



*Campaigning for Warm Homes*



# UK Fuel Poverty Monitor

## Energy Efficiency and Fuel Poverty

A Review of UK Programmes for  
Affordable Warmth

**Fifth year report**  
**June 2007**

*supported by*





# Energy Efficiency and Fuel Poverty Programmes in the United Kingdom

## Introduction

The Warm Homes and Energy Conservation Act 2000 imposed a statutory duty on the Westminster Government to eradicate fuel poverty by 2016. The Scottish Parliament and the Assemblies of Wales and Northern Ireland have also adopted this objective. Although the fuel poverty strategies of the individual countries cite action to reduce energy prices and raise household income (through measures such as the Winter Fuel Payment and social tariffs) as important components in achieving affordable warmth, fuel poverty campaigners maintain that the only permanent and sustainable solution to the problem is to improve the efficiency of heating systems and the standards of insulation in the homes of low-income households.

This is generally recognised at Government level and the main programmes to tackle fuel poverty involve grant schemes to fund energy efficiency improvements for low-income householders – those who could not reasonably be expected to fund this work themselves. Whilst the programmes for all four countries are broadly similar, there are sufficient differences to make comparative judgements possible and to determine the merits and failings of the existing schemes.

NEA, in partnership with its offices in Wales and Northern Ireland, and with Energy Action Scotland, has undertaken a review of the main energy efficiency schemes in each country. The same parties carried out a similar exercise in 2002 with a view to reaching a consensus on best practice in existing schemes. This could then be advocated on a UK-wide basis and consideration given to how further improvements could be made to ensure that the schemes do represent a significant contribution to tackling fuel poverty.

Since 2002 there have been significant improvements to all of the programmes in the four countries of the United Kingdom. However the programmes must continue to develop if they are to provide a comprehensive service in providing affordable warmth for all fuel-poor households in England, Scotland, Wales and Northern Ireland.

In order to achieve fuel poverty objectives it will be necessary for existing grant programmes to incorporate more innovative technologies within the range of measures currently funded. These will involve increased access to mains gas supply, insulation processes that can be applied to solid-walled properties and alternative energy technologies to provide affordable space and water heating.

# WARM FRONT

## Introduction

Over the years from its inception in 1990 the Warm Front scheme (known as the Home Energy Efficiency Scheme until 2000) has evolved from an embryonic programme offering basic insulation measures to one providing a comprehensive package of heating and insulation measures for private sector households. Warm Front has gradually developed into a programme with the genuine potential to remove many households from fuel poverty. See **Appendix 1** for brief chronology of the Home Energy Efficiency Scheme (Warm Front).

## Warm Front Funding

Funding, and actual expenditure for Warm Front, has fluctuated over the years since 2000 due to a combination of circumstances. Revisions to the scheme have sometimes resulted in delays as industry gears up to cope with new measures, and developments such as the announcement of an additional £250 million for the programme, made in the pre-Budget report of 2005, have added to the potential scope of Warm Front whilst imposing a degree of strain on the Scheme Managers and on the heating and insulation industries.

The responsible Government department, Defra, has assessed the total funding available for Warm Front measures between 2005-2008 as £800 million. Whilst there is, as yet, no longer-term commitment to future funding this represents a considerable advance on budgets for previous years.

Warm Front Budget – proposed and actual				
	2000-2001	2001-2002	2002-2003	2003-2004
Proposed spend	£122 million	£153 million	£167 million	£171 million
Actual spend	£ 72 million	£197 million <sup>1</sup>	£163 million	£152 million

## Eligibility for Warm Front

In line with the fuel poverty priorities set out in the UK Fuel Poverty Strategy, which commits the Government to the eradication of fuel poverty for vulnerable households in England by 2010<sup>2</sup>, Warm Front eligibility is limited to those households defined as vulnerable by Defra. Consequently Warm Front is currently restricted to elderly low-income households; to low-income households with dependent children; and to households in receipt of certain disability-related benefits. From August 2006 to April 2007 pensioner households without an operational central heating system, and who were

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<sup>1</sup> Underspend from first year of the programme carried forward

<sup>2</sup> UK Fuel Poverty Strategy, DTI and Defra, 2001

not otherwise eligible for Warm Front, qualified for a £300 payment towards the cost of installing central heating. This partial grant has now been extended to March 2008.

### The Current Structure of Warm Front

<b>England Warm Front</b>			
<b>Age-related eligibility</b>	<b>Disability-related eligibility</b>	<b>Measures</b>	<b>Grant maximum</b>
<p><b><i>Income Support <u>or</u></i></b>  <b><i>Housing Benefit <u>or</u></i></b>  <b><i>Council Tax Benefit <u>or</u></i></b>  <b><i>Income-based Jobseeker's Allowance <u>or</u></i></b>  <b><i>Pension Credit <u>and</u></i></b>  <i>Householder or partner is aged 60 or over <u>or</u></i>  <i>Householder or partner has a child under the age of 16 or is pregnant and possesses a maternity certificate MAT B1</i></p>	<p><b><i>Working Tax Credit (with maximum income of £15,460 and inclusive of a disability element)</i></b>  <b><i>Child Tax Credit (with maximum income of £15,460)</i></b>  <b><i>Attendance Allowance</i></b>  <b><i>Disability Living Allowance</i></b>  <b><i>Income Support (inclusive of disability premium)</i></b>  <b><i>Housing Benefit (inclusive of disability premium)</i></b>  <b><i>Council Tax Benefit (inclusive of disability premium)</i></b>  <b><i>War Disablement Pension (inclusive of a mobility supplement or Constant Attendance Allowance)</i></b>  <b><i>Industrial Injuries Disablement Benefit (inclusive of Constant Attendance Allowance)</i></b></p>	<p>A combination of the following measures:            Gas or electric central heating            Repairs to an existing heating system            Conversion of solid fuel open fire to glass-fronted fire            Loft insulation            Cavity wall insulation            Draughtproofing            Hot water tank insulation</p> <hr/> <p>Energy efficiency advice and two energy efficient light bulbs</p>	<p>£2,700</p>
		<p>Where oil-fired central heating is installed the grant will cover the relevant measures above but can be paid at a higher rate</p>	<p>£4,000</p>
<b>Age-related eligibility (partial grant)</b>	-	<b>Measures</b>	<b>Grant maximum</b>
<p><i>Householder or partner is aged 60 or over but is not otherwise eligible for Warm Front.</i>  <i>This element of Warm Front has will now continue at least until March 2008.</i></p>	-	<p><i>_A contribution towards the provision, replacement or repair of a central heating system</i></p>	<p>£300</p>

# Aspects of Warm Front

## Warm Front and Fuel Poverty

Warm Front is the main Government programme to tackle fuel poverty in England. Consequently there are two key issues to consider:

- Does the scheme identify and assist the fuel poor
- Does the scheme assist fuel-poor households sufficiently to provide them with affordable warmth

## Eligibility

There exists a significant amount of research<sup>3</sup> which indicates that there is not a strong correlation between eligibility for Warm Front and fuel poverty. A significant proportion of fuel-poor households are not eligible for assistance and, conversely, a sizeable proportion of households receiving assistance are not in fuel poverty. Around 33% of fuel-poor households were found not to be eligible for assistance whilst a similar proportion of households receiving grants were not in fuel poverty. However, of much greater concern than non-fuel-poor households benefiting from the scheme (after all, eligible households must meet some vulnerability criterion; applicants to the scheme are unlikely to be affluent; and investment in energy efficiency improvements benefit not only the current occupant but also future occupants who may be in fuel poverty) are those fuel-poor households who do not qualify for assistance.

Non-eligibility concerns two main groups: those who are not eligible because they are not classed as vulnerable (healthy adult households) and those who do not claim a benefit entitlement that would give access to the scheme. In this latter category are many elderly households who are eligible for, but do not claim, Pension Credit. The incorporation into Warm Front of Benefits Health Checks has gone some way to addressing this problem both in terms of increasing household income and in providing access to a 'passport' benefit that confers eligibility for grant assistance.

## Affordable Warmth

The Department for Environment, Food and Rural Affairs responded to criticism that Warm Front does not actually address fuel poverty by setting an energy efficiency target for the scheme<sup>4</sup>.

*To eliminate fuel poverty in the properties of Warm Front clients by increasing the energy efficiency Standard Assessment Procedure (SAP) rating of each property. Where applicable we will aim to achieve a SAP rating of 65 – a level where there is a minimal risk of any household being in fuel poverty*

<sup>3</sup> Warm Front: Helping to Combat Fuel Poverty, National Audit Office, 2003

<sup>4</sup> Fuel Poverty in England: The Government's Plan for Action, Defra, 2004

The UK Fuel Poverty Strategy 4<sup>th</sup> Annual Progress Report suggested that by December 2005 the proportion of properties being improved to SAP 65 or above had risen to around 40%. This level of achievement seems modest in itself but the problem is compounded by the scale of energy prices post-2004 which have meant that considerably higher energy efficiency standards would be required, ranging from SAP 66 to SAP 78, to ensure affordable warmth<sup>5</sup>.

### Warm Front Grant Levels

In any discussion of the adequacy of Warm Front maximum grants there is one key question – to what extent do they present a barrier to client benefit. Barriers can be raised in a number of ways:

- The maximum grant level cannot fund the full package of heating and insulation works and a client contribution is required
- The specified works exceed the grant maximum and the client withdraws his/her application
- The grant cannot fund all of the recommended measures and a key energy efficiency improvement is omitted from work carried out

Clearly none of these options is acceptable in a programme aimed at assisting vulnerable households. Yet there is increasing concern at the number of cases where Warm Front funding is inadequate to meet the full cost of measures. The Government's decision to allow 'repeat grants' through a Warm Front account enables households to benefit from measures for which they had previously been ineligible (primarily installation of heating systems) but the requirement that any previous grant aid should be deducted from the account also means that, inevitably, many jobs will exceed the maximum grant. Some 40% of jobs where the maximum grant is exceeded have previously received some assistance under the Warm Front programme.

The table below illustrates how costs of work undertaken have risen against increases in the maximum grant levels.

Warm Front boiler replacements exceeding the maximum grant levels <sup>6</sup>		
Year	Maximum grant	% of jobs exceeding maximum grant
2003-2004	£1,500	11%
2004-2005	£1,500	88%
2004-2005	£2,500	42%
2005-2006	£1,500	97%
2005-2006	£2,500	84%

<sup>5</sup> Setting SAP Targets for Affordability in Social Housing, Energy Audit Company, February 2007

<sup>6</sup> Table compiled from information provided in House of Commons Hansard, January 18 2007, Col. 1251

2005-2006	£2,700	29%
2006-2007	£2,700	30%

## Waiting Times

A further contentious issue relating to Warm Front is the period of time that many households have to wait for works to be carried out; this is particularly problematic for heating works. There is some variation in waiting times across different regions of the country with the averages being:

- Warm Front survey – 14 working days
- Insulation only - 48 working days
- Heating works - 95 working days

There is no provision for prioritising assistance to vulnerable households with the Scheme Manager, Eaga plc, following a first-come-first-served policy. It has been argued that the scheme could adopt a fast-track system in special cases where the household was particularly vulnerable and where an urgent referral was made by an accredited agency such as a local authority social services department, but without success.

There is a persuasive case for flexibility to be introduced where there are extended waiting times, and evidence has shown that it is possible to develop protocols to define and assess medical criteria in order to prioritise emergency assistance. There is a clear opportunity to develop such protocols with support from Department of Health, in order that PCTs (and Social Care agencies) may become key referral agents for the identification of assistance targeted at some of the most vulnerable households.

There are also concerns that the waiting lists for measures means that households receiving assistance through Warm Front are being treated less well than would be the case if installation were simply a conventional commercial transaction. It must be questioned whether able-to-pay customers would be expected to tolerate these waiting periods and if Warm Front clients are treated in this manner because the work is grant-aided and/or because this client group is effectively a captive market.

The example below illustrates how the inflexibility of Warm Front has not only failed the client but has also required the intervention of an external agency with limited resources using funding from an energy supplier's Corporate Social Responsibility budget. In this case the supplier's crisis fund, which is intended to assist vulnerable households who are not eligible for existing grant programmes, was used to deliver priority assistance to an extremely vulnerable client who otherwise would have faced a long and distressing wait.

*Mrs B is 83 and suffers from angina and fluid on the lungs. When her boiler stopped working her social worker contacted Orbit Care & Repair Stafford for help. Although eligible for a Warm Front grant, the timescale for the replacement boiler would have been too lengthy. The Home Improvement Agency was, however, able to draw on a energy supplier crisis fund to pay for a new boiler. The agency subsequently applied for a Warm Front grant to provide additional insulation and draughtproofing.*





## **Hard to Treat Homes**

Since early 2002 Warm Front has had, at least in theory, the potential to address one of the most intractable problems of fuel poverty - households lacking access to the mains gas network. Revisions to the scheme in 2002<sup>7</sup> introduced the powers to grant-aid work: 'to provide space or water heating systems which use energy from renewable sources including solar, wind and hydro-electric power and near renewable resources including ground and air heat'.

Five years on there has been limited progress in adopting these measures into Warm Front although Defra is now becoming much more involved in funding and testing pilot projects. There does not appear to have been any significant progress in introducing other technical solutions in the case of properties with solid walls. The Scheme Manager has published, in its quarterly newsletter, some statistical data which, remarkably, suggests that of 54,000 households assisted in the first quarter of 2006-2007, 32,000 were classed as 'hard to treat'. However no information is forthcoming about measures installed or the extent to which Warm Front measures helped achieve affordable warmth in these dwellings.

It is noted that Eaga's invitation to suppliers wishing to submit applications for alternative/renewable technologies for inclusion in Warm Front are required to state: 'relevance to the Warm Front Scheme, in the eradication of Fuel Poverty and the reduction of Carbon and CO<sub>2</sub> emissions'. Whilst this requirement may be understandable in the context of environmental concerns it is essential to ensure that the priority for Warm Front remains delivery of a social objective which should not be compromised by over-emphasis on climate change issues.

## **Quality of Work**

The point was made earlier that Warm Front was in danger of being seen as a second class service in comparison with normal commercial work undertaken by contractors. It could be assumed that the resources brought to the energy efficiency industry by Warm Front funding should have resulted in economies of scale and downward pressure on prices, however the extent to which this has happened is unclear. It is also essential that specifications for works carried out in the homes of vulnerable people conform to highest quality standards in terms of customer care, workmanship and health and safety.

Aspects of Warm Front are subject to external audit and scrutiny including value for money and technical standards. Overall confidence on the part of external stakeholders would be improved if the findings of this rigorous and independent monitoring were to be made publicly available.

## **Benefits Health Checks**

Benefits Health Checks serve a dual purpose in relation to Warm Front. The first is to identify benefit entitlement to confer eligibility on a household that previously did not

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<sup>7</sup> The Home Energy Efficiency Scheme (England) (Amendment) Regulations 2002

qualify; the second is to maximise household income as part of a process to remove a household from fuel poverty.

Both purposes are commendable but there are doubts as to the extent that the latter is followed up. In a review of energy supplier work with vulnerable customers, research carried out for Ofgem<sup>8</sup> quoted a common stakeholder view: 'many stakeholders expressed concern that the impact of these [benefits] checks is being overstated. The reasons promulgated for this is that the focus is on the amount of benefit entitlement identified not the amount received by customers. So far there has been little monitoring or follow up to see how many customers actually receive the benefits improvement, but evidence suggests that the proportion could be as low as 10-20%. This is because the identification of entitlements is only a first step and many customers need supporting through the application process. Some commented that suppliers' interest in benefits is distorted by the incentives in the EEC and Warm Front arrangements.'

Clearly an effective benefits health check must do more than identify a qualifying benefit for Warm Front; it must cover all of the possible range of entitlements available to the individual household. It is unclear just how detailed benefit entitlement checks undertaken by Eaga are; nor is it clear what degree of support is offered in the application process. Eaga's latest quarterly statistics refer to completion of 3,683 checks of which 41% were identified as eligible for a relevant benefit worth a weekly average of £23. Clarification is needed on the actual processes followed by Eaga staff in benefit assessment and on whether financial gains are real or hypothetical.

It is understood that future Benefits Health Checks carried out under Warm Front will be comprehensive and will seek to maximise the income of all households willing to participate in the process. However it will be crucial that where entitlement is identified there is access to further assistance with the application whether through CABx, local authority Welfare Rights Services or the Pensions Service.

### **Transparency and Information in the Public Domain**

Warm Front represents an area of major Government expenditure. Between 2005-2008 some £800 million of public funds will be spent on this programme. The scale of this investment deserves greater public scrutiny than has historically been available. The Eaga website which is the source of most information in the public domain is inadequate both in content relating to the scheme and in providing updated information on Warm Front.

Much of the detailed information that does eventually enter the public domain is through a combination of Parliamentary Questions and other political pressure. The effectiveness of Warm Front in resolving fuel poverty and in representing value for money should be much more visible. Over a number of years NEA has sought to obtain greater transparency over Warm Front activities but with limited success.

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<sup>8</sup> Review of Suppliers' Corporate Social Initiatives, prepared for Ofgem by Energy Services Partnership, Ofgem, 2005

## **Recommendations**

Warm Front is, in many ways, an excellent scheme. Measures funded, the range of households assisted and the level of grants available would appear to represent a cogent programme for affordable warmth, but there are problems. The following recommendations are intended to make a positive contribution towards making the programme more effective in its objective to reduce fuel poverty.

### ***Eligibility***

Eligibility criteria are generally adequate for the scheme in its current form although consideration should be given to the future phase of fuel poverty when non-vulnerable fuel-poor households will require assistance. The Department for Work and Pensions should continue its efforts to maximise take up of qualifying benefits – particularly Pension Credit

### ***Affordable Warmth***

Drastic energy price increases over the past three years or so have made SAP 65 obsolete as a proxy for affordable warmth. It is recognised that much of the nation's housing stock cannot be improved even to that standard much less a considerably more demanding one. Nevertheless, as a minimum, Warm Front should be set more rigorous targets for the proportion of dwellings being improved to SAP 65. The current attainment of 40% of properties is inadequate.

### ***Grant Levels***

Clearly there is a problem with the maximum grant whatever the root causes. If it is determined that Warm Front grant levels are not viable in the current energy efficiency industry then there must be some vehicle to increase them. This could take the form of more realistic grant maxima for the present scheme or merging of resources from Warm Front and the Energy Efficiency Commitment to provide a grant programme that can be both comprehensive in delivering a package of conventional measures and innovative in developing and implementing relevant new technologies. However, given the different purposes served by Warm Front and the Energy Efficiency Commitment (fuel poverty as opposed to carbon abatement) the priority should be to raise the Warm Front grant to a more realistic maximum.

### ***Waiting Times***

Warm Front installations are not simply business transactions. The programme brings life-enhancing and possibly life-saving benefits to vulnerable households. Installers should commit to improved work schedules and there must be provision for emergency installations to be given top priority. Contractual arrangements should be developed that lock installers in to acceptable timescales.

If a key issue is the lack of skilled labour then this should have been anticipated and resolved and work to remedy this should be an immediate priority. It is recognised that a cash-limited programme which spreads spending across the financial year will

inevitably result in some delays but this problem can be addressed to some extent through priority assistance to the most vulnerable households.

### ***Hard to Treat Homes***

Relevant technologies should be brought into the mainstream of Warm Front at the earliest opportunity. This should ensure a degree of business confidence in what are still thought of as niche markets and bring the economies of scale and developing expertise needed to make these technologies into conventional options.

### ***Quality of Work***

It is axiomatic that the standards required of work undertaken in the home of a vulnerable household should be of the same quality as that carried out on behalf of a paying customer. This should include not only the standard of the work but also the installation itself *e.g.* whole-house heating.

### ***Information in the Public Domain***

Any informed analysis of Warm Front achievements in addressing fuel poverty is restricted by the quality of the information published by Defra and the Scheme Managers. Currently this information is sketchy and irregular. Defra should require that Eaga publish comprehensive data on Warm Front including:

- A breakdown of energy efficiency improvement by SAP rating
- An assessment of the number of homes taken out of fuel poverty
- Detailed figures on heating and insulation works undertaken and grant levels associated with these works
- Numbers and circumstances of works exceeding the grant maximum
- Homes improved by circumstances of occupant
- A regional analysis of works carried out
- A study of the actual outcomes of advice and guidance given to householders on benefit entitlement

Eaga and Defra should discuss with stakeholders what additional information is required to enable effective external scrutiny of the quality and effectiveness of Warm Front.

## Appendix 1

<b>Chronology of the Home Energy Efficiency Scheme/Warm Front</b>			
<b>Legislation</b>	<b>Measures</b>	<b>Eligible households</b>	<b>Grant levels</b>
Social Security Act 1990	The Act introduces powers enabling the Secretary of State to arrange for the making of grants for the purpose of improving the thermal insulation of dwellings; reduction or prevention of wastage of energy in connection with domestic space or water heating; and for provision of energy advice		
The Home Energy Efficiency Grants Regulations 1990	Regulations enable grant to be made for the purpose of loft, tank and pipe insulation, draughtproofing and energy advice No grant is payable for loft insulation where existing insulation is 50mm or more.	Households of all tenures where householder or spouse receives: <ul style="list-style-type: none"> <li>• Income Support</li> <li>• Housing Benefit</li> <li>• Family Credit</li> <li>• Community Charge Benefit</li> </ul>	Grant level is set at a maximum of £280. Lower levels of grant may be payable depending on whether the work is carried out by the applicant or through a job creation scheme. In all cases where practical measures are installed a client contribution is required
The Home Energy Efficiency Grants Regulations 1992	As above	Adds Disability Working Allowance to list of qualifying benefits	Link to job creation schemes ceases. Maximum grant increases to £299 and client contribution is retained
The Home Energy Efficiency Grants (Amendment) Regulations 1993	As above	No change	Removes the requirement for a client contribution. Maximum grant rises to £315
The Home Energy Efficiency Grants (Amendment) Regulations 1994	As above	Extends eligibility to all aged 60 or over and to Disability Living Allowance	Allows application for grant-aid where previous payment has been made

## Chronology of the Home Energy Efficiency Scheme/Warm Front

Legislation	Measures	Eligible households	Grant levels
The Home Energy Efficiency Grants (Amendment) Regulations 1996	As above	Adds Attendance Allowance, Income-based Jobseeker's Allowance and War Disablement Pension with a disability element	Provides for a reduced level of grant (25%) where eligibility is conferred only by age (60 or over)
The Home Energy Efficiency Scheme Regulations 1997	Introduces grant assistance for cavity wall insulation and for improvement of the efficiency of any existing space or water heating system	Adds further disability benefits to the eligibility criteria	Maximum grant set at £315
The Home Energy Efficiency Scheme (England) Regulations 2000	Introduces major heating improvements including (in the case of older eligible households) gas central heating	Removes eligibility from households qualifying solely on grounds of age (60 or over). Phases out assistance to social sector tenants	Grant levels set at £700, £1,000 or £2,000
The Home Energy Efficiency Scheme (England) (Amendment) Regulations 2002	Scheme includes new types of space and water heating including renewables	Extends eligibility to pregnant women.	Maximum grant levels increases to £1,500 and £2,500
The Home Energy Efficiency Scheme (England) Regulations 2005	Introduces grant aid for installation of oil-fired central heating and introduces concept of 'repeat' grants	Ends the two-tier grant scheme by providing central heating for non-pensioner households	Increases maximum grant to £2,700 (£4,000 in the case of oil heating)
The Home Energy Efficiency Scheme (England) (Amendment) Regulations 2006		Provides for contribution of £300 towards the cost of installing or replacing heating systems for older households who do not otherwise qualify for assistance	

# **The Scottish Executive Warm Deal and Central Heating Programmes**

Scotland has two Scottish Executive grant programmes: the Warm Deal and the Central Heating Programme. The Warm Deal was first introduced as the Scottish version of the Home Energy Efficiency Scheme (HEES), coming into force on 1 July 1999. The Central Heating Programme was introduced on 1 September 2001 and became fully operational in April 2002. The current structures and descriptors are outlined below along with the historical information relating to budgets and actual spend.

## **Warm Deal**

The Scottish Executive's Warm Deal programme provides a grant of up to £500 for energy efficiency measures to householders in receipt of certain income-related benefits. Householders aged 60 or over and not in receipt of income-related benefits can get a smaller grant of up to £125.

The Home Energy Efficiency Scheme (Scotland) Regulations, effective from January 2007, also extended the Warm Deal programme to households with children with disabilities and receiving the Disability Living Allowance.

The package includes:

- Cavity wall insulation
- Loft insulation
- Hot and cold tank and pipe insulation
- Draughtproofing
- Energy efficiency advice.

A direct grant has been made to local authorities and housing associations for Warm Deal works. A household maximum of £320 delivers the same range of measures as in the private sector, but there is no restriction on eligibility.

## **Central Heating Programme**

The Scottish Executive's Central Heating Programme provides central heating, insulation and advice. It is available to all private sector households who lack central heating and where the householder or partner is aged 60 or over. The programme was extended in May 2004 to include householders (or partners) aged 80 or over who had partial or inefficient central heating systems. The programme has been further extended from 1 January 2007 to include homeowners aged between 60 and 79 and in receipt of the guarantee element of Pension Credit. This group is now eligible for a full system or system upgrade under the scheme if their home central heating is partial or inefficient.

A direct grant was made to local authorities and housing associations to deliver the Central Heating Programme to tenants, regardless of age or benefits receipt, and this was completed in early 2007.



**The programme provides the following package of measures:**

- a central heating system and advice on how to use it
- loft, cold tank and pipe insulation; cavity wall insulation; and draughtproofing
- a carbon monoxide detector (except where heating system is electric), a mains-linked smoke detector and a cold alarm
- advice on best use of energy in the home
- an optional check of entitlement to state benefits.

**To be eligible, the householder or partner must:**

- be aged 60 or over without central heating, or be aged 80 or over, or be aged 60-79 and receive the guarantee element of Pension Credit and have partial or inefficient central heating
- live in Scotland and either own the home where the central heating will be installed; or have a tenancy agreement with a private-sector landlord and have the landlord's written agreement to the work
- have lived in the home for at least 12 months before the date of application and expect to live in it for at least 12 months after the work is finished
- agree to the complete package of measures being installed, if it is possible to do so
- not have claimed a grant at the same address under the Central Heating Programme.

**The applicant's home must:**

- not have a central heating system or, if there is central heating, it must be completely broken and beyond repair (apart from those aged 80 or over, or those aged 60-79 who receive the guarantee element of pension credit who have partial or inefficient central heating systems).

A "central heating system" is defined as a system which provides warmth to two or more rooms through a series of connected radiators or ducts linked to a central boiler, or from a series of electric storage heaters and controlled from one central point.

A cap (grant maximum) was introduced on 1 January 2007. The maximum grant for all measures is £3,500, and the householder will be asked to pay for any additional costs. If the lowest cost central heating system is more than £3,500 the householder will be allowed up to a grant maximum of £5,500.

Under the Home Energy Efficiency Scheme (Scotland) Regulations which came into effect on 1 January 2007, new arrangements have been introduced to encourage repair rather than replacement where this is cost-effective.

## Warm Deal Budget

Warm Deal Budget – proposed and actual					
	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
<b>Proposed spend:</b>	£13m <sup>9</sup>	£14.5m <sup>10</sup>	(no figure found)	(no figure found)	£10.5 <sup>4</sup>
<b>Actual Spend:</b>					
Private Sector	£8.7m	£7.7m	£8.375m	£8.156m	£6.437m
Las	£3.02m	£2.03m	£962,000	£2.5m	£4.686m
<b>Total spend:</b>	<b>£11.72m</b>	<b>£9.73m</b>	<b>£9.34m</b>	<b>£10.66m</b>	<b>£11.12m</b>

## Central Heating Programme Budget

Central Heating Programme Budget – proposed and actual					
	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
<b>Proposed spend:</b>	N/A	£26m <sup>11</sup>	£30m <sup>3</sup>	£40m <sup>3</sup>	£50 <sup>4</sup>
<b>Actual Spend:</b>	N/A				
Private Sector		£9m	£15.4m	£30.34m	£43.456m
LAs		£9.6m	£10.1m	£9.594m	
HAs		£2.15m	£4.05m	£6.6m	£6.7m
<b>Total spend:</b>		<b>£20.75m</b>	<b>£29.55m</b>	<b>£46.53m</b>	<b>£50.16m</b>

All other figures compiled using Annual Reports for Central Heating Programme / Warm Deal.

<sup>9</sup> Figure taken from: Scottish Parliament Written Answer: S1W-2530

<sup>10</sup> Figure taken from: Scottish Parliament Written Answer: S1W-2530

<sup>11</sup> Figures taken from: Scottish Parliament Written Answer: S1W-18545

<sup>4</sup> Figures taken from presentation by Frank Duffy, Programme B Manager, Communities Scotland, at Energy Action Scotland Conference 2004



## Structure of Central Heating Programme

Eligibility Criteria	Measures	Grant Maximum
<p>The householder must:</p> <ul style="list-style-type: none"> <li>• be aged 60 or over without central heating, or be aged 80 or over and have partial or inefficient central heating;</li> <li>• be aged between 60 and 79 and in receipt of the guarantee element of Pension Credit and have partial or inefficient heating;</li> <li>• live in Scotland and either own their own home or have a tenancy agreement with a private-sector landlord and have the landlord's written agreement to the work;</li> <li>• have lived in the home for at least 12 months before the date of application and expected to live in it for at least 12 months after the work is finished</li> <li>• agree to the complete package of measures being installed, if it is possible to do so.</li> <li>• not have claimed a grant at the same address under the Central Heating Programme.</li> </ul>	<ul style="list-style-type: none"> <li>• a central heating system and advice on how to use it</li> <li>• loft, cold tank and pipe insulation</li> <li>• cavity wall insulation</li> <li>• draughtproofing</li> <li>• a carbon monoxide detector (except where heating system is electric)</li> <li>• a mains-linked smoke detector</li> <li>• a cold alarm</li> </ul>	<p>A cap (grant maximum) will be introduced. The maximum grant for all measures will be £3,500, and the householder will be asked to pay for the additional costs.</p> <p>If the lowest cost central heating system is more than £3,500 the householder will be allowed up to a grant maximum of £5,500.</p>

Information taken from Communities Scotland website and information sent by Scottish Gas, Managing Agent.

## **Aspects of the Warm Deal and Central Heating Programmes**

The Warm Deal and the Central Heating Programme are the Scottish Executive's two key programmes to tackle fuel poverty in Scotland. The programmes are classed as social programmes but do not specifically target fuel poor households. Instead they use proxies for fuel poverty, that is, certain passport benefits in the case of the Warm Deal and age related criteria, with one passport benefit which has just been introduced into the Central Heating Programme.

An issue to be considered currently is that of grant level. The Warm Deal grant maximum has remained at £500 since 1999 while the Central Heating Programme has moved (from January 2007) to using a grant maximum instead of a grant average. Prior to January 2007 this programme operated with a grant average of £2,500 which allowed the Scottish Executive's Managing Agent to manage effectively the type of installations undertaken and also to take into account the fact that not all applicants would require all measures, for example some houses may already have had insulation measures in place.

Although the Scottish Executive's stated intention is that all available measures in the Central Heating Programme will be delivered by the grant maximum, in practice, the move to a cap/ grant maximum may well restrict the client's choice of measures and may lead to householders being asked to contribute financially towards the cost of installation.

The Warm Deal grant of £500 maximum has remained the same since 1999 while material, labour and transport costs have all increased substantially for those companies involved in the installation of the measures. The Central Heating Programme and Warm Deal Annual Report 2004-2005 does not split out measures actually fitted, making it impossible to analyse if each house treated had all the necessary measures fitted or whether only the most cost-effective or cost-limited measure was installed. The report does show that dwellings benefiting from Warm Deal measures only achieved an average rise in their NHER<sup>12</sup> score of 0.5 points. This suggests that not all measures are being installed and brings into question the effectiveness of the current programme in tackling fuel poverty.

The same report showed an increase of 3.5 points on the NHER scale for properties benefiting from the Central Heating Programme. It also shows that only 13% of the total homes assisted received cavity wall insulation. This again brings into question whether this particularly cost-effective measure is being omitted by for reasons of cost.

### **Warm Deal for Local Authorities**

In October 2006, the Warm Deal for local authorities and other social landlords was split completely from the Warm Deal programme as administered by the Managing Agent and is now administered much in the same way that local authorities and social landlords previously administered their own central heating programmes. The funding available to

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<sup>12</sup> NHER is a means of measuring the energy efficiency of a property on a scale of 0 to 10, where 0 is the least energy efficient

local authorities and social housing providers has been set at a reduced maximum of £320 per household and not the £500 that is available to private and private rented sector households via the Managing Agent. This reduction in funding will undoubtedly lead to fewer measures being installed per property. There is an expectation that this funding will be administered by local authorities at no cost and that the funding can be “topped up” using fuel suppliers’ Energy Efficiency Commitment funding. It remains to be seen if this will work in practice.

The Central Heating Programme has proven to be effective in taking people out of fuel poverty with figures in a report<sup>13</sup> on the first three years of the programme showing that 76.2% of households had been removed from fuel poverty. The following case study demonstrates this.

### **Measures funded under the Central Heating Programme (over-80s)**

Mr and Mrs G are an older pensioner couple living in a typical two-storey mid-terraced house in Port Glasgow on the Firth of Clyde. The property was a relatively unimproved mid 1960s traditionally built brick cavity dwelling. The property was heated by old storage heaters throughout, supplied by a standard off-peak electric tariff. Hot water was supplied via a dual immersion system.

The grant scheme provided for a gas combination boiler and insulation to both the loft and the cavity wall. The new combination boiler would provide efficiently controlled heat to all of the rooms, as well as supplying instantaneous hot water all day. The programme also provided for insulation to the walls and the loft, and draughtstripping to the doors and windows. Insulation was also applied to the pipes and tank in the loft. Using a property specific software package, NHER Surveyor v4.112 to model the effects of improvements, the following results are shown:

- the NHER score improves from 3.0 to 8.1
- CO<sub>2</sub> emissions are reduced from 7.8 tonnes per year to 3.5 tonnes per year
- annual fuel costs are estimated to have fallen from £936 to £651 per year.

The intervention meant that Mr and Mrs G have gone from spending just over £18 per week in electricity bills, to spending £12.52 per week for gas and electricity. This means that this household would have to have an income of over £125.19 per week to be out of fuel poverty.

As a pensioner couple, Mr and Mrs G receive at least £167.05 from Pension Credit. In this case the household has been taken out of fuel poverty.

### **Future Measures**

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<sup>13</sup> Assessing the Impact of the Central Heating Programme on Tackling Fuel Poverty: The First Three Years of the Programme 2001-2004, by Alembic Research and published by the Scottish Executive

The measures in place for the Warm Deal and the Central Heating Programme have remained static since they were first introduced in 1999 and 2001 respectively. The Scottish Executive has recognised that with around one third of Scottish households not connected to the mains gas grid and with around one third of homes being classed as non-traditional or hard to heat (for example, they do not have a cavity wall or are unsuitable for the installation of cavity wall insulation) and with one quarter of homes not having a loft, there is now a need to expand the measures available through the Central Heating Programme. In response to this, the Scottish Executive commissioned in 2006 a two-year pilot study on using micro-renewable technologies in the scheme.

The pilot will run over 2006-08 to look at the scope for including renewable technologies in mainstream fuel poverty programmes in the future. It is being managed by the Energy Saving Trust on behalf of the Scottish Executive with the assistance of a steering group. £1 million has been allocated over the two years to install renewable technologies in a variety of house types and climatic conditions across Scotland. Approximately 170 homes in total are expected to participate in the pilot and technologies involved will include heat pumps (ground source and air source), automated biomass heaters, micro-wind and solar water heaters.

The pilot is not testing technologies - they are already proven. The pilot will assess the impact on fuel poverty of installing renewable technologies and test attitudes of participants to using these technologies. A stand-alone research project will run alongside the pilot to evaluate the benefits of renewable technologies to the fuel poor and the potential for including them in mainstream programmes.

### **Eligibility**

Eligibility for inclusion in the pilot is two-fold.

- The property must:
  - be off the gas network and where connection is not reasonably feasible
  - have poor or inadequate heating such as room heaters, open fire with back boilers, old storage heater
  
- The occupant must:
  - be the tenant/owner claiming passport benefit
  - ideally have lived there for 1 year (familiar with system)
  - want to be part of the pilot

Monitoring and evaluation of the pilot will be undertaken by ClearPlan UK, an independent research agency which has been commissioned by the Scottish Executive. The evaluation will use a variety of research tools such as questionnaires, diaries and interviews and will analyse the collated data.

The data collected will include NHER ratings with heating scenarios modelled, hourly indoor temperature readings in two locations in each home, humidity readings if there are visible signs of condensation and energy bills before and after. Data from heat pumps/logger will record the energy consumption of heat pumps. Pellet consumption and heat readings will be taken from the biomass heaters.

## Benefit Entitlement Checks

Until 1 October 2006 the benefit entitlement check delivered as part of the Warm Deal and CHP was carried out by the schemes' Managing Agent. Since then, the role has been passed to the Department for Work and Pensions which now undertakes the benefit entitlement check on behalf of the Scottish Executive. It is too early to judge if this is a positive or a negative move and whether it will encourage more people to take up the entitlement check and more importantly, take up the benefits highlighted.

## Waiting Times and Numbers

### Warm Deal / Central Heating Programme – waiting times

- The average waiting times for both programmes is 6 months (as of 24 November 2006).<sup>5</sup>
- In October 2005, the average waiting time for Warm Deal installations was 3 months.<sup>6</sup>

### Warm Deal / Central Heating Programme - waiting list numbers

Waiting list numbers for Warm Deal / Central Heating Programme		
	Number of people on waiting list, opened in April 2006, at end of September 2006 <sup>7</sup> (when new Managing Agent took over)	Number of people on waiting list at 14 December 2006, as notified by new Scheme Manager <sup>8</sup>
<b>Warm Deal</b>	2,204	(no figure found)
<b>Central Heating Programme</b>	12, 319*	6,914

\* Figure after data cleansing: 10,988; figure for the number of actual eligible households: 4,200.<sup>9</sup>

## Recommendations

The Warm Deal and Central Heating Programme are in many respects excellent schemes. They provide basic insulation measures to vulnerable households and heating systems

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<sup>5</sup> Figure taken from: Scottish Parliament Written Answers: S2W-29784 /S2W-29787

<sup>6</sup> Figure taken from: Scottish Parliament Written Answer: S2W-20111

<sup>7</sup> Figures taken from: Scottish Parliament Written Answer: S2W-28837

<sup>8</sup> Figures taken from: Scottish Parliament Written Answer: S2W-30615

<sup>9</sup> Figures taken from: Scottish Parliament Written Answer: S2W-3061



and upgrades to the elderly, however there are problems. The following recommendations are intended to make a positive contribution towards making the programmes more effective in their objective to reduce fuel poverty.

### **Eligibility**

The eligibility criteria have meant that assistance has been provided to those who were in greatest need and have recently been widened to include children in receipt of Disability Living Allowance, but only for the Warm Deal. This should be further extended to allow families with a child or children in receipt of Disability Living Allowance to be included in the Central Heating Programme.

### **Grant Levels**

The grant level for the Warm Deal has remained static since the introduction of the programme in 1999. It is now not possible to install all measures available under Warm Deal in anything other than the smaller property types. Measures are now being ranked in importance of energy saving and fitted against that priority. The Warm Deal and Central Heating Programme Annual Report 2004 – 2005 shows only a 0.5 rise in the average NHER scores, suggesting that houses are having only one measure applied instead of all available measures. This will neither prevent fuel poverty nor lift households out of fuel poverty.

The introduction of a cap within the Central Heating Programme is a backward step and more elderly households may now be asked to contribute towards the installation of systems, or as an alternative, insulation measures will be omitted. The fact that only 13% of properties had cavity wall insulation installed as part of the work suggests that measures are either being deliberately omitted or that some other problem is causing this low take-up and further investigation is required.

The grant given to local authorities and other social landlords for the Warm Deal has not been set at the private sector Warm Deal level of £500 per house but has been set at a much lower level of £320 per house. This will again limit the level of work that can be completed in social housing. The funding available to social housing providers should be at the same level as that available to the residents in private and private rented homes.

To fit all currently available Warm Deal measures, the grant maximum should be raised to £750. In addition, instead of central heating grants being capped at £3,500, this should become the average grant.

### **Waiting Times**

The reduced funding and therefore reduced number of Warm Deal jobs from April to October 2006 certainly impacted adversely on the waiting times for those applying for both grant programmes. The process of change-over of Managing Agent in October 2006 has also had a significant negative impact on waiting times. Continuing difficulties should be addressed as quickly as possible. It must be recognised that vulnerable households are those hardest hit by rising fuel prices and undue delays in providing support will affect this group the most.

## **Hard to Treat Homes**

The introduction of the micro-renewables pilot is a very positive move by the Scottish Executive and they should be congratulated for it. As the results of the pilot will only become known after the Executive's next Spending Review in 2007, which will set the budgets for the next four years, action must be taken now to ensure that any positive outcome from the pilot can be built into the mainstream grant programmes and be fully funded.

## **Ongoing Programme Publicity**

The Central Heating Programme has achieved remarkable results with very little publicity. Word of mouth and publicity by older people's representative groups have meant that there is never any shortage of applicants for this programme. On the other hand, the Warm Deal has not enjoyed the same success, perhaps because it is now a very poor relation in terms of publicity. Virtually no recent publicity campaigns have been undertaken by the Scottish Executive for the Warm Deal and as a result the level of applications has dropped substantially over the last few years. The Scottish Executive should now bring forward a Warm Deal publicity programme targeted at private sector and private rented sector occupants and their landlords, as it is here that the least energy efficient housing stock is traditionally found.

## **Conclusion**

The Warm Deal and Central Heating Programmes are the flagship fuel poverty schemes of the Scottish Executive, but they now require a major overhaul to ensure that they continue to be fit for purpose. The Scottish Executive target of eradicating fuel poverty by 2016 will not be achieved unless additional measures and funding are made available. The poor results demonstrated by the Warm Deal where only a 0.5 point rise in the energy efficiency of homes treated demonstrates this.

Energy Action Scotland has calculated that to fuel poverty-proof homes in Scotland, that is, raise them to at least NHER 7, a budget of £1.7 billion would be required. While it is not suggested that the total investment should come from the Scottish Executive, a reduction of existing budget levels or even a continuation of current levels will make the achievement of the target to eradicate fuel poverty impossible to reach.

In December 2005 the Chancellor imposed a windfall tax on the oil companies which netted the Exchequer £300 million to be used for further home energy improvements. Defra received £250 million which it reinvested in the Warm Front programme; the Scottish Executive received £25 million as part of the block grant which Scottish Ministers then decided how to allocate. None of this additional money was used to support the Warm Deal or Central Heating Programme.

If fuel poverty is to be eradicated in Scotland by 2016 then additional monies must be found and any money allocated by the Treasury in Whitehall must be used to support fuel poverty programmes in Scotland.

# The Home Energy Efficiency Scheme (HEES) Wales

## Introduction

In March 2003 *A Fuel Poverty Commitment for Wales* committed the Assembly to the eradication of fuel poverty in vulnerable households by 2010; for non-vulnerable groups in social housing by 2012; and amongst all households by 2018. The Home Energy Efficiency Scheme (HEES) preceded *A Fuel Poverty Commitment for Wales* and has been in operation since 2000 (Appendix One details a number of key strategies which directly impact on fuel poverty). The programme is the Assembly Government's primary vehicle for meeting its fuel poverty strategy commitments. The scheme, as with those operating in England, Northern Ireland and Scotland has been specifically targeted at households in receipt of a range of means-tested and disability-related benefits.

To assist in measuring progress against fuel poverty targets, the Assembly agreed a number of interim targets (Plan for Wales 2001) the first of which was to move 38,000 vulnerable households out of fuel poverty by 2004. In 2004 the Welsh Assembly successfully achieved this objective and the target was extended to 95,000 homes by 2007. In November 2006, Edwina Hart, Assembly Minister for Social Justice, announced that HEES had assisted over 64,000 households in Wales.

## HEES Funding

Total funding available to households in Wales from a combination of HEES Wales, and the Energy Efficiency Commitment is currently £24m per year. This includes recent increases; in early 2006, the Welsh Assembly Government allocated an additional £10 million to the scheme spread over two years; and in November 2006 the Assembly Government committed a further £5 million in both the current and following financial years to extend HEES.

## Eligibility for HEES

The scheme has been specifically targeted towards households on certain benefits or allowances and is split into two: HEES is aimed at families with children under 16; HEES Plus is aimed at lone parent families with children under 16, people who are 60 or over and those who are disabled or chronically sick. The vast majority of those assisted qualify for the HEES plus scheme (8,881 out of 9,834 in 2005/06).

Working Tax Credit is the most common qualifying benefit for HEES (44 per cent) and disability living allowance the most common qualifying benefit for HEES Plus (50 per cent).

## The Current Structure of HEES

Eligibility criteria	Measures	Grant Maximum
<ul style="list-style-type: none"> <li>• Have a child under 16</li> <li>• Pregnant and with a maternity certificate MAT B1</li> <li>• Income Support</li> <li>• Working Tax Credit with a household income of less than £15,460</li> <li>• Council Tax Benefit</li> <li>• Child Tax Credit with a household income of less than £15,460</li> <li>• Housing Benefit</li> <li>• Income-based Job-seeker's Allowance</li> </ul>	<ul style="list-style-type: none"> <li>• Loft insulation</li> <li>• Draughtproofing</li> <li>• Cavity wall insulation</li> <li>• Hot water tank insulation</li> <li>• Gas room heaters</li> <li>• Electric storage heaters</li> <li>• Converting a solid fuel open fire to a glass fronted fire</li> <li>• Energy advice</li> <li>• Smoke alarms</li> <li>• Low energy light bulbs</li> <li>• Repairs to existing central heating systems that do not work</li> </ul>	<p><b>£2,000</b></p>

## Current structure of HEES Plus

Eligibility Criteria	Measures	Grant
<p>60 or over <b>or</b> lone parent families with a child under 16</p> <p>In receipt of:</p> <ul style="list-style-type: none"> <li>• Disability Living Allowance</li> <li>• Income Support</li> <li>• Housing Benefit</li> <li>• Council Tax Benefit</li> <li>• State Pension Credit</li> <li>• Income-based Job-seeker's Allowance</li> </ul> <p><b>Householders</b> who are disabled or chronically sick</p> <ul style="list-style-type: none"> <li>• Working Tax Credit <b>or</b> Housing Benefit <b>or</b> Income Support <b>or</b> Council Tax Benefit <b>plus</b> the Disability Element</li> <li>• Disability Living Allowance</li> <li>• Attendance Allowance</li> <li>• Industrial Injuries Disablement Benefit <b>plus</b> Constant Attendance Allowance</li> </ul>	<p>Same Measures as listed under HEES with the addition of central heating:</p> <p>Gas, oil or electric heating systems</p>	<p><b>Up to £3,600</b></p> <p><b>Up to £5,000</b></p>

Eligibility Criteria	Measures	Grant
<ul style="list-style-type: none"> <li>• War Disablement Pension <b>plus</b> Constant Attendance, Attendance Allowance or Mobility Supplement</li> </ul> <p><b>Householders</b> with child under 16 living in the property child benefit with the child receiving DLA</p>		

In March 2007 HEES was changed to:

- extend the eligibility criteria to all over 80s regardless of income; and;
- introduce coal central heating and a general provision for renewable energy for hard to heat homes.

NEA Cymru welcomed these new measures to address fuel poverty.

## Aspects of HEES

### HEES and Fuel Poverty

HEES is the main Government programme to tackle fuel poverty in Wales. Consequently there are two key issues to consider:

- Does the scheme identify and assist the fuel poor?
- Does the scheme assist fuel-poor households sufficiently to provide them with affordable warmth?

### HEES Eligibility and Grant Levels

To implement the Fuel Poverty Commitment for Wales, the Welsh Assembly Government requires detailed information on the extent and distribution of fuel poverty in Wales. In the past, the Assembly has used HEES eligibility as an indicator of fuel poverty. However, eligibility to HEES is not a good indicator of fuel poverty (some fuel-poor households are ineligible and many of those eligible for HEES are not fuel poor). The Assembly is seeking to address this and has commissioned the Centre for Sustainable Energy to develop a new fuel poverty indicator.

An evaluation of HEES published by the Welsh Assembly Government in 2005 highlighted problems with current eligibility criteria. This meant that fuel-poor households who are not in receipt of benefits may miss out on HEES, and conversely those in receipt of assistance are not always fuel poor. The report concludes: *"many of the current recipients are neither on a low income nor fuel poor"* 2005: 3.

Whilst recognising that the introduction of the Benefit Health Checks has helped increase eligibility, it is also widely recognised that many people do not claim benefits they are entitled to. Of particular concern is the non-take up of Disability Living Allowance and Tax Credits. In addition, low-income families with children but with income marginally above the Child Tax Credit threshold of £15,460 find themselves excluded from the scheme.

### **Affordable Warmth**

There is no doubt that HEES and HEES plus have been of huge benefit to the 60,000 households assisted. The Welsh Assembly Government estimates by the end of 2007 70,000 households will have been assisted by the scheme at a total costs of £74 million. EAGA partnership estimates carbon savings from HEES amount to a total of 21,307 tonnes of carbon per year.

Up-to March 2006, HEES has provided 42,000 insulation measures; 69,000 heating measures. Despite these welcome benefits, research published by WAG in 2005 concludes that HEES will not lift the poorest households out of fuel poverty by energy efficiency measures alone. HEES measures tend to take household SAP ratings to around, or just above, a rating of 60. However, NEA calculates that a rating of around 78 would be necessary to ensure affordable warmth. Therefore, for the poorest of households in Wales, the costs of maintaining a warm home is too high, even after energy efficiency measures have been provided

NEA's research indicates there are around 300,000 households<sup>14</sup> experiencing fuel poverty in Wales: more than double the levels in 2004. The primary cause for the substantial increase in levels of fuel poverty is the staggering rises in energy prices over the past 18 months.

### **Waiting Times**

In 2005-06, 16 people complained about time delays; representing 8 per cent of all complaints to the provider. NEA Cymru is concerned at reports from stakeholders suggesting that since the extension of the entitlement to all over 80s delays there have been significant delays.

### **Benefits Health Checks**

The HEES scheme includes benefits checks for beneficiaries. Up to March 2006, some £2.25 million in unclaimed benefits had been identified through HEES. This is undoubtedly a positive step. However, although these unclaimed benefits have been identified, many people will need further support to go on and actually claim those benefits. We would therefore welcome a greater focus in HEES on supporting people in actually securing their benefits entitlements.

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<sup>14</sup> NEA. 2006. UK Fuel Poverty Monitor: Are the fuel poverty targets out of range?

## **Hard to Heat Homes**

A number of renewable energy pilot schemes have been taken forward by HEES Wales in 2006. In Flintshire 8 Ground source heat pumps have been installed in Social housing Sheltered Bungalows. Also solar hot water heating 15 systems have been installed in Powys all HEES PLUS eligible;

- 7 installed in the private sector, all single units;
- 8 installed in the public sector; as well as;
- a district solar thermal hot water system serving 8 separate sheltered accommodation bungalows.

## **Transparency and Information in the Public Domain**

The Assembly Government has clear targets for eradicating fuel poverty. However, it is not routinely monitoring progress against those targets. At present, the Assembly Government tends to cite the number of households assisted by HEES as evidence of progress in tackling fuel poverty. However, as we have highlighted above, it is likely that many of those HEES beneficiaries were not living in fuel poor households to begin with. It is therefore imperative that the Assembly Government should begin fully measuring and reporting progress in reducing fuel poverty. It should also, as a matter of routine, report how many households benefiting from HEES are fuel poor, and how many households HEES is taking out of fuel poverty.

## **Recommendations**

We recognise that HEES has been successful in bringing much needed energy efficiency improvements to homes throughout Wales, and that there is a welcome commitment to extending eligibility. However, there are parts of the scheme that would benefit from further improvements.

### ***Eligibility and grant levels***

We recognise that some form of eligibility criteria is essential for a scheme such as HEES, and that the criteria need to involve minimal bureaucracy; both to encourage take-up and reduce the time and cost involved in administration. However, the criteria currently applied is not adequately ensuring that resources are used to target those most in need. We commend the Assembly Government for extending the criteria to all over 80s, as many people in this age group do not claim the full benefits to which they are entitled. However, we would urge the Assembly Government to re-examine whether it is effectively promoting the scheme to those most in need.

### ***Affordable Warmth***

We believe it is important to be explicit that improved energy efficiency, by itself, will not always be enough to take people out of fuel poverty. For the poorest households, the costs of maintaining a warm home is too high, even after the current range of energy efficiency measures have been provided. We would

therefore recommend that WAG examine the possibility of extending the range of measures to ensure that SAP ratings are brought closer to the 78 – 80 range.

NEA Cymru understands that the Assembly Government does not have control over benefit levels, but we also recognise that these issues are crucial to the delivery of Assembly Government fuel poverty targets. We are concerned that because social security benefits are insufficiently transparent as to the costs they are intended to cover, it is impossible to assess whether the allowance for fuel costs contained within the overall benefit calculations are sufficient. However, given that benefit levels have not increased in line with rises in fuel costs over recent years, it would be reasonable to assume that they are not sufficient to ensure affordable warmth. NEA Wales would support any moves by the Welsh Assembly Government to influence the UK Government in this respect.



## The Warm Homes Scheme (Northern Ireland)

The Warm Homes Scheme was introduced by the Department for Social Development in 2001 as a replacement for the Domestic Energy Efficiency Scheme (DEES). It became operational in July 2001 and aimed to build on the previous scheme by broadening the range of assistance offered and targeting those households most vulnerable to cold-related ill health – older householders, families with children and long-term sick and disabled householders

November 2004 saw the launch of the Department for Social Development's document Ending Fuel Poverty: A Strategy for Northern Ireland which continued to see the Warm Homes Scheme as the main instrument of fuel policy in Northern Ireland. In common with England the strategy adopted the target of eliminating fuel poverty for vulnerable households by 2010, and for non-vulnerable households by 2016. However, unlike England, attainment of the objective was conditional on the availability of resources. A number of interim targets were set to monitor, report and review progress.

**Table 1: Milestone Target – Tackling Vulnerable Fuel-Poor Households**

Year	Number of vulnerable households that suffer fuel poverty	Target Reduction
2004	158,000	20,000
2005	138,000	28,000
2006	110,000	30,000
2007	80,000	30,000
2008	50,000	30,000
2009	20,000	20,000
2010	0	0

Results from the 2004 Interim House Condition survey concluded that fuel poverty in vulnerable households had actually decreased to 126,000 (target was 158,000) lifting a further 32,000 out of fuel poverty and reducing overall fuel poverty from 33% in 2001 to 24%. Of course at the time of reporting Northern Ireland, along with the rest of the UK, had witnessed unprecedented increases in energy, effectively plunging thousands of additional households into fuel poverty.

### Warm Homes Funding

The budget for the Warm Homes Scheme has increased significantly in recent years, from just over £3 million in 2001 to more than £20 million in the current financial year. This has enabled an increase in target households from 4,250 to 10,000 in the current financial year. It should also be noted that this fund incorporates £1.6 million from the Northern Ireland Energy Efficiency Levy fund which supports the Warm Homes Plus

Programme, in the form of 'top up' funding to enable a full package of measures to be installed in dwellings at no cost to householders.

This situation arose due to a review of the previous DEES scheme which concluded that a major barrier to take up by rural households was the cost of the work required. In larger rural properties, this very often cost much more than the grant maximum and clients were asked to pay the additional cost effectively excluding those who could not pay.

Clearly the Department had to set a maximum grant for budgeting purposes, and the Northern Ireland grant is generous when compared to other UK schemes but, from the outset it was accepted that some larger dwellings, particularly common in rural areas of Northern Ireland, would cost more than the maximum grant to provide insulation only or heating and insulation according to circumstances. The Department found the flexibility they needed to deliver total packages by leveraging in some £1.6 million of the Customer Energy Efficiency Levy managed by Northern Ireland Electricity plc. (increased from £600,000 in 2001/02; the use of these monies to supplement the scheme ensured that all homes get all the measures required without the client having to contribute). It has been stated that the use of the levy in this way has led to an increase in the potential impact directly and indirectly in various policy areas including health and environment due to fuel poverty-proofing the home through a total package.

This levy support will continue at the current rate in the coming year but in the light of the current increase in funding available for Warm Homes, the levy contribution will reduce over the following two years at which point it will cease.

**Table 2 Levy funding for Warm Homes Plus**

<b>Year</b>	<b>Total Available Funding</b>
2007/08	£1,600,000
2008/09	£1,000,000
2009/10	£500,000
Total	£3,100,000

### **Eligibility for Warm Homes**

The Warm Homes Scheme directly addresses two of the causes of fuel poverty in Northern Ireland namely the thermal inefficiency of the property (through the installation of insulation measures) and energy inefficiency in the home (through the provision of heating measures and energy advice).

The problem was, and continues to be, greater in the private sector and therefore, the scheme is restricted to owner occupiers and households in private rented accommodation, with The Northern Ireland Housing Executive (NIHE) and housing association tenants being ineligible for the scheme. Social housing providers are required to provide similar measures for their tenants funded through their own schemes.

The Scheme has two main strands Warm Homes and Warm Homes Plus. Warm Homes provides a grant for insulation measures including cavity wall insulation, foil radiator panels (only in properties with solid walls), draughtproofing and loft insulation for eligible households. At the outset, the grant limit for this was set at £750 but as costs have risen in recent times it was decided to increase the grant limit to £850 with effect from the beginning of December 2006.

Warm Homes Plus provides for heating measures including repairs to existing systems and the installation of, or conversion to, oil or natural gas central heating along with insulation. The grant limit was originally set at £2,700 but as the cost of materials has risen over the years, it was decided to increase the grant limit to £3,700 in May 2005 and again to £4,300 in December 2006. This was deemed necessary not only because of increasing materials but also because of the reduced contribution from the Northern Ireland Energy Efficiency Levy Fund which was inextricably linked to the number of households where DSD could complete the full measures. The budget for the scheme has increased significantly in recent times from over £3 million in 2001 to just over £20 million in 2007/08. This enabled an increase in the number of target households from 4,250 to 10,000 of whom almost 4,000 will receive new or replacement central heating systems.

The increase in the grant also allowed for:

- an extension to the eligibility criteria for central heating systems to people over 60 and in receipt of non means-tested disability benefits such as attendance allowance and disability living allowance,
- the introduction of an aftercare package that will enable a service to the boiler one year after installation, thus extending the warranty of the system for two years; and
- a benefit maximisation programme to provide a social security benefit health check to all recipients of the scheme.

**Table 3: The Current Structure of the Warm Homes Scheme**

Eligibility Criteria	Measures	Grant Maximum
<p>a) Householders of any age (the applicant or their spouse) who have a child under the age of 16 and who are in receipt of one or more of the following benefits:</p> <ul style="list-style-type: none"> <li>• Housing Benefit</li> <li>• Rate Rebate</li> <li>• Income Support</li> <li>• Income Based Job Seekers Allowance</li> <li>• Child Tax Credit &amp; NHS Tax Exemption Certificate (can apply to children over the age of 16 in full time education).</li> </ul>	<ul style="list-style-type: none"> <li>• Cavity wall insulation</li> <li>• Reflective radiator panels (solid walls only)</li> <li>• Loft insulation</li> <li>• Draughtproofing to windows and doors</li> <li>• Hot water tank jackets</li> <li>• Compact fluorescent lamps</li> <li>• Energy advice</li> <li>• Benefits health check</li> </ul>	<p>£850</p>

Eligibility Criteria	Measures	Grant Maximum
<ul style="list-style-type: none"> <li>• Expectant mothers in receipt of a Maternity certificate (MAT B1) and one of the above benefits</li>   <li>b) Householders under the age of sixty (the applicant or their spouse) who are in receipt of one or more of the following disability related benefits: <ul style="list-style-type: none"> <li>• Disability Living Allowance</li> <li>• Housing Benefit (with Disability Premium)</li> <li>• Rate Rebate (with Disability Premium)</li> <li>• Income Support (with Disability Premium)</li> <li>• Working Tax Credit (with Disability Premium) &amp; NHS Tax Exemption Certificate</li> <li>• War Disablement Pension (with Mobility Supplement or Constant Attendance Allowance)</li> <li>• Industrial Injuries Disablement Benefit (with Constant Attendance Allowance)</li> </ul> </li> </ul>		
<p>c) Householders who are 60 years and over and are in receipt of one or more of the following benefits:</p> <ul style="list-style-type: none"> <li>• Rate Rebate</li> <li>• Housing Benefit</li> <li>• Pension Credit</li> <li>• Income Based Job Seekers Allowance</li> <li>• Attendance Allowance</li> <li>• Disability Living Allowance</li> <li>• Working Tax Credit (with Disability Premium) &amp; NHS Tax Exemption Certificate</li> <li>• Industrial Injuries Disablement Benefit (with Constant Attendance Allowance)</li> <li>• War Disablement Pension (with Mobility Supplement or Constant Attendance Allowance)</li> </ul>	<ul style="list-style-type: none"> <li>• Cavity wall insulation</li> <li>• Reflective radiator panels (solid walls only)</li> <li>• Loft insulation</li> <li>• Draughtproofing to windows and doors</li> <li>• Hot water tank jackets</li> <li>• Compact fluorescent lamps</li> <li>• Energy advice</li> <li>• Benefits health check</li> </ul>	£850

## Warm Homes Plus

Eligibility Criteria	Measures	Grant Maximum
<p>Householders age 60 and over in receipt of one or more of the following benefits:</p> <ul style="list-style-type: none"> <li>• Rate Rebate</li> <li>• Housing Benefit</li> <li>• Pension Credit</li> <li>• Income-based Jobseeker’s Allowance</li> <li>• Attendance Allowance</li> <li>• Disability Living Allowance</li> <li>• Working Tax Credit (with Disability Premium) &amp; NHS Tax Exemption Certificate</li> <li>• Industrial Injuries Disablement Benefit (with Constant Attendance Allowance)</li> <li>• War Disablement Pension (with Mobility Supplement or Constant Attendance Allowance)</li> </ul>	<ul style="list-style-type: none"> <li>• Conversion of an existing bottled gas, solid fuel central heating system or Economy 7 to oil or natural gas</li> <li>• Installation of a new fully controllable, energy efficient oil or gas central heating system</li> <li>• Repair/upgrade of an existing oil/natural gas central heating system</li> <li>• Extension of the warranty system to two years</li> <li>• Benefits health check</li> </ul>	£4,300

## Aspects of Warm Homes

1. Does the scheme identify and assist the fuel poor?
2. Does the scheme assist fuel-poor households sufficiently to provide them with affordable warmth?
3. How does the scheme impact on clients?

Alongside the Housing Executive’s heating and improvement programmes it is without a doubt clear that the Warm Homes Scheme has been instrumental in tackling one of the primary causes of fuel poverty, namely energy inefficiency. Nevertheless, while for some people falling just outside the 10% threshold of needed expenditure on fuel; energy efficiency alone may be enough to lift them out of fuel poverty; for many others energy efficiency measures alone will only mitigate the extent and its effects.

The 2004 Interim House Condition Survey indicated the positive work ongoing within the energy efficiency field:

- 97% of homes in Northern Ireland have a full central heating system based on oil [65%]; natural gas [8%]; dual fuels [9.7%]; solid fuel [6.3%]; electricity [6.9%] and other [1.2%].
- 78% of dwellings have some form of wall insulation [mainly cavity insulation].
- 95% of dwelling with lofts have some form of insulation.

That said the 2001 House Condition Survey demonstrated that even if energy efficiency measures were completed on the housing stock in Northern Ireland 17% of households would remain in fuel poverty due to low incomes.

### Grant Maxima

An existing issue with the grant maxima is the fact that to comply with Building Regulations, an application to Building Control for certification is required after installation of the heating measures (at a cost of £150 per job). Installers pay this upfront and later recoup the charge from Eaga following certification. In England a Competent Person's Scheme enables approved installers to self-certificate.

Additional pressure of late has been placed on the grant maxima due to changing legislation. Amendments to Part L of the Building Regulations Northern Ireland 2000 have introduced the need to install bunded oil tanks into what has been estimated to be over 97% of households, increasing the cost of the tank by 180%, additionally this tank is considerably bigger and ensures a heavier base. Anecdotal evidence from Eaga suggests that the sheer size of the tank is encroaching into people's space and causing barriers to uptake.

Furthermore, the introduction of oil condensing boilers from April 2007 at an average cost of £946 will no doubt also add pressure to the existing figure of 78% of all heating jobs exceeding the grant maxima. Approval for these jobs is required from the Department for Social Development and funded by the Northern Ireland Energy Efficiency Levy Fund. This is particularly worrying considering the decoupling of the levy mentioned above. There is a concern that this move may lead to customers having to follow the example of England and pay top up fees for measures. The table below outlines the price increases incurred due to changing legislation relating to the bunded tank and the base since Dec 06 and condensing boilers since April 07.

Type	Total	Type	Total	Increase
Standard Oil Tank	£212	Bunded Oil Tank	£599	£387
Oil Base	£133	Bunded Base	£183	£50
Standard Oil Boiler	£579	Condensing Boiler	£946	£367

The number of jobs exceeding the grant maxima has also increased due to the widening of the scheme to householders on Disability Living Allowance and Attendance Allowance, which are non means-tested, and who perhaps occupy properties that are larger than those to which installers were accustomed when the customer base consisted of people in receipt of means-tested benefits such as Pension Credit and Rate Rebate.

All of these issues have put increasing pressure on the grant maxima and unless resources are increased we cannot expect to target or assist the same number of households in 2007/2008. In the context of recent unprecedented increases in energy this ought to be unthinkable.

## **Affordable warmth**

Affordable warmth has become a much more elusive commodity and as such we require more radical approaches in providing people with 'whole-house solutions' to fuel poverty-proof dwellings.

There has been substantial growth in programme funds for the Warm Homes Scheme but while the 2004 House Condition Survey indicated a reduction in fuel poverty from 33% in 2001 to 23.9% in 2004 this did not take account of the significant rise in energy prices over 2004-2006 which we can expect to reverse this progress.

The snapshot in 2004 nevertheless did provide us with a benchmark on progress primarily brought about due to energy efficiency and the introduction of Pension Credit and Tax Credit. It also reinforced the fact that the incidence of fuel poverty remained highest in the owner-occupied and private rented sectors and that households headed by older people were still more likely to be living in fuel poverty despite the Warm Homes Plus programme.

The figures also highlighted the changing nature of fuel poverty in Northern Ireland since 2001 with 20% of households in urban areas being fuel poor compared with 33% in rural areas. Another significant aspect of the 2004 Survey was the growth in the number of 'working fuel poor' (28%).

Since the last two categories of household, those in particularly isolated rural dwellings (hard to treat) and working fuel poor are not well served by the Warm Homes Scheme the existing structure of the scheme often cannot address fuel poverty.

## **Waiting Times**

Current timelines agreed with DSD are 126 days for heating installation and 81 days for insulation measures. 88% of heating jobs were completed within 126 days and 69% of insulation within 81 days in the most recent year of the programme.

## **Hard to Treat**

Under the Home Energy Conservation Act (1995) the Northern Ireland Housing Executive (NIHE) was designated as the sole Home Energy Conservation Authority in Northern Ireland. It has therefore been involved in a number of initiatives to reduce energy consumption and tackle fuel poverty including changing the heating strategy for NIHE stock from electric and solid fuel systems to oil or natural gas.

In partnership with others the Housing Executive has taken part in a number of renewable energy demonstrations projects such as:

- solar water heating project (3)
- solar photovoltaic (PV) project (30 flats)
- energy efficient window system (Tandragee)
- micro-CHP field trial (10 Housing Executive dwellings)
- Hard to Heat Homes project (aimed at rural solid wall dwellings where conventional measures are impracticable). Technologies installed include solar

water heating, solar photovoltaic panels to generate electricity, solar ventilation panels, ground-source heat pump, wind turbine and prototype oil condensing boiler

- CLEVER Homes (55 solar air heating and ventilation systems in Housing Executive stock)

The Housing Executive also secured £1.8M from the Environment and Renewable Energy Funding Package (EREF) for 600 solar panels in 2006/2007 and will receive at least a further £1.2M for a further 600 installations in 2007/2008

The Department for Social Development also secured funding from EREF for a two-year pilot project to install solar panels in 500 dwellings using the criteria for Warm Homes and targeting families with young children.

### **Benefit Health Checks**

While NEA NI welcomes the introduction of benefit health checks we believe that to offer these checks only to those receiving measures represents a missed opportunity. Benefits such as Attendance Allowance and Disability Living Allowance are self-assessed in the first instance and cannot be identified through a one-off telephone call, yet these benefits open access to a range of other benefits. We also know that one in three older households do not claim means-tested benefits to which they are entitled, let alone disability benefits, yet the scheme targets these people

### **Recommendations**

NEA NI recommends:

- The Warm Homes Scheme has been instrumental in tackling the energy inefficiency of many fuel-poor households but its effectiveness has been damaged by the scale of recent energy price increases. Existing programmes must be adequately funded to reflect the consequent increase in fuel poverty.
- Given the 2004 House Condition Survey findings on the growing scale of fuel poverty within the working fuel poor and isolated rural communities, programmes should be extended to better target these groups.
- Following removal of any contribution from the Energy Efficiency Levy, it will be necessary to ensure that vulnerable low-income households are not expected to pay 'top ups' towards the cost of essential measures.
- Mechanisms should be put in place to ensure that benefits health checks are widened to all potential recipients of the scheme. The Warm Zones Model joins up services on the ground such as advice centres and other direct services thereby ensuring a more holistic approach to fuel poverty. This approach should be embedded within the existing infrastructure to encourage fuel poverty-proofing.
- Continued funding is required to promote the mainstream introduction of renewable energy systems for fuel-poor households.



- Any specific energy efficiency targets based on SAP, and intended as a proxy for affordable warmth, should reflect the effect of energy price increases. SAP ratings should be gathered both pre- and post-installation of measures.
- The Warm Homes Scheme should ensure clear channels of communication are maintained with key referral and intermediary bodies to ensure the process of accessing the scheme is efficient and simple.
- Where the introduction of new health and safety legislation imposes heavy additional costs on the Warm Homes Scheme sufficient resources must be made available to allow full funding of these works whilst, as a minimum, ensuring that there is no reduction in the number of households assisted.



*Campaigning for Warm Homes*

National Energy Action  
St Andrew's House  
90-92 Pilgrim Street  
Newcastle upon Tyne  
NE1 6SG  
Tel: 0191 261 5677  
Fax: 0191 261 6496  
Email: [info@nea.org.uk](mailto:info@nea.org.uk)  
<http://www.nea.org.uk>



Energy Action Scotland  
Suite 4a, Ingram House  
227 Ingram Street  
Glasgow  
G1 1DA  
Tel: 0141 226 3064  
Fax: 0141 221 2788  
Email: [eas@eas.org.uk](mailto:eas@eas.org.uk)  
<http://www.eas.org.uk>