on meeting minimum standards undertaken by social landlords
- Continuing action to maintain downward pressure on fuel bills, ensure fair treatment for low-income households and support for energy supplier initiatives to assist vulnerable consumers
- Policies and programmes to address general poverty and social exclusion in recognition of the fact that these are multi-dimensional problems

## The fall and rise of fuel poverty in England

- 3.1 Progress towards the eradication of fuel poverty in England is measured and published on an annual basis through analysis of data from the English Housing Survey and predecessor survey findings. The surveys provide in-depth data on the numbers and characteristics of fuel-poor households but, in general terms, the headline figures cover the overall scale of fuel poverty and the extent to which vulnerable households are affected.

## Number and % of households in England - 1996 to 2012

Year	Number of fuel poor households	% of fuel poor households	Number of vulnerable fuel poor households	% of vulnerable households in fuel poverty
1996	5,100,000	26%	4,000,000	30%
2001	1,722,000	8.1%	1,416,000	9.8%
2003	1,200,000	5.9%	1,000,000	6.6%
2004	1,200,000	5.9%	1,000,000	6.4%
2005	1,500,000	7.2%	1,200,000	7.8%
2006	2,400,000	11.5%	1,900,000	12.8%
2007	2,800,000	13.2%	2,300,000	14.6%
2008	3,300,000	15.6%	2,700,000	17.5%
2009	4,000,000	18.4%	3,200,000	20.7%
2010	3,536,000	16.4%	2,830,000	18.1%
2011	3,500,000*	16.4%	-	-
2012 <sup>4</sup>	3,900,000*	18.5%	-	-

\*Projected figures

## Defining fuel poverty in England

- 3.2 The Spending Review 2010 announced the Government's intention to initiate an independent review of the fuel poverty definition and targets to assist in: 'focusing the available resources where they will be most effective in tackling fuel poverty.' The Review was eventually entrusted to Professor John Hills, a social policy expert from the London School of Economics. The Review comprised an initial Call for Evidence, an interim report and final conclusions and recommendations.

## The Hills Review and fuel poverty policy

- 3.3 Ultimately, the Review Team produced a model of comprehensive and rigorous analysis of the issues associated with fuel poverty including the negative physical, social and psychological effects of unaffordable energy costs. Professor Hills concluded: 'We agree that fuel poverty is a distinct – and serious – problem. Fuel poverty is of major concern from three different but related perspectives: for those whose primary concern is poverty and its reduction; for those concerned with health and well-being; and for those concerned with climate change and reduction of carbon emissions.'

<sup>4</sup> Figures are estimates published in the Annual Report on Fuel Poverty, DECC, 2012. Vulnerable households generally represent 80% of all fuel-poor households.

- 3.4 Professor Hills went on to emphasise in his final report that: ‘Tackling fuel poverty offers a multiple pay-off: better living standards and conditions for people with low incomes, an improved and more energy efficient housing stock, fewer winter deaths and reduced costs for the NHS. This is no doubt what Parliament had in mind when it agreed in 2000, with all-party support, that fuel poverty should be eradicated as far as reasonably practicable within 15 years. That things are moving in the opposite direction – on the projections we present here – is profoundly disappointing’
- 3.5 Finally, Professor Hills stressed the importance of a well-designed energy efficiency programme that could prioritise assistance to meet the needs of fuel-poor households: ‘Our analysis also shows the importance of ensuring that policies delivering energy efficiency measures are geared towards the needs of the fuel poor if fuel poverty is to be reduced. Policies that did not focus support on the group of households that face both low incomes and unreasonable energy costs would be less effective in terms of improving the relative position of the fuel poor and would be of only limited help to address the problem as we understand it. It is vital, therefore, for low-income households to be a central focus of energy efficiency policies in the household sector.’

## The Hills Review and the fuel poverty definition

- 3.6 Professor Hills was also asked to consider the adequacy of the current definition of fuel poverty; however in this area Professor Hills’ recommendations were at odds with the views of virtually all agencies concerned with fuel poverty issues, including FPAG. Professor Hills rightly understood fuel poverty as a problem rooted in low household income and combined with high energy costs and his recommendation that low income should be defined in terms of the official poverty line met with general approval. However the Review’s recommendation that high energy costs should be understood as needed energy costs that exceeded the median for all households was subject to near-universal disagreement as a failure to comprehend the concept of affordability in the context of low-income households.
- 3.7 Not only would the Hills definition significantly reduce the incidence of fuel poverty – without a single household having been provided with affordable warmth, it would also result in a static fuel poverty headcount (in overall numbers if not in constituent households). Because of the way household income is calculated (equivalised) it would also significantly alter the characteristics of fuel-poor households with significant reductions in the number of fuel-poor older households and a higher incidence of fuel poverty among families with children.

## Breakdown of fuel poverty in England 2009 - by existing and proposed definitions

	Couple with children	Older couple (no children)	Couple aged under 60 (no children)	Single person with children	Single person aged 60 or over	Single person aged under 60	Other multi-person household	Total number
Current definition	9.6%	18.5%	7.1%	8.8%	29.9%	19.2%	6.9%	3,964,000
Proposed definition	24.5%	15.1%	8.1%	20.6%	10.3%	13.4%	8.0%	2,695,000

- 3.8 The Hills proposals would compensate for the fact that there is minimal change in the overall scale of fuel poverty by adopting a 'fuel poverty gap' measure of progress (or regress) instead of the current focus on the headcount. The 'fuel poverty gap' is defined as the amount (in monetary terms) by which the assessed energy needs of fuel-poor households exceed the threshold for reasonable costs. It is widely considered that the concept of a 'gap measure' is useful in terms of giving some indication of the depth of fuel poverty but that it is fundamentally undermined through being based on the flawed fuel poverty definition.

## The Hills Review and the Department of Energy and Climate Change

- 3.9 Despite considerable support for the view that the existing fuel poverty definition was generally 'fit for purpose', and that the Hills Review represented a distraction from the priority task of designing and implementing effective fuel poverty policies and programmes, fuel poverty campaigners did not fully engage with the consultation phases of the Review and with DECC's subsequent consultation. This last consultation made it clear that the Department was minded to accept Professor Hills' recommendations as providing: 'insight to interventions, and the opportunity to reappraise our policies. An updated, refreshed strategy will therefore follow in the New Year and will ensure that our resources are being used as effectively as possible. This is not simply a challenge for DECC, but across Government.' As yet, there has been no evidence of the proposed new strategy and it seems likely that this will be delayed until summer 2013.

## Domestic energy prices

- 3.10 The main explanation for the dramatic reduction in fuel poverty between 1996 and 2003-2004 was the significantly lower fuel bills faced by households at that time. The introduction of the competitive retail market and wider global market conditions imposed a generally downward pressure on household energy bills. Similarly, the increases in the scale of fuel poverty in England match the upward trends in domestic gas and electricity prices since 2004. Since then, and with the occasional exception, energy prices have followed an upward trajectory.

## Trends in domestic energy prices in England from 2001

Year	Fuel	
	Gas	Electric
2001	£293	£246
2002	£310	£224
2003	£320	£245
2004	£333	£251
2005	£386	£281
2006	£475	£335
2007	£537	376
2008	£625	£433
2009	£708	£443
2010	£682	£431
2011	£749	£469
2012	£837	£496

## Programmes and policies specific to England

3.11 In theory, fuel poverty policy is devolved to the respective legislatures of the UK nations; however, in practice, oversight of the fuel poverty infrastructure is largely dominated by policies implemented by the Westminster Parliament.<sup>5</sup> This means that fuel poverty policy is consistent across a number of areas and, where this is the case, these policies are discussed in the UK overview of this report. Even where policy areas are devolved, for example in housing, the issue is complicated by the fact that some programmes such as the new Energy Company Obligation operate across Great Britain.

## Energy efficiency

3.12 The Home Energy Efficiency Scheme was introduced in 1990 and, in that pre-devolution era, operated in England, Scotland and Wales. Post-devolution the schemes began to diverge and in England the Home Energy Efficiency Scheme was re-branded as Warm Front in 2000. At this point Warm Front developed from a programme of basic, cost-effective insulation to a scheme that also funded the installation of heating systems. Warm Front funding was also used as a testing ground for more innovative measures including the installation of renewable energy systems such as air-source heat pumps and was also used to fund connection to the mains-gas supply. Despite promising results from the renewables pilots, this technology was not formally included among eligible measures mainly as a result of budgetary constraints.

3.13 The table below shows a general upward trend in Warm Front expenditure until the first Spending Review of the Coalition Government in 2010 which announced significant reductions in Warm Front expenditure and revisions to eligibility criteria intended to improve targeting of assistance to fuel-poor households.<sup>6</sup>

## Warm Front Budgets

Year	Budget	Households assisted
2000-2001 <sup>7</sup>	£72 million	97,600
2001-2002	£197 million	307,700
2002-2003	£163 million	219,300
2003-2004	£164 million	189,000
2004-2005	£166 million	208,100
2005-2006	£192 million	173,200
2006-2007	£320 million	253,100
2007-2008	£350 million	268,900
2008-2009	£397 million	233,600
2009-2010	£369 million	213,000
2010-2011	£348 million	127,900
2011-2012	£110 million	47,000 <sup>8</sup>
2012-2013	£100 million	45,000 <sup>9</sup>
January 2013 scheme terminates		

<sup>6</sup> Revised eligibility criteria restricted entitlement to vulnerable households on the lowest incomes and occupying properties of poor to moderate energy efficiency standards. Subsequently, as it emerged that eligibility criteria were too rigorous the energy efficiency threshold was lowered although there was still virtually no formal promotion of the scheme.

<sup>7</sup> From June 2000 the Home Energy Efficiency Scheme was rebranded as Warm Front and operated in England only; the original Home Energy Efficiency Scheme applied across Great Britain.

<sup>8</sup> Subsequently revised downwards to 35,000 households.

<sup>9</sup> The Warm Front programme was terminated on January 19 2013 and the unspent portion of the budget distributed across local authorities successful in a bidding process.

- 3.14 The Government has repeatedly insisted that the loss of Warm Front will not be damaging because fuel poverty funding would be greatly enhanced following the introduction of the Energy Company Obligation. For example, during the debate on the Statutory Instrument<sup>10</sup> relating to the Carbon Emissions Reduction Target extension, Energy Minister Greg Barker MP, indicated in relation to the Green Deal and the Energy Company Obligation that: *'The pay-as-you-save model will serve the majority, if not the lion's share, of people. Nevertheless, a significant element, particularly among the fuel poor and people with hard-to-treat homes, will need additional support, which we will primarily tackle through an enhanced supplier obligation. We are talking about more than £1 billion a year in the supplier obligation— considerably more than the Warm Front budget this year, which is a little in excess of £300 million. The sums and scale of money are very large. We are designing a new architecture, which will be far more sustainable than the hand-to-mouth, annual Treasury-capped grants.'*

## The Spending Review 2010 and the Warm Homes and Energy Conservation Act

- 3.15 The Comprehensive Spending Review<sup>11</sup> in October 2010 announced reductions in funding for Warm Front. Funding would fall (from £348 million in 2010-2011) to £110 million in 2011-2012 and to £100 million the following year after which the programme would cease completely. This will represent the first time since 1978 that there will be no Government-funded domestic energy efficiency programme. This action in itself appears to have placed the Government in breach of the provisions of the Warm Homes and Energy Conservation Act. In 2008 Friends of the Earth, in combination with Help the Aged, sought Judicial Review of Government failure to make progress against fuel poverty objectives, arguing that insufficient resources were being devoted to fuel poverty programmes. The Government department with primary responsibility for fuel poverty at that time, Defra, submitted written evidence that was subsequently summarised in the legal judgement: 'the Defendants say (for example) that the Act and [Fuel Poverty] Strategy would not (as presently formulated) permit the Government to eliminate Winter Fuel Payments in their entirety or cut Warm Front funding to zero.'
- 3.16 The Government also maintained that, in decisions taken in the Comprehensive Spending Review, it had taken account of its 'responsibilities under... the Warm Homes and Energy Conservation Act 2000... [and that] the Government considers the Spending Review to be consistent with its obligations in relation to fuel poverty.'<sup>12</sup> As noted above, NEA is particularly concerned that the Exchequer is abdicating responsibility for funding fuel poverty programmes by simply shifting the burden on to energy consumers.

## Energy efficiency across the housing stock

- 3.17 The Energy Act 2011 introduces the Green Deal and the Energy Company Obligation (ECO). The Green Deal is a market-based energy efficiency scheme which also provides finance arrangements for improvement works. The underlying principle of the Green Deal is that improvement works should comply with the 'Golden Rule' whereby the fuel-cost savings should exceed the cost of repaying the finance. Green Deal repayments will be made through the electricity bill and are the responsibility of the

<sup>10</sup> Draft Electricity and Gas (Carbon Emissions Reduction) (Amendment) Order 2010, Second Delegated Legislation Committee, July 26 2010.

<sup>11</sup> Spending Review 2010, HM Treasury, 2010.

<sup>12</sup> Spending Review 2010, HM Treasury, 2010.



account holder. In recognition of the fact that some energy efficiency measures will not meet this cost-effectiveness criterion, it is proposed that such measures may be subsidised through ECO funding.

3.18 The Energy Company Obligation is also intended to fund energy efficiency measures in the homes of low-income vulnerable households through three main elements:

- An Affordable Warmth Obligation restricted to the most financially disadvantaged vulnerable households in the private sector
- A Carbon Saving Communities Obligation to deliver cross-tenure energy efficiency improvements in economically disadvantaged areas of Great Britain
- A Rural Safeguard which requires that 15% of Carbon Saving Communities expenditure is expended on low-income vulnerable households in all tenures

3.19 In theory, the Green Deal and/or specific elements of the Energy Company Obligation can be used to improve housing across all tenures; however, the emphasis of the market-based element will inevitably be on the owner-occupied sector and this is unlikely to be a feasible or attractive mechanism for low-income households. Households in a financially precarious situation feel unable to incur what they will perceive as debt and they may, through financial constraints, be consuming insufficient energy to achieve significant energy savings.

## Social housing and the Decent Homes Standard

3.20 The Decent Homes Standard (DHS) was originally envisaged as the means by which fuel poverty in the social rented sector would be addressed. The UK Fuel Poverty Strategy indicated that all social rented dwellings would comply with the Thermal Comfort element of the Decent Homes Standard by 2010. Subsequently, the then Government also set targets to bring private sector dwellings occupied by vulnerable households up to that standard although there was no indication of how this was to be achieved. As the table below shows, the fundamental aspiration for social housing has not been reached.

### Homes failing Decent Homes Standard on Thermal Comfort – England 2011

Tenure	Number of homes	% of homes
Owner-occupied	1,127,000	7.6%
Private rented	611,000	15.2%
Local authority	88,000	4.7%
Housing association	157,000	7.5%
All tenures	1,984,000	8.7%

3.21 In fact the Thermal Comfort element of the Decent Homes Standard is a minimal standard requiring only the most basic heating and insulation measures. As such, compliance with the standard in no way ensures that the occupants have access to affordable warmth. In practice most social housing providers exceeded the standard by a considerable margin. However, this was by no means guaranteed. The last government's proposal to introduce a Warm Homes Standard by which all social

housing would be required to meet EPC C by 2020 would have represented a much more rigorous standard and gone a long way to ensuring affordable warmth. Unfortunately, the current Government decided not to adopt this standard and indeed has not put any replacement standard in place for social housing since the DHS.

## Private sector tenants

3.22 The Energy Act requires that, by 2016, landlords should not be able to refuse tenant requests to install basic energy efficiency measures. The Act also requires landlords to ensure that by 2018 all properties reach a minimum energy efficiency standard of Energy Performance Certificate Band E; the necessary works can be funded through Green Deal meaning that the existing or future tenant will be responsible for repayment of the finance. However, this requirement should mean the virtual eradication of the worst (F and G-rated) private rented properties by 2018.

## Energy efficiency rating by tenure – England 2011

Tenure	Energy Performance Rating					
	Band A or B	Band C	Band D	Band E	Band F	Band G
Owner occupied	-	1,446,000 (9.8%)	7,358,000 (49.8%)	4,743,000 (32.1%)	973,000 (6.6%)	234,000 (1.6%)
Private rented	-					
Number of households	-	684,000 (17.0%)	1,711,000 (42.6%)	767,000 (28.7%)	320,000 (8.0%)	138,000 (3.4%)
Local authority	-					
Number of households	-	486,000 (25.8%)	1,050,000 (55.8%)	294,000 (15.6%)	37,000 (2.0%)	- -
Housing association	-					
Number of Households	-	695,000 (33.2%)	1,081,000 (51.7%)	263,000 (12.6%)	33,000 (1.6%)	- -
All households	38,000 (0.2%)	3,311,000 (14.6%)	11,119,000 (49.2%)	6,454,000 (28.4%)	1,363,000 (6.0%)	389,000 (1.7%)

EPC Bands correspond to energy efficiency ratings under the SAP methodology which assesses heating and insulation standards on a scale of 1-100 where the higher the rating the higher the standard:

Band A	(92-100)	Band B	(81-91)	Band C	(69-80)
Band D	(55-68)	Band E	(39-54)	Band F	(21-38)
Band G	(1-20)				

## Fuel poverty and health

3.23 As indicated earlier in the discussion of the Hills Review, the adverse health consequences of cold homes are well recognised and documented. The damage to physical and psychological health and welfare and the needless practical and financial pressure this places on the health service is the single most compelling issue in the fuel

poverty debate. Much of the wider attention on Professor Hills' findings came from his observation that fuel poverty killed more people than died in road traffic accidents: 'Living in cold homes has a series of effects on illness and mental health. But at the top of the iceberg of these effects is the way in which Britain has unusually high rates of excess winter deaths. Even if only a tenth of them are due directly to fuel poverty, that means that 2,700 people in England and Wales are dying each year as a result – more than the number killed in road traffic accidents.' Most informed commentators believed that Professor Hills was deliberately conservative in this assumption and that the link between cold homes and excess winter deaths is considerably greater.

- 3.24 The scale of excess winter deaths has been reducing in recent years although this apparent trend provides no grounds for complacency.

## Excess Winter Mortality in England 2004 to 2012

2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
29,740	23,740	22,380	23,290	34,200	24,170	23,700	22,700

## The Housing Health and Safety Rating System

- 3.25 The Housing Act 2004 introduced the Housing Health and Safety Rating System (HHSRS) as a replacement for the previous 'Fitness Standard' in assessing unacceptably low housing standards in the private rented sector. The HHSRS employs an assessment tool to identify the degree of potential harm resulting from the condition of the dwelling; these are then classed as Category 1 or Category 2 Hazards. One of the most common Category 1 Hazards in the English housing stock is associated with harm resulting from cold indoor conditions. Whilst perceived as a useful tool to eliminate the worst housing conditions, the HHSRS has not been widely used because of fiscal and personnel constraints within local authority Environmental Health Departments.

## Housing Health and Safety Rating System Category 1 Excess Cold Hazards by tenure

Tenure	Excess Cold Hazard (%)	All dwellings in tenure group
Owner occupied	7.6%	14,860,000
Private rented	10.7%	3,706,000
Local authority	3.6%	1,801,000
Housing association	1.8%	2,018,000
All dwellings	7.3%	22,388,000

## Cold Weather Plan

- 3.26 In October 2012 the Department of Health published the 2nd Annual Cold Weather Plan for England setting out recommended actions to protect the health and welfare of vulnerable households during periods of severe cold weather. The Plan seeks to involve a comprehensive network of stakeholders in minimising any adverse health consequences and is aimed at:

- The NHS, local authorities, social care and other public agencies
- Professionals working with people at risk
- Individuals and local communities

- 3.27 Operation of the Plan is underpinned by a system of Cold Weather Alerts provided by the Met Office and intended to ensure effective action by relevant agencies in response to the alerts. In support of the aims of the Plan, the Department of Health recently announced further support for a Warm Homes Healthy People Fund for winter 2012-2013. The purpose of the fund was to support local authorities and partner agencies in reducing cold-related mortality and morbidity caused by cold housing in the coming winter. In 2012-2013, some £20 million was made available to fund a range of initiatives.

## Health and Well-being Boards

- 3.28 Health and Wellbeing Boards will, from April 2013, present new opportunities for effective partnership working at a local level to improve commissioning and achieve better health outcomes for local communities. The Boards will comprise at least one elected representative as well as representatives of the new Clinically-led Commissioning Groups (CCGs), local authority directors of adult social services, children's services and public health and the local Healthwatch. It is envisaged that these agencies will work at a local level to set specific outcomes to be assessed as indicators of progress. Healthwatch England will serve as an 'umbrella' body at national level and will influence policy as it is intended to provide a voice for both patients and communities in developing policy and service delivery. It is hoped to engage more fully with General Practitioners including through revisions to patient data-management systems which enable the GP to recognise vulnerability and refer on for assistance as appropriate.
- 3.29 Local authorities and CCGs have a shared responsibility to undertake Joint Strategic Needs Assessments (JSNA) and develop Joint Health and Well-being Strategies (JHWS) through the HWB to respond to local priorities which will be supported by a new public health outcomes framework. This includes indicators for both fuel poverty and excess winter deaths alongside other key indicators within the framework. Whilst fuel poverty campaigners have latterly struggled to engage the wider health sector in preventive and remedial action to address fuel poverty, excess winter deaths and illness the new framework provides a valuable opportunity to engage Health and Wellbeing Boards and particularly public health in supporting local action. However the key challenge will be ensuring that fuel poverty and excess winter death indicators are adopted as local priorities in JHWS and that resources are available to support effective commissioning across health, social care, housing and related sectors. The recent direction to the National Institute for Health and Clinical Excellence to develop guidance on the prevention of excess winter mortality and morbidity should also help focus attention on this emerging area for action, although it is not expected to issue guidance until 2015.

## Fuel Poverty Advisory Group

- 3.30 Government action on fuel poverty in England is subject to scrutiny by the Fuel Poverty Advisory Group (FPAG) for England. The Group comprises representatives from a wide range of organisations concerned with fuel poverty issues including: energy utilities and the wider energy industry; consumer protection agencies and the voluntary sector. The key role of FPAG is to: report on the progress of delivery of the Government's Fuel

Poverty Strategy and to propose and implement improvements to regional or local mechanisms for its delivery’.

3.31 The most recent report from the Group set out a number of key recommendations to Government including:

- If the 2016 target to eradicate fuel poverty by 2016 cannot be achieved there must be an honest debate on a revised target date and on the measures required to meet any new target
- There is an urgent need for additional funding for fuel poverty programmes and this need could be met through recycling of carbon tax revenues
- The ad-hoc approach to fuel poverty should be replaced by a strategic ‘road map’ showing the roles and responsibilities of all Government departments in achieving fuel poverty objectives
- There is a compelling need to consider the negative impact of DECC policies on fuel-poor households and design and implement appropriate remedial responses

3.32 In May 2012, the Department of Energy and Climate Change initiated a consultation exercise on the future role of FPAG. The fundamental question to which DECC sought responses was: ‘Do the key functions performed by FPAG continue to be necessary and appropriate in scrutinising Government policy aiming to tackle fuel poverty?’

3.33 In responding to the consultation, NEA set out its views on the case for retaining FPAG and counselled Government on the need to retain the Fuel Poverty Advisory Group as an important element in fuel poverty policy.

3.34 ‘NEA believes that, since its inception, FPAG has performed an extremely valuable service in bringing expert and independent scrutiny of Government and Government-mandated policies and programmes to address fuel poverty. Independent scrutiny of Government actions and progress is essential to provide direction and credibility to an issue that is socially and politically sensitive. This argument is given added weight by the statutory basis of the UK Fuel Poverty Strategy and the fact that Government action is underpinned by a legislative imperative. In such cases, it seems strongly advisable that Government actions should benefit from informed and objective advice and comment.

3.35 ‘The disparate nature of FPAG membership means that the Government effectively benefits from comprehensive external expertise provided willingly and voluntarily through the commitment of individuals and organisations whose only purpose is to assist financially disadvantaged and vulnerable energy consumers. NEA believes that it is self-evident that Government requires external support and assistance in meeting fuel poverty objectives and that this need is manifest in the growing scale of fuel poverty in England. (In summary, stakeholder engagement is necessary both to provide knowledge and expertise that may be lacking within Government and to confer credibility and/or critical and constructive comment on Government actions.)’ Despite the considered and constructive recommendations from FPAG, the Government has been reluctant to implement many of the policies advocated by FPAG, including the Group’s support for the use of carbon tax revenues to fund fuel poverty programmes. This last proposal has recently received extensive support from a broad

consortium of agencies including the End Fuel Poverty Coalition, the energy industry and trade unions. The Energy Bill Revolution Alliance which co-ordinates this campaign estimates that hypothecation of carbon tax revenues to a national energy efficiency programmes would deliver huge benefit in social, economic and environmental terms.

## The End Fuel Poverty Coalition

3.36 The work of the Fuel Poverty Advisory Group is complemented by campaigning and advocacy action undertaken by the End Fuel Poverty Coalition – a broad alliance of agencies deeply concerned at the continuing rise in the scale of fuel poverty and the failure of successive Governments to provide an adequate and proportionate response.

3.37 The Coalition has published a Fuel Poverty Charter calling for a number of measures to be urgently implemented including:

- A fully costed analysis from Government of how it proposes to meet statutory fuel poverty targets
- A national domestic energy efficiency programme to improve the housing stock with priority given to households occupied by fuel-poor households
- Combine all domestic energy efficiency expenditure into a single fund offering a degree of assistance for all households but fully funded for low-income households
- Extend entitlement to the Winter Fuel Payment to all vulnerable households on low incomes
- Increase the scale of 'social price support' for financially disadvantaged households
- Fund a one-stop-shop providing advice on benefit entitlement, sources of funding for energy efficiency improvements and advice on debt management and the most advantageous energy tariffs

## SECTION FOUR

# Fuel Poverty in Scotland

### Background

4. The legislative requirement to end fuel poverty in Scotland is contained in the Housing (Scotland) Act 2001. Section 88 commits the Scottish Government to ensuring, as far as is reasonably practicable, that people in Scotland are not living in fuel poverty by November 2016.
  - 4.1 The Act also requires the Scottish Government to set out its plans, and to report on progress thereof, in a Scottish Fuel Poverty Statement. The first such Statement was published in August 2002 with subsequent progress reports and revisions leading to the latest progress report in November 2010. In turn, the Scottish Fuel Poverty Statement formed part of the UK Fuel Poverty Strategy.
  - 4.2 The 2010 progress report concludes that: 'The Scottish Government remains committed to the eradication of fuel poverty by 2016, as far as is reasonably practicable. Ministers will do all that is within their powers to meet the target. The major focus of this activity will be on improving house condition and providing energy, benefits and tariff advice, as they have little direct influence over energy prices and incomes, two of the main components in fuel poverty.' Of the three main causes of fuel poverty, income/benefits and energy regulation remain matters reserved to the UK Government; whilst energy efficiency is a matter devolved to the Scottish Government. However, energy efficiency programmes pose a further complication in terms of obligations on energy companies and this will be returned to later.
  - 4.3 The progress report also acknowledged that improving the energy efficiency of the housing stock underpinned the Climate Change Act target of a 42% reduction in CO<sub>2</sub> emissions by 2020, given that homes contribute 25% of emissions.
  - 4.4 The Scottish Government also pledged to continue to work with the UK Government, for example to exert pressure on energy suppliers to minimise increases in domestic energy prices, and also with key stakeholders, local authorities, housing providers, energy companies and the Scottish Fuel Poverty Forum.

### Levels of fuel poverty in Scotland

- 4.5 Since 1996, levels of fuel poverty and its characteristics have been measured by the Scottish House Condition Survey (SHCS).

## Trends in fuel Poverty in Scotland

Year	Number of households	Percentage of households
1996	738,000	35.0%
2002	293,000	13.4%
2003/04	350,000	15.4%
2004/05	419,000	18.2%
2005/06	543,000	23.5%
2007	586,000	25.3%
2008	618,000	26.5%
2009	770,000	32.7%
2010	658,000	27.9%
2011	684,000	28.9%

- 4.6 Since 1996, the SHCS has collected detailed information on the thermal quality of dwellings, a prerequisite of analysis of the scale of fuel poverty. The SHCS moved to a continuous format in 2003 to assist with the monitoring of Ministerial targets including the fuel poverty objective and milestones.
- 4.7 From 1996 to 2002, fuel poverty had been falling, due largely to the drop energy prices. The negative impact of subsequent and on-going energy price increases has exceeded any progress resulting from improved energy efficiency standards or rising household incomes.
- 4.8 The Progress Update on the Fuel Poverty Statement (2010) projected that for every 5% increase in energy prices, as many as 46,000 Scottish households (2%) would be pushed into fuel poverty. Based on this equation, Energy Action Scotland estimates there may be approximately 900,000 fuel-poor households (about 40%) in Scotland in 2013.
- 4.9 It is important to note, however, that current levels of fuel poverty would be considerably higher without significant remedial interventions.

## Defining fuel poverty in Scotland

- 4.10 In producing the Scottish Fuel Poverty Statement, the Scottish Government adopted the following definition of fuel poverty:

A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income (including Housing Benefit or Income Support for Mortgage Interest) on all household fuel use.

A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income (including Housing Benefit or Income Support for Mortgage Interest) on all household fuel use.



- 4.11 It also acknowledged the arguments that were made by some members of the then Fuel Poverty Advisory Group and others that the definition should exclude Housing Benefit and Income Support for Mortgage Interest. The impact of this would be to exclude part or all housing costs for some (but not all) low-income households. However, it went on to state: “We were not persuaded by the arguments for this being the definition of fuel poverty, but agree that data should also be collected using this definition. Our presumption is that decreases or increases in the number of households that are in fuel poverty will be similar against each definition, that is, they will move in parallel.”

## Heating regime

- 4.12 The definition of a ‘satisfactory heating regime’ uses the levels recommended by the World Health Organisation. For elderly and infirm households, this is 23° C in the living room and 18° C in other rooms, to be achieved for 16 hours in every 24. For other households, this is 21° C in the living room and 18° C in other rooms for a period of 9 hours in every 24 (or 16 in 24 over the weekend); with two hours being in the morning and seven hours in the evening.

## Household income

- 4.13 ‘Household income’ was defined as income before housing costs in keeping with one of the official methods of assessing households on low incomes.

## Definition review

- 4.14 In autumn 2011, the then Cabinet Secretary for Infrastructure and Capital Investment, Alex Neil MSP, tasked the Scottish Fuel Poverty Forum with a review of the Scottish Government’s fuel poverty strategy. As part of the review, the Forum was asked to consider whether the definition of fuel poverty was still valid.
- 4.15 The Forum subsequently recommended, in its Interim Report (May 2012): ‘the continued use of the current definition of fuel poverty, for the present time, due to its simplicity and ability to capture all fuel poor’. The Cabinet Secretary welcomed this recommendation in a Ministerial Statement to the Scottish Parliament on June 6 2012.
- 4.16 However, the Interim Report also recommended that further work be undertaken on the assumptions underpinning the Scottish definition; in particular on room temperature level, the method of assessing household income and occupancy levels, and the potential of an upper income threshold. This recommendation is still under consideration by the new Cabinet Secretary, Nicola Sturgeon MSP.

## Funding for fuel poverty and energy efficiency improvements

- 4.17 Following an inquiry into fuel poverty last year, the Economy, Energy and Tourism Committee of the Scottish Parliament recommended ‘that the Scottish Government reconsiders its contribution to combating fuel poverty with the aim of reaching, along with energy companies through the CERT and ECO schemes, a combined budget of at least £200 million per annum from public and private sources for fuel poverty measures’.

- 4.18 Core funding for Scottish Government fuel poverty and energy efficiency programmes was expected to be £65 million in 2012-13 and 2013-14, rising to £66.25 million in 2014-15. However, in the Budget Bill passed by Parliament in February 2013, an additional £14 million for fuel poverty and energy efficiency programmes in 2013-14 was made available, bringing the total to £79 million instead of £65 million and thereby putting it above the level it was at prior to cuts made three years ago.
- 4.19 The Scottish Government has announced that a National Retrofit Programme (NRP) will be launched in 2013-14 to take over from the Universal Home Insulation Scheme and, largely, the Energy Assistance Package. The NRP is also intended to lever in funding from a range of sources - including from the new Energy Company Obligation (ECO) of circa £120 million per annum based on securing a proportionate share of overall GB funding - in order to achieve a total expenditure in Scotland of £200 million per year. Of course energy suppliers will provide ECO funding through voluntary agreements and equitable distribution is by no means certain.
- 4.20 In order to encourage Green Deal and ECO activity in Scotland, the Scottish Government is taking a number of steps. For example, it is investing £20 million (£5.4 million in 2012-13 and £14.6 million in 2013-14) to allocate vouchers for energy efficiency measures recommended by a Green Deal assessment or an Energy Performance Certificate or to put towards the cost of such assessments. In addition, £3 million in 2012-13 was made available for pilot projects for the NRP, with the intention of 'building momentum in the transition to the ECO being launched by the UK Government'.
- 4.21 The Spending Review 2011 also provided funding to establish the Warm Homes Fund, with £50 million over the course of this parliamentary session to focus on the potential of renewable energy to provide a long term, sustainable means to address fuel poverty. This is expected to bring forward £3.25 million in 2012-13, £7.75 million in 2013-14 and £18.75 million in 2014-15, with the remaining £20 million to be allocated in the next Scottish parliamentary Spending Review.
- 4.22 Furthermore, because households who are not on the gas grid are more likely to suffer from fuel poverty, the Scottish Government also established a Gas Infill Loans fund. With £1 million for 2012-13 and a further £4 million 2013-14, the fund aims to provide the opportunity to access additional, cheaper options for domestic energy by facilitating connection to the mains gas network.

## Programmes and policies specific to Scotland

### Programmes

- 4.23 The Energy Assistance Package (EAP) has been the main programme aimed at tackling fuel poverty in Scotland since its introduction in April 2009. The programme was designed to establish a one-stop-shop approach for the public by offering four stages of support, subject to eligibility, with access via one freephone number. The practical measures and advisory services (on energy, tariffs and benefits) were provided from a range of sources, including CERT (the Carbon Emissions Reduction Target, which was the energy supplier obligation operating until the end of 2012) and Scottish

Government funding. Practical measures included insulation and heating systems, depending on the level of need of the household. Since the conclusion of CERT, Stage 3 of the Energy Assistance Package has ceased to function.

- 4.24 In 2011, the Scottish Government set up the Universal Home Insulation Scheme (UHIS) in order to deliver practical measures to improve domestic energy efficiency using an area-based approach. The scheme is delivered by local authorities in conjunction with local delivery partners. It aims to offer free loft and cavity wall insulation to around 200,000 households living in specific areas. In addition, some of the schemes provide support for harder to treat properties. In the second phase of UHIS (2012-13), local authorities have targeted areas that are most in need of free insulation and other energy efficiency measures. This has included rural and urban communities which have not benefited from previous insulation schemes.
- 4.25 Following a review of the Scottish Government's Fuel Poverty Strategy by the Scottish Fuel Poverty Forum, the Forum recommended development of a National Retrofit Programme (NRP), as it believed 'that an area-based approach offers the most effective and efficient delivery method based on evidence from schemes across Great Britain'. It further stated that such programmes should offer assistance to all households within the locality via a single point of access, and all households in the initial areas should be eligible for all forms of support including income maximisation and tariff advice.
- 4.26 The provisionally titled National Retrofit Programme is due to commence in April 2013. It will prioritise fuel-poor areas and is intended to cover the whole of Scotland in ten years. Local authorities will effectively manage the schemes and use Scottish Government funding to bring together a range of funding streams and lever in maximum investment by the energy companies for Scotland. The emphasis of the work will be on measures funded through the carbon saving elements of the Energy Company Obligation including Carbon Saving Communities.
- 4.27 The EAP will still continue in some form in order to provide assistance on a demand-led basis to individuals outside the NRP areas. Energy Action Scotland, the Forum and others have argued that it is necessary to provide assistance to individuals in urgent need and who cannot wait, perhaps for health reasons, for the NRP to reach their area. The Forum is also adamant that those currently eligible under the EAP - for example, carers and those with a terminal illness - should not miss out in the transition to NRP and ECO.
- 4.28 The Scottish Government's Warm Homes Fund aims to assist communities affected by fuel poverty by providing grants and loans to support renewable energy projects such as biomass, hydro schemes, wind turbines and solar water heating. It is open to registered social landlords (RSLs), local development trusts and community groups (where eligible) and energy services companies (ESCOs) formed by RSLs or local authorities. There are grants for options appraisals and feasibility studies, while loans are available for infrastructure and associated fees. Loans are offered at commercial but competitive rates in order to enable access to UK Government schemes to support renewable energy, such as the Feed-in Tariff and the Renewable Heat Incentive. Councils and housing associations applying to the fund will be expected to use any income generated from their schemes to improve the energy efficiency of their existing housing.

- 4.29 The Green Homes Cashback Scheme offers owner-occupiers, private and social tenants and private sector landlords up to £500 in vouchers towards energy efficiency measures that are recommended by an EPC or Green Deal assessment. In addition, homeowners can also apply for up to £100 towards the cost of an EPC or Green Deal assessment. Measures must be complete within 12 weeks of receipt of the voucher. The scheme is managed for the Scottish Government by the Energy Saving Scotland advice centres.
- 4.30 The Gas Infill Loans Scheme provides loan funding for gas infill projects and gas grid extension projects, specifically:
- gas infill projects to connect groups of owner-occupied houses within the existing gas grid but not currently connected to it
  - gas grid extension projects to connect groups of houses located sufficiently close to the existing grid to be connected at a reasonable cost, taking account of the various sources of funding support available.

Individuals may borrow a maximum of £5,000 interest-free and must repay the loan within five years. Aggregators (see the Energy Saving Scotland website for definitions) may borrow an amount between £25,000 and £1 million and must repay the loan within two years, currently charged at a fixed rate of 3.5%. Local authority fund managers may borrow an amount between £25,000 and £1 million interest-free and must repay within five years.

- 4.31 A series of Boiler Scrappage Schemes have also provided cash voucher incentives to the public to replace older, less efficient central heating system boilers.

## Policies and legislation

- 4.32 In recognition of its ambitions in tackling climate change, fuel poverty, homelessness and other housing matters, the Scottish Government published in 2011 Homes Fit for the 21st Century: The Scottish Government's Strategy and Action Plan for Housing in the Next Decade: 2011-2020.
- 4.33 In autumn 2012, the Scottish Government consulted on its draft Sustainable Housing Strategy. This set out its vision for warm, high quality, affordable, low carbon homes and a housing sector that helps to establish a successful low carbon economy across Scotland. The Government is now considering the responses along with the Sustainable Housing Strategy Group, chaired by Nicola Sturgeon MSP, Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities, and will develop a final strategy for publication in 2013.
- 4.34 Homes Fit for the 21st Century made a commitment to consult on a new social housing standard. A consultation to seek views on the proposed Energy Efficiency Standard for Social Housing (ESSH) therefore ran in parallel with that on the Sustainable Housing Strategy. It proposed setting a minimum EPC rating which all social rented housing should meet by 2020. The aim of the standard is to build on the achievements of the existing Scottish Housing Quality Standard (SHQS) and to help tackle climate change and fuel poverty. The consultation also proposed setting higher standards to be met beyond the initial 2020 deadline. However the scope

to address fuel poverty through the standard may be limited since it seems likely to be based on the Environmental Impact Rating rather than the SAP rating. The Energy Efficiency Standard for Social Housing is scheduled for publication in the first half of 2013. It should be noted that with the repeal of the Home Energy Conservation Act in Scotland, there is no longer any legislation to compel local authorities to improve energy efficiency except in the social housing sector.

4.35 The Scottish Housing Quality Standard (SHQS) was introduced by the Scottish Government in February 2004; it set a policy target for social housing sector landlords (local authorities, housing associations and RSLs) to ensure compliance with every element of the standard (where applicable) by April 2015. The SHQS comprises a set of five broad housing criteria all of which must be met if the property is to pass the SHQS. These criteria in turn consist of 55 elements and nine sub-elements against which properties need to be measured. In broad terms, to meet the SHQS a house must be:

- above the tolerable standard which is the absolute minimum standard that a house must meet
- free from serious disrepair such as major roof, dampness or structural problems
- energy efficient so it must have effective insulation and central heating
- provided with kitchen and bathroom fittings that are in a good and safe condition
- safe and secure, for example it must have a smoke detector, secure doors and safe electrical and gas systems.

4.36 The latest SHCS for 2011 shows a steady decrease in the number of houses failing the SHQS, with 58% failing in 2011 compared with 75% in 2004-05. However, the majority of failures were on the energy efficiency criterion. Dwellings must reach at least NHER 5 to meet the SHQS by 2015 [NHER is an energy efficiency rating on a scale of 1-10, where 10 is the best rating].

## Private Rented Sector

4.37 High concentrations of fuel poverty are still experienced in the private rented sector (PRS). The SHCS 2011 reported that:

- Private-rented dwellings are over three times as likely to have a 'poor' NHER rating than owner-occupied dwellings. 10% of dwellings in the private rented-sector are rated 'poor' compared with 3% of owner-occupied dwellings
- Around 75% of local authority and housing association [dwellings] achieve a 'good' NHER rating, compared with 62% of owner-occupied and 52% of private rented dwellings

4.38 Energy Action Scotland (EAS) has been urging the Scottish Government, via the Sustainable Housing Strategy Group, to introduce regulation of the private rented sector (PRS) in terms of energy efficiency. EAS considers that no home should be offered for rent if it does not meet a minimum standard of energy efficiency, e.g. at least NHER 5. Since landlords in the social rented sector are required to ensure their stock achieves at least NHER 5 by 2015, EAS sees no reason why the same standard should not apply to the private rented sector.

- 4.39 The Scottish Government has said that it will consider introducing some form of regulation for the PRS by 2018, which may or may not include energy efficiency. EAS does not believe that this is sufficiently ambitious and would wish to see the regulation to be in place by 2015 (landlords would then have a period of perhaps 3-5 years to meet the standard).

## GB-wide programmes and policies operating in Scotland

- 4.40 Energy supplier obligations such as the recently closed CERT (Carbon Emissions Reduction Target) and CESP (Community Energy Saving Programme) and the new ECO play an important role in improving the energy efficiency of Scottish homes. The Scottish Government set up the CERT Strategy Group which worked with the energy suppliers to ensure that Scotland received an equitable share of obligation expenditure. CERT was also integral to the Energy Assistance Package and provided insulation measures in Stage 3 of the one-stop-shop model.
- 4.41 Supplier obligations such as ECO and the Warm Home Discount will continue to be essential in providing assistance to tackle fuel poverty and poor energy efficiency in Scotland. Of course it will continue to be important that Scotland receives at least its pro rata share of such funds, as Scottish consumers contribute towards the cost of the obligations through levies on their fuel bills.
- 4.42 Other UK Government initiatives such as Winter Fuel Payments and Cold Weather Payments also provide much-needed support, in particular for low-income consumers who struggle to heat their homes or who 'ration' other essentials such as food because they fear high fuel bills.
- 4.43 It is also clear that any changes in the definition of fuel poverty in England that result in changes to GB-wide policies and programmes such as these will inevitably have an impact on Scotland.

## Fuel poverty and health

- 4.44 It seems axiomatic that poor housing conditions have a detrimental effect on the health and welfare of occupants. However recognition of this association has yet to be universally accepted across the fuel poverty, housing and health sectors in Scotland. A plethora of research is available, but even where studies show that investment in tackling fuel poverty can significantly reduce the NHS expenditure and that every £1 spent on keeping homes warm saves the NHS 42 pence in health costs, little real progress has been made on this front in Scotland.
- 4.45 In Autumn 2012, the National Records of Scotland released the Winter Mortality (Excess Winter Deaths) figures for 2011-12. The seasonal increase in mortality in the four months to March 2012 was 1,420. This was around 1,000 fewer than for the same period in 2010-11 and is the lowest number of Excess Winter Deaths registered in Scotland since records began in 1951-52.
- 4.46 Energy Action Scotland suggests that, although the causes of Excess Winter Deaths can be complex, the trend might well be due in part to the messages being given to

the public about keeping warm at home and the sustained programme of information and grants for insulating homes over a number of years. However, the National Records' own statistician cautions against being too optimistic about the continued drop in the rate and so it is important that the Government is not complacent about thinking the 'job is done' yet. It is a step in the right direction.

## The Scottish Fuel Poverty Forum and cross-border links

- 4.47 The Scottish Fuel Poverty Forum continues to advise Scottish Government Ministers on tackling fuel poverty. On two occasions the Scottish Government tasked the forum to carry out major reviews of its fuel poverty work and to make recommendations for improvement. Both reviews resulted in the Scottish Government subsequently adopting the majority of these recommendations. While it is evident, however, that Scottish Government officials have been in discussion with counterparts in Westminster, e.g. over the development of the Green Deal and ECO, there is little opportunity (except via the regulator Ofgem) for the Forum to have similar opportunities to advise or scrutinise. Of the three main drivers of fuel poverty, domestic energy efficiency, price of domestic fuel (and energy regulation) and income/benefits, only the first is a matter devolved to the Scottish Government, the other two being matters reserved to the UK Government. It would therefore seem helpful to all parties that stronger lines of communication be established in this respect.

## SECTION FIVE

### Fuel Poverty in Wales

5. It is extremely disappointing that no new official data on fuel poverty in Wales have been published by the Welsh Government since the publication of the Fuel Poverty Monitor in September 2011. The targets remain unchanged, for fuel poverty to be eradicated in Wales as far as reasonably practicable by 2018, with interim targets for the eradication of fuel poverty in vulnerable households, defined as those with a member aged 60 or over, dependent children under 16 or a long term sick or disabled member, by 2010 and in all social housing by 2012. The most recent Welsh Government data available, published in the Fuel Poverty Evidence Plan in March 2012, stated that in 2010, 332,000 households in Wales – one in four - were estimated to be in fuel poverty. Of these, it was estimated 285,000 vulnerable households and 59,000 households in social housing were still in fuel poverty. Estimates produced by Consumer Focus/CSE Now Cast, indicate that these numbers had increased by 2011 so that 425,161 Welsh households were now believed to be in fuel poverty – one in three – including 83,350 social housing households. Although Consumer Focus/CSE Now Cast do not provide a specific estimate for the number of vulnerable households in fuel poverty in 2011, the estimated increase in all categories of fuel poor households between 2010 and 2011, makes it very unlikely that either of the Welsh Government’s interim fuel poverty targets were achieved and places the statutory 2018 target in jeopardy.

#### The Impact of CB Schemes in Wales

- 5.1 While certain areas of UK Government fuel poverty policy remain reserved to Westminster, they impact on Wales despite not always being designed with the Welsh context in mind.

#### ECO and the Green Deal

- 5.2 The Welsh Government will be carrying out stakeholder engagement in early 2013 to investigate how ECO can be integrated with government schemes in Wales and has committed to re-evaluating Nest and Arbed to ensure they dovetail with ECO. There may be particular challenges in fitting Nest and Arbed with ECO as DECC are not proposing a prescribed list of measures eligible for installation under the Affordable Warmth Obligation, leaving it to suppliers to choose those which are most cost-effective for them to deliver (albeit suppliers will install a minimum package of measures under a voluntary agreement). NEA Cymru is concerned that Welsh households will be competing for very limited ECO resources with households in England who could previously have applied for Warm Front, leading to far higher demand on ECO than there has been for CERT and CESP while Warm Front was in place. Although ECO is not ring-fenced to different nations or regions, by using the Barnett formula, Wales should be expected to receive £20m of ECO for the financial year 2013-14.
- 5.3 Part of the function of Nest has been to refer households to supplier-led schemes, such as CERT and CESP, where appropriate, leading to over 740 households who contacted



Nest in its first year receiving energy supplier-funded assistance. Nest will continue its referral mechanism with the replacement of CERT and CESP by ECO. The new Energy Saving Advice Service run by the Energy Saving Trust is designed to give advice to callers from England and Wales on Green Deal and ECO as well giving the phone number for Nest where appropriate. It will have an important role in ensuring that callers are signposted to the scheme most relevant to them so that Welsh callers are not encouraged to take up help from Green Deal or ECO if Nest would have been more appropriate for their needs. If a fuel poor household receive a measure through ECO or Green Deal which raises their home's EPC rating above an F rating, even by just one SAP point, they will automatically disqualify themselves from receiving a package of measures through Nest, even if they meet other eligibility, so it is vital that Welsh households receive the right information at the right time.

- 5.4 Just over 19 per cent of the housing stock in Wales is not connected to the mains gas network but ECO does not offer incentives for suppliers to offer solutions such as renewables and district heating. Similarly, the renewable heat incentive and feed-in-tariff will not be included in Green Deal finance calculations, making it unlikely that renewable technologies will meet the Golden Rule.
- 5.5 DECC does not intend to place any obligation on ECO suppliers to consult with devolved administrations, let alone local authorities, before commencing work in a particular area. This will make it more difficult for ECO to dovetail with Nest, Arbed and other local schemes in Wales.
- 5.6 The Welsh Government's consultation White Paper 'Homes for Wales', proposes promoting Green Deal and other energy efficiency schemes through a planned national registration scheme for private landlords. Despite this, the Welsh Government acknowledges that fuel poor households are more likely to be better served by Nest,

## Arbed and ECO than Green Deal

- 5.7 The Welsh Government has commissioned the Energy Saving Trust and Marksman Consultancy to work with Welsh local authorities to help them develop Green Deal strategies. Some Welsh local authorities are considering a consortium approach to delivery of the Green Deal in recognition of the benefits of larger-scale engagement with that programme.

## The Hills Review

- 5.8 In the Fuel Poverty Evidence Plan 2012, the Welsh Government commits to undertaking analysis to estimate the number and distribution of households that would be in fuel poverty under the new definition proposed by the Hills review team. The Welsh Government states that, although the Hills review applies only to England, decisions that are made in England based on the outcomes of the Hills review will trigger a major review point in Wales and that the Welsh Government will discuss the findings with stakeholders and partners.

## The Warm Home Discount

- 5.9 Nearly 42 per cent of households with someone aged 65 or over as their household reference person, were in fuel poverty in Wales in 2008, making up the largest group of households in fuel poverty. Some of these will qualify for the Warm Homes Discount core group rebate, which is based on eligibility for Pension Credit Guarantee. However, over 15% of fuel-poor households in Wales are single adults below pension age; households with two adults but no children make up a further 15% of fuel-poor households; and households containing children comprise just over 25% of fuel poor households. Some of these may qualify for the Broader Group rebate but this is not paid automatically.
- 5.10 The Nest advice line offers the opportunity for households requesting help with fuel bills to be signposted to their energy company's Warm Homes Discount scheme, which should boost uptake in Wales. While almost 2,800 households were referred to their supplier for potential WHD assistance there is no data currently available on how many of these households went on to receive a WHD rebate.

## Welsh Government Schemes

### Nest

- 5.11 While the UK government has withdrawn support from the Warm Front scheme in England, the Welsh Government has committed to maintaining its support for government funded energy efficiency schemes in the form of Nest and Arbed. These schemes are jointly budgeted £30m government investment for this financial year and £36m in 2013/14. The Nest scheme, which is delivered by British Gas under a contract with the Welsh Government, replaced the Home Energy Efficiency Scheme in April 2011.

It provides:

- Advice and referrals to all callers
- A whole-house energy improvement package of measures, including central heating boilers, insulation for hot water cylinders, loft, cavity wall and solid wall insulation, draught proofing for doors and windows and renewable energy technologies to households who
- Own or privately rent their home and
- Live in a property which is F or G rated and
- Are in receipt of a means-tested benefit.

In its first year of operation, Nest delivered advice and referrals to over 14,700 households, energy improvement packages to over 3,600 households and energy supplier-funded measures to over 740 households. Since November 2011, the scheme has referred over 1,100 households for a benefit entitlement check as a result of which 105 households received on average in excess of £2,000 in additional annual income.

- 5.12 It is estimated that the average increase in the energy efficiency rating of properties

receiving the energy improvement package is over 48 SAP points. If the households had average energy usage for their SAP rating, this would equate to a reduction in annual fuel bills of around £550, although the propensity of fuel-poor households to under-heat their homes and/or take the benefit of energy efficiency measures in higher temperatures, means that not all households would achieve this financial saving.

- 5.13 The scheme's first annual report was published early this year. The focus of the scheme over the next year is to develop links with stakeholders, including building on a recently launched referral portal and founding a stakeholder group and exploring opportunities to align Nest with the ECO.

## Arbed

- 5.14 Over 6,000 homes, the majority of which were owned by social housing providers, received 6,700 energy efficiency measures in the first phase of Arbed, which included schemes in 18 of the 22 Welsh local authority areas and ended in March 2011. The scheme was funded by a combination of £30million from the Welsh Government and £26m external investment from energy suppliers, housing associations, local authorities, the gas distribution network provider, housing renewal area and regeneration funding. An additional extension scheme to Phase One of Arbed received £6.6million in funding from the Welsh Government, leveraging in a further £5million in external investment and resulting in the improvement of another 1,400 properties.
- 5.15 Arbed Phase Two started in May 2012 and has a budget of £45million, comprised of £33.5 million from the European Regional Development Fund (ERDF) and £12 million match-funding from the Welsh Government. The scheme aims to improve the energy efficiency of at least 4,790 properties in Wales between January 2013 and the end of 2015, across all tenures but with at least 50% delivered in privately owned properties; this contrasts with Phase One, which focused on social housing. The aims of the scheme cut across carbon reduction, regeneration of the local economy and reduction of fuel poverty. The Welsh Government has appointed two scheme managers for Arbed Phase Two; Willmott Dixon in North and Mid Wales and Melin Homes in South Wales. As of September 2012, twelve schemes had been provisionally approved and were being surveyed with the aim that approximately 50 schemes should be delivered over the three years of Arbed Phase Two. A range of selection criteria are applied in choosing which areas participate. These include: the ranking of the area in the Welsh Index of Multiple Deprivation (WIMD) for income; the number of off-gas and solid wall properties in the area; whether it is located in a strategic regeneration area, a renewal area or Communities First area; and the number of private households in the area. The EU major project threshold will make it harder for Arbed Phase Two to attract supplier funding, so the Welsh Government is considering the development of additional distinct Arbed activities that can be funded outside the European Regional Development Fund project. An additional £2m was made available in 2012/13 from capital reserves which is helping local authorities attract more CESP funding into Wales before the end of December 2012. It is expected that this additional £2million will help to lever in £7million in CESP expenditure from energy companies, housing associations and local authorities, allowed an additional 1,100 households to receive energy efficiency improvements.



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