UK Fuel Poverty Monitor

Fuel Poverty:
the state of the nations

February 2004

Executive Summary

Introduction

The Westminster Government and the devolved administrations share broadly similar objectives in seeking the eradication of fuel poverty and in the timescale for achieving these objectives. Overall, fuel poverty is to be ended in England, Northern Ireland and Scotland by 2016; and in Wales by 2018. Within the overall objectives are interim targets that should see the end of fuel poverty for vulnerable households in England, Wales and Northern Ireland by 2010 (for the purpose of their targets Scotland makes no distinction between vulnerable and non-vulnerable households). Whilst England and Wales must comply with the provisions of the Warm Homes and Energy Conservation Act 2000 and Scotland with the Housing (Scotland) Act 2001 there is, as yet no legislative basis for the Northern Ireland Fuel Poverty Strategy.

Whilst there is a general perception of the United Kingdom as a small and climatically temperate area, there are some significant differences in regional and national circumstances, *e.g.* the cold climate of northern Scotland; the high energy prices of Northern Ireland; the proportion of dwellings in Wales that are off the mains gas network; and, in England, a high proportion of private-rented properties with poor energy efficiency. These and other factors require different approaches by the respective administrations to fulfil their intention of providing affordable warmth for all in their communities.

The definition of fuel poverty

Despite a consensus within the major fuel poverty agencies in the United Kingdom that the definitions of fuel poverty adopted by the legislatures are flawed, little progress has been made in promoting this argument. In Scotland, Northern Ireland and England data will be collected on household income both inclusive and exclusive of housing subsidies (Housing Benefit and Income Support for Mortgage Interest). Neither of these measures of household income is satisfactory; the only rational assessment of what a household can afford to spend on fuel must be based on their income after housing costs. The Welsh Assembly Government is considering using this last approach in quantifying fuel poverty in Wales.

Progress to date

The quality of fuel poverty data is not uniform across the United Kingdom. Housing surveys are conducted at different times and collect different data. However this particular situation is improving and data collection is becoming more consistent and standardised. Figures published by central Government and the devolved administrations show considerable disparity in the extent of fuel poverty: whilst one in nine households is fuel poor in England, the figure for Northern Ireland is one in three. Whilst progress in reducing fuel poverty in England and Scotland has been significant the opposite trend applies in Northern Ireland, although this may be a result of unreliable data from earlier small-scale surveys. Progress in Wales is harder to evaluate because previous house condition surveys did not attempt to quantify fuel poverty. Whilst future surveys across the countries of the United Kingdom may not be synchronised in time, they will at least converge in terms of the material collected. It is important that a sound and consistent methodology is agreed for data collection and analysis across all four countries.

Social housing

Fuel poverty amongst social sector tenants in all four countries is to be tackled through a measures-based approach by which, properties that meet certain energy efficiency standards, will be assumed generally to provide affordable warmth. The ODPM Select Committee is currently reviewing the Thermal Comfort element of the standard for England since NEA and others have argued that it is totally inadequate in both heating and insulation specifications. In fact the standard adopted in England is greatly inferior to those to be implemented in Scotland and Wales although, unfortunately,

Northern Ireland seem likely to follow the example of England in setting a standard that requires neither effective insulation levels nor affordable, whole-house heating.

Statutory energy efficiency programmes

The statutory energy efficiency programmes in all four countries are similar, but sufficiently distinct to encourage recommendations that the best elements should be taken from each of the schemes to achieve best practice in measures funded, households eligible for assistance, maximum grant and scheme integration.

The current financial year saw a reduction in the budget for the Warm Front programme in England whilst the Scottish Executive Central Heating Initiative received considerable additional funding, as did programmes in Wales and Northern Ireland.

Other energy efficiency programmes

In addition to statutory programmes there is also an increasing number of fuel poverty initiatives undertaken by local authorities, gas and electricity suppliers and the Energy Saving Trust. This trend is confusing to potential beneficiaries who lack the time, the expertise or the inclination to trawl through the available choices. It is recommended that an authoritative *Fuel Poverty Helpline* be established as an expert source of advice and guidance to the general public on grant schemes, what assistance is available and what eligibility need to be met.

Energy prices

Recent years have brought steady reductions in energy prices (with the exception of Northern Ireland) due mainly to a combination of economic regulation and the competitive energy markets. It seems likely that this trend will at least slow and probably reverse as a response to international gas market pressures and the effect on electricity prices of increased renewable generation and levies on emissions – both in response to environmental imperatives.
Traditionally the Government is reluctant to provide additional assistance through social security towards any specific household budget item – taking the view that it is up to the household to manage its own resources. This attitude is even less sustainable in a situation where energy prices increase as a direct result of Government policies.

Winter Fuel Payments

The Winter Fuel Payments scheme has been a success for Government. As a universal benefit it has been criticised on the grounds that it provides unnecessary aid to those not in need. The Government case for the scheme is convincing: it brings help to the poor and nearly-poor whilst precluding the need for a stigmatising means test, and it is administratively simple. However if this case is persuasive, that for extending the Winter Fuel Payment to families with children or a disability who receive Income Support or Income-based Jobseeker's Allowance is even more compelling

Excess winter deaths

Recent research into excess winter death rates across Europe indicates that the countries of the United Kingdom compare unfavourably with other countries of similar affluence and climate. The poor condition of the housing stock in the United Kingdom appears to be a significant contributory factor. In recent years, trends in excess winter deaths have been downwards. It is not yet clear whether any apparent progress is entirely due to a succession of mild winters and what, if any, contribution has been made by Government policies. The real test of progress will come with the next period of severe winter weather.

Energy efficiency policy

The Energy White Paper emphasises, as a priority Government goal, the need 'to ensure that every home is adequately and affordably heated', yet there is no coherent strategy to achieve this objective. Considerable resources are available for domestic energy efficiency improvements through the grant programmes of the four countries of the United Kingdom; through Energy Efficiency Commitment funding; and through works undertaken or funded through local authorities and other social sector landlords. The range of different agencies involved, and the disparate nature of funding programmes, militates against creation of the single co-ordinated programme for each of the four countries that can best deliver affordable warmth across the whole of their respective communities.

Section 1
Fuel Poverty - the state of the nations

1.1 Overview

The full picture of fuel poverty in the United Kingdom is beginning to emerge as the different administrations refine their knowledge of the extent of the problem and develop strategies to address it. These agencies have ultimate responsibility for delivering the UK Fuel Poverty Strategy and, though timescales and policies may vary slightly, all are committed to providing affordable warmth for all households within a fifteen-year period.

1.1.1 Whilst responsibility for eradicating fuel poverty is devolved there are some areas where Westminster retains the key role. Of the three main factors that cause fuel poverty: low household income, unaffordable energy prices and poor standards of heating and insulation, only the last issue comes within the scope of the devolved administrations[1]. Consequently, it is crucial that the United Kingdom Parliament does not seek to abdicate all responsibility for the eradication of fuel poverty and recognises its crucial role in developing and sustaining policies to protect fuel-poor households. The Government has a role in income maintenance via the welfare benefits system and the national minimum wage; in consumer protection through effective regulation; and in energy prices through the encouragement of competition. Much of the credit for reductions in fuel poverty in England has been attributed to increased benefit rates for vulnerable households and to cheaper gas and electricity as customers switch suppliers.

1.1.2 However there is a limit to Government intervention in either labour or energy markets, and economic recession and/or significant energy price increases would undo much of the good work of the past seven years. In fact it does appear likely that energy prices will rise as a response to both world market conditions and domestic policies to abate environmental pollution.

1.2 Energy efficiency

There is general agreement that energy efficiency is the most rational and sustainable solution to fuel poverty and all four countries of the United Kingdom have developed similar programmes to deliver this solution. However the programmes are sufficiently distinct to allow comparisons across a range of areas including eligibility criteria, measures funded and grant levels. The obvious starting point would be to adopt the best elements of the different schemes, where appropriate, to provide a consistent and optimal scheme for all fuel-poor households in the United Kingdom.

1.3 Best practice in energy efficiency programmes

The United Kingdom Government and the devolved administrations have developed and implemented energy efficiency programmes as part of their fuel poverty strategies. Whilst these programmes are broadly similar, in terms of their client group and the measures of assistance provided, they are sufficiently diverse to allow some comparisons. By incorporating the best elements of the four programmes it should be possible to create a programme which, whilst by no means a complete solution to fuel poverty, would greatly enhance existing provision and ensure parity of service across the four countries of the United Kingdom.

[1] This is not the case in Northern Ireland where devolved responsibilities would encompass energy prices; however the current Direct Rule arrangements mean that, temporarily at least, Westminster has assumed responsibility for all issues.

A model of good practice based on existing energy efficiency programmes				
Warm Front (England) **The Home Energy Efficiency Scheme (Wales)** **Warm Deal (Scotland)** **The Warm Homes Scheme (Northern Ireland)**	**Household circumstances** All recipients of means-tested or disability-related benefits[2]	**Tenure** All tenures[3]	**Maximum grant** £1,500[4] This is also the maximum grant in England but only where the property is heated by a particularly expensive fuel type	**Measures funded** Loft, tank and pipe insulation Cavity wall insulation Energy advice and low energy lightbulbs Heating appliances and heating controls
Warm Front Plus **The Home Energy Efficiency Scheme Plus** **The Warm Homes Scheme Plus** **The Scottish Executive Central Heating Initiative**	**Household circumstances** All households aged over 60 years[5] Lone parent families in receipt of a means-tested benefit[6] Families where a child under 16 receives Disability Living Allowance[7] Low-income households who are disabled or chronically sick[8]	**Tenure** All tenures[9]	**Maximum grant** £2,700[10] In Northern Ireland there is a formal link with Energy Efficiency Levy funding that has the potential to take expenditure above this figure	**Measures funded** Comprehensive insulation package as above Gas, oil, solid fuel or electric central heating system and controls

This best practice approach should also be extended to Energy Efficiency Commitment and Energy Efficiency Levy programmes directed at low-income and other vulnerable households.

1.3.1 The Energy Efficiency Commitment is likely to require significantly increased resources with revisions coming into effect from 2005. Whilst the Government sees the Commitment as a major part of its environmental protection and pollution reduction policies it is crucial that the existing element of the programme, whereby 50% of the energy savings achieved are in the homes of priority group (disadvantaged) customers, be maintained. Whilst recognising Government commitments to environmental issues this can not be at the expense of social equity. We should not forget that a key objective of the Energy White Paper is 'to ensure that every home is adequately and affordably heated'.

1.4 Public awareness of energy efficiency programmes

Energy efficiency grant-aid is funded and delivered through a wide range of agencies including: central and local Government; gas and electricity suppliers and the Energy Saving Trust. These programmes may be well established or ad hoc projects with short-term funding and objectives. Considerable criticism has been made of the number of different schemes, their often baffling eligibility criteria and duplication of efforts to reach the same client group to offer the same range of measures. It is recommended that additional resources be made available to fund a single source of comprehensive information on all sources of assistance – a dedicated *Fuel Poverty Helpline* directing enquiries to the most appropriate agency and programme for the caller's circumstances.

[2] Warm Deal makes no distinction between vulnerable and non-vulnerable households
[3] Social sector tenants are eligible for grant-aid in Scotland
[4] The Home Energy Efficiency Scheme (Wales)
[5] The Scottish Executive Central Heating Initiative provides assistance to all households aged 60 or over
[6] The Home Energy Efficiency Scheme (Wales)
[7] The Home Energy Efficiency Scheme (Wales)
[8] The Home Energy Efficiency Scheme (Wales)
[9] Scotland only. The programme is delivered in social housing by the local authority
[10] Maximum grant in Northern Ireland and Wales. However in Scotland the average grant of £2,500 means that, in theory, there is no ceiling to the amount of assistance available.

1.5 Winter Fuel Payments

The annual cost of the Winter Fuel Payments scheme is approaching £2 billion, with £200 going to any household where an occupant is aged 60 or over, and £300 where an occupant is aged 80 or more. These payments are clearly popular with recipients and there is some merit in the universal access that precludes any means test which might exclude many vulnerable households that did not meet the specific criteria. Nevertheless there is an enormous disparity between resources devoted to Winter Fuel Payments and those devoted to energy efficiency programmes, although this gap may close as the Energy Efficiency Commitment continues to expand, making additional funds available for energy efficiency investment.

1.5.1 Eligible households are entitled to a payment of £200 (£300 where one of the occupants is aged 80 or over). This is the case whether the household comprises one or two eligible recipients so the table below shows persons who benefit rather than households.

Number of recipients of Winter Fuel Payments 2002-2003	
United Kingdom	11,500,000
England	9,862,000
Scotland	1,009,000
Wales	629,000
Northern Ireland	272,000

Source: *Department of Work and Pensions*

1.5.2 The Winter Fuel Payments scheme has been criticised on the grounds that, not only does it go to affluent pensioners, it also goes to some affluent non-pensioners in that it is payable to all men between the ages of 60-64, in order to ensure equal treatment with women. Rather than take issue with a scheme that, in order to ensure take up and reduce administration costs, has adopted an expensive but effective format, we would advocate extension of the scheme to other vulnerable groups and, particularly to those households who currently qualify for Cold Weather Payments – households in receipt of Income Support who have a disability or a disabled child or who look after a child aged less than five years. There has also been a strong and persuasive lobby for the Winter Fuel Payment to be extended to families with a disabled child.

1.6 Domestic energy costs

Despite the comparatively small geographical area of the United Kingdom there is a considerable degree of variation in climatic conditions. In the past, campaigning organisations have advocated revisions to the social security system to reflect these variations with additional resources to be made available in colder parts of the country. This case has never been sympathetically received by Government despite their recognition that there is a valid argument, and convincing evidence from the Building Research Establishment that climate is an important factor in heating costs.

The effect of climate on heating needs in selected UK cities[11] – Bristol = 100%			
Cardiff	0 %	**Belfast**	+19%
Birmingham	+13 %	**London**	- 1%
Plymouth	-13 %	**Manchester**	+16%
Edinburgh	+28 %	**Newcastle**	+17%
Aberdeen	+41 %	**Leicester**	+17%
Brighton	-3 %	**Norwich**	+10%

[11] House of Commons Hansard, February 23 1995, Col. 263

1.6.1 However there are also additional factors to consider. There is considerable variation in domestic energy charges across the countries of the United Kingdom with the main area of disadvantage being Northern Ireland. Northern Ireland has historically had the highest electricity prices in the United Kingdom and limited access to mains gas supplies, traditionally seen as the cheapest form of domestic space and water heating. Northern Ireland has also been further disadvantaged by lack of competition in domestic energy supply. The limited size of the energy market in Northern Ireland militates against competition and this is a factor in proposals to develop an all-island market throughout Ireland.

Average domestic energy costs in the United Kingdom - 2003				
	England	**Scotland**	**Wales**	**Northern Ireland**
Electricity				
Standard credit	£244	£268	£244	£325
Direct debit	£235	£258	£235	£315
Prepayment	£261	£279	£261	£320
Gas				
Standard credit	£315	£318	£315	£398
Direct debit	£287	£288	£287	£377
Prepayment	£333	£332	£333	£402

Source: *Department of Trade and Industry. Bills are calculated on the basis of annual consumption of 3,300 kWh for electricity and 18,000 kWh for gas.*

1.7 Debt and disconnection

Overall use of prepayment meters has stabilised for electricity consumers whereas installation of gas prepayment meters continues to edge upwards. The conventional view in the energy supply industries is that electricity prepayment meter use is a lifestyle choice whereas gas prepayment is a more reliable indicator of deprivation. Prepayment is usually understood to further disadvantage low-income households since this payment method generally requires higher charges. In Northern Ireland, technologically advanced keypad meters are in use; these attract no surcharge and users have recently benefited from a 2.5% discount on the normal Home Energy Tariff. The keypad meter enables consumers to monitor energy consumption and is considered an effective budgeting tool.

Trends in prepayment meter use for electricity and gas – Great Britain									
	1995	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Gas	900,000	1,000,000	1,100,000	1,400,000	1,600,000	1,800,000	1,800,000	2,000,000	2,000,000
Electricity	3,200,000	3,500,000	3,600,000	3,700,000	3,700,000	3,500,000	3,800,000	3,700,000	3,700,000

Source: *Ofgem*

The incidence of indebted consumers is almost identical across both gas and electricity although the proportion of indebted gas consumers is higher since they are fewer in numbers.

Gas and electricity consumers in debt to supplier – Great Britain 2003			
Gas		**Electricity**	
Prepayment	Credit	Prepayment	Credit
700,000	500,000	500,000	700,000

Source: *Ofgem*

1.7.1 Whilst regulatory protection and increased social responsibility on the part of energy supply companies should preclude any return to the high levels of disconnection from supply seen in the 1980s, there is still a residual problem with disconnection, particularly from gas supply. The forthcoming Energy Bill may present an opportunity to legislate for an end to disconnection for domestic customers once and for all.

Domestic consumers disconnected from energy supply – Great Britain								
	1995	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Electricity	838	477	460	400	373	300	375	995
Gas	14,511	8,825	29,771	29,500	22,177	16,500	26,086	21,780

Source: *Ofgem*

1.8 Excess winter deaths

Excess winter mortality, like fuel poverty itself, is an issue of concern in the United Kingdom whilst attracting comparatively little discussion elsewhere. The explanation for this is that the phenomenon of excess winter deaths is much more marked in this country than in countries with comparable general living standards and climatic circumstances. Excess winter death rates are calculated by comparing overall mortality statistics in the period December-March with average death rates in the previous and subsequent four-month periods. A recently published international analysis of excess winter death rates demonstrates how the United Kingdom compares with other affluent northern European countries. Whilst the Government insists that the causes of excess winter deaths are complex and uncertain, there is a growing consensus that poor heating and insulation standards and low household income are the major factors.

% increase in winter death rates – 1988-1997[12]	
Netherlands	11%
Germany	11%
France	13%
Belgium	13%
Scotland	16%
Wales	17%
Northern Ireland	17%
England	19%

1.8.1 In recent years there has been a consistent downward trend in the rate of excess winter deaths. Whilst it would be encouraging to think that this is the result of Government intervention in housing standards; energy efficiency improvements; income maintenance; and preventative health measures, there can be no serious test of such an assumption until the recent trend in mild winters is broken by a particularly severe winter period.

Excess winter mortality in the United Kingdom						
	1997-1998	**1998-1999**	**1999-2000**	**2000-2001**	**2001-2002**	**2002-2003**
England	21,740	44,010	45,650	23,290	25,790	22,700
Scotland	2,610	4,750	5,190	2,220	1,840	2,510
Wales	1,290	2,900	2,880	1,640	1,480	1,400
Northern Ireland	600	1,180				

Source: *Department of Health and the Scottish Executive*

[12] Energy Action 92, February 2004

Section 2
Fuel Poverty in England

Introduction

The Warm Homes and Energy Conservation Act requires fuel poverty to be eradicated in England within a fifteen-year period. The UK Fuel Poverty Strategy set out the timescale and means by which this would be achieved in England. The strategy comprised three main elements:

- An end to fuel poverty for vulnerable[13] households by 2010
- Action to address fuel poverty in social housing[14] by 2010
- An end to all fuel poverty by 2016[15]

An interim target requires that, by 2004, 800,000 vulnerable households should have received assistance through the Warm Front scheme and that the number of non-decent properties in the social sector should have been reduced by one third. It should be noted that neither of these targets relates specifically to fuel poverty reduction – rather it is assumed that intervention by Government and other agencies will have some beneficial effect on the incidence of fuel poverty.

2.1 The definition of fuel poverty

In England fuel poverty is defined as the need to spend more than 10% of household income on energy consumption, including sufficient warmth to ensure health and comfort. A range of heating regimes has been devised to suit different household characteristics and energy needs.

Regime	Temperature		Extent of heating	Duration of heating
	Living room	Other rooms		
Minimum	18° C	16° C	Partial (50% other rooms)	All day (16 hours)
Partial	21° C	18° C	Partial (50%) other rooms	All day (16 hours)
Standard	21° C	18° C	Full house	Morning and evening (9 hours)
Full	21° C	18° C	Full house	All day (16 hours)

2.1.1 The minimum regime is intended to safeguard health whilst the standard regime is designed to provide thermal comfort. The partial and full regimes cater for households occupying the property all day (but also reflect whether the property is under-occupied or not). Fuel poverty is quantified using the standard regime.

2.2 Definition of household income

Household income is defined as that of the householder and partner and that of any other occupant of the property, net of income tax and National Insurance. Housing subsidies in the form of Housing Benefit or Income Support for mortgage interest are generally included in household income although fuel poverty statistics are also published net of these subsidies. The fact that another form of housing subsidy, Council Tax, has not yet been incorporated into the income equation means that, using the Government's preferred definition of household income, the number of fuel-poor households will decline further when this is accomplished.

[13] Vulnerable households are defined on the basis of age – pensioners and children or disability.
[14] The objective is to implement a Thermal Comfort standard for social housing; the standard is intended to act as a proxy for affordable warmth.
[15] The legislation requires Government to eradicate fuel poverty 'as far as is reasonably practicable'.

2.3 Problems with the definition of income

Campaigners have consistently pointed out the logical failings in how income is defined for the purpose of assessing fuel poverty. Classing housing subsidies as income artificially inflates the spending power of the household; they have a nominal increase in resources but without any discretion in how this is spent. Further confirmation of the absurdity of the Government definition of income is apparent in the effect of any increase in mortgage interest rates or rent levels – the consequent increase in housing costs leads to increased housing subsidy and to hypothetical increased income – possibly sufficient to take the household outside the definition of fuel poverty, although they still occupy a property they cannot afford to heat.

2.3.1 Even publishing fuel poverty figures net of housing subsidies, whilst an improvement, does not solve this problem. Disparities in housing costs across the country mean that households on similar income levels will have considerable differences in disposable income. The only means by which these anomalies can be removed is for the household income element of the fuel poverty formula to be based on what resources remain after housing costs have been met.

2.3.2 The table below gives some indication of the significance of how household income is treated.

Government Office Region	% fuel-poor households		Number fuel-poor households		Total households
	Full[16] income	Basic income	Full income	Basic income	
North East	10.2%	15.6%	105,000	162,000	1,036,000
Yorkshire and Humber	11.2%	14.9%	238,000	316,000	2,118,000
North West	9.9%	14.0%	277,000	393,000	2,800,000
East Midlands	9.0%	11.3%	160,000	203,000	1,789,000
West Midlands	10.9%	15.2%	228,000	317,000	2,088,000
South West	9.8%	12.1%	201,000	250,000	2,062,000
Eastern	6.1%	8.3%	139,000	189,000	2,280,000
South East	6.7%	8.2%	224,000	274,000	3,343,000
London	5.0%	8.3%	148,000	249,000	2,993,000
All	8.4%	11.5%	1,722,000	2,352,000	20,510,000

Source: *Detailed breakdowns of fuel poverty in England in 2001, DEFRA and DTI, 2003*

2.4 Progress in the eradication of fuel poverty

The above data are derived from the English House Condition Survey 2001 and illustrate the significant progress in reducing fuel poverty since the previous survey in 1996. However much of the credit for the improvement is attributed to higher household incomes (as a result of policies such as the minimum wage, the Minimum Income Guarantee and more generous provision for families with children) and falling energy prices as a result of the combined effect of effective regulation and the competitive market. Between 1996 and 2000 fuel poverty fell from 5.2 million households to an estimated 3.9 million (basic income definition). Neither low energy prices nor stable household incomes can be assumed for the future

2.5 Energy efficiency and fuel poverty 1996 to 2001

Between 1996 and 2001 the average SAP rating improved from 44 to 51 across the whole of the housing stock. However some 75% of fuel-poor households still occupy properties with a rating below this latter level – a proportion not significantly changed between 1996 and 2001.

SAP bands	% fuel-poor households	Number fuel-poor households	Total households

[16] Full income includes Housing Benefit or Income Support for mortgage interest; basic income is net of any housing subsidy.

	1996	2001	1996	2001	1996	2001
Under 30	52.5%	39.8%	1,714,000	747,000	3,264,000	1,880,000
30 to 50	26.2%	13.7%	2,511,000	1,011,000	9,555,000	7,378,000
Over 50	16.7%	5.3%	1,050,000	594,000	6,824,000	11,252,000
All	26.8%	11.5%	5,275,000	2,352,000	19,643,000	20,510,000

2.6 Warm Front

Warm Front is the Government's main programme for tackling fuel poverty in the private sector. The UK Fuel Poverty Strategy emphasises the role of this programme in reducing fuel poverty. However the scheme has come in for serious criticism from a range of agencies including:

- The National Audit Office
- The House of Commons Public Accounts Committee
- Academic researchers and fuel poverty campaigners

2.6.1 The consensus is that Warm Front is too simplistic in its targeting, in that it provides assistance to many non-fuel-poor households (who meet certain income or disability-related criteria) whilst excluding households in need who do not receive a qualifying benefit. As a consequence, Warm Front's contribution to the eradication of fuel poverty is limited and, because there is neither pre-intervention nor post-intervention assessment of the fuel poverty status of the household, the value of the scheme cannot be quantified.

2.6.2 Apart from the National Audit Office analysis of Warm Front, DEFRA is also conducting a review of the scheme. In what was intended to be constructive criticism of the scheme NEA has recommended:

- Scrutiny of the mismatch between grant eligibility and fuel poverty
- The unsatisfactory nature of a two-tier system of grant-aid that disadvantages non-pensioner households not only in the present but also in the future
- The case for transforming Warm Front into a scheme with the remit to eradicate, rather than alleviate, fuel poverty
- The case for an average grant rather than a maximum grant
- The case for including additional heating and insulation measures within the programme thereby making more households eligible for significant assistance
- The case for including energy efficient appliances to ensure that all fuel-poor households can receive at least some degree of benefit.

2.7 Energy efficiency budgets

The two main sources of funding for domestic energy efficiency improvements in the homes of low-income households are Warm Front and the Energy Efficiency Commitment. Whilst resources for the Energy Efficiency Commitment have increased in recent years Warm Front funding received a setback in the current financial year when the anticipated budget was reduced by some £19 million.

2.7.1 Both programmes have seen changes to eligibility criteria recently with Pension Credit, Working Tax Credit and Child Tax Credit added to the list of qualifying benefits. Whilst Warm Front retains the link to disability and to families with children, and therefore to vulnerability, the Energy Efficiency Commitment imposes no such restriction albeit the range of available measures is much more limited.

Programme funding – Warm Front[17] and Energy Efficiency Commitment[18] (EEC)									
2000-2001		2001-2002		2002-2003		2003-2004		2004-2005	
Warm Front	EEC	Warm Front	EEC	Warm Front	EEC	Warm Front	EEC	Warm Front	EEC
£122M	£100M	£155 M	£100M	£167M	£150M	£152 M	£150M	£150 M	£150M

2.8 Fuel poverty in social housing

The Office of the Deputy Prime Minister has assumed responsibility for the Decent Homes Standard which, through the Thermal Comfort criterion element of the standard, is intended to address fuel poverty in social housing. The Thermal Comfort criterion is a measures-based approach to the provision of affordable warmth. It assumes that if certain energy efficiency criteria are met then this will, in the main, eliminate fuel poverty for tenants of local authorities and registered social landlords.

2.8.1 NEA was generally supportive of the adoption of a proxy for affordable warmth given the intrusive and complex nature of an assessment of fuel poverty that required detailed information on household income and expenditure on fuel. However the proposed standard is not adequate to ensure affordable warmth, and appears designed to placate and reassure social landlords rather than as a serious fuel poverty, or even energy efficiency, initiative.

Thermal Comfort criterion of the Decent Homes Standard	
Controllable central heating:	Insulation standard
Gas	**50mm loft insulation or cavity wall insulation**
Oil	**50mm loft insulation or cavity wall insulation**
Controllable central heating:	Insulation standard
Electric storage heating	**200mm loft insulation and cavity wall insulatio**
Solid fuel	**200mm loft insulation and cavity wall insulatio**
Liquid petroleum gas (LPG)	**200mm loft insulation and cavity wall insulatio**

2.8.2 Whilst a modest concession was made to the standard where dwellings are heated by less efficient systems, the insulation standard as it relates to gas central heating (91% of central heating systems are fuelled by natural gas) is a minimal requirement.

2.8.3 With regard to heating systems the Office of the Deputy Prime Minister requires only that a system be controllable to comply with the standard – in essence any system meeting this criterion will be acceptable regardless of how uneconomic or inefficient it may be. Nor is there any discussion as to what should be done in those hard to heat properties where conventional approaches to affordable warmth are not feasible because the property is not on the mains gas network or where it has solid walls not amenable to cavity wall insulation.

[17] Warm Front covers only private sector housing in England.
[18] Energy Efficiency Commitment funding is GB-wide and applies to all tenures. 50% of energy savings resulting from this programme are to be gained from improvement in the homes of the priority group (households in receipt of a means-tested or disability-related benefit).

2.9 The Decent Homes Standard and the private sector

Whilst the Decent Homes Standard was originally conceived as a strategy to improve social housing (both local authority and housing association) it is now intended that the standard should apply across all tenures. The Office of the Deputy Prime Minister has set a series of interim targets for the improvement of private sector housing occupied by vulnerable households.

2.9.1 It is unclear whether this is part of the strategy for eradicating fuel poverty amongst vulnerable private sector householders by 2010 since the definition of vulnerable used by the Office of the Deputy Prime Minister (receipt of a means-tested or disability-related benefit) differs from that of the Department for Environment, Food and Rural Affairs which defines vulnerability on physical characteristics (age – both young and old - or disability). The timescale for improving private sector housing is also confusing since it does not match the requirements of the Warm Homes and Energy Conservation Act.

- there is a year on year increase in the proportion of vulnerable private sector households in decent homes
- the 2006-07 English House Condition Survey shows the proportion of vulnerable households in decent private sector homes to be more than 65%
- the 2010-11 English House Condition Survey shows the proportion of vulnerable households in decent private sector homes to be more than 70%
- the 2020-21 English House Condition Survey shows the proportion of vulnerable households in decent private sector homes to be more than 75%

2.10 Designing an affordable warmth agency

The Warm Zones initiative aims to address fuel poverty for all households in a specific geographical area through development of effective partnerships involving local government; energy suppliers and advice agencies; local commercial enterprises and voluntary bodies; and the health sector.

2.10.1 The Warm Zones pilots are based on five different areas of England – in an attempt to test the concept across a range of reasonably diverse environments including both rural and urban settings. Findings from the first major analysis of the initiative[19] are not optimistic; in only a minority of cases was it possible to remove households from fuel poverty as a result of energy efficiency measures alone. This was particularly apparent in the case of single adult households (both pensioner and non-pensioner households) an indication of the significance of low household income in dealing with the most obdurate cases of fuel poverty.

2.10.2 Despite the comparative failure of the Warm Zones model, this type of integrated and co-ordinated approach probably represents the best option for an effective fuel poverty programme. One central agency capable of providing money and energy advice and organising and overseeing practical work will be the most effective and efficient means of delivering affordable warmth; a community-based service is also best-positioned to identify areas of greatest need in the area and expedite assistance where necessary.

[19] Warm Zone Review 2002-2003

2.11 Resources

A programme to eradicate fuel poverty must combine a structure that can address the problem for individual households, including those where remedial work is expensive such as solid-walled properties, and sufficient resources to enable assistance to be provided to all fuel-poor households. The Government-appointed Fuel Poverty Advisory Group believes that the fuel poverty objectives are attainable but only if additional resources are made available. The group estimates that expenditure on fuel poverty programmes will have to increase by at least 50% to meet Government targets and is pressing the Treasury to make this additional funding available in the next Spending Review.

Section 3
Fuel Poverty in Scotland

Introduction

Scotland's overall fuel poverty objective and interim measures come from the Scottish Fuel Poverty Statement (published August 2002). The Statement was published under section 88 of the Housing (Scotland) Act 2001, whereby 'Scottish Ministers must, within 12 months of the coming into force … prepare and publish a statement setting out the measures which they and local authorities have taken, are taking and intend to take for the purpose of ensuring, so far as reasonably practicable, that persons do not live in fuel poverty'.

3.1 The objective and interim measures

- **Overall objective:** to ensure, so far as reasonably practicable, that people are not living in fuel poverty in Scotland by November 2016.

- **Interim measures:** a review of milestones in 2003, once data from the Scottish House Condition Survey (SHCS) 2002 becomes available; begin work on the next Fuel Poverty Statement in 2004, once the work set out in the Statement has begun to have an impact; and publish the next Fuel Poverty Statement in 2005.

3.1.1 Although targets and milestones have been established, Energy Action Scotland (EAS) believes that the Scottish Executive needs to define 'reasonably practicable'. Fuel poverty in hard to treat homes (for whatever reason ,e.g. construction type, condition of the building or off the gas network) cannot be tackled using the traditional measures. There are a large number of homes in Scotland which can be classed as hard to treat. Approximately one third of all Scottish homes are constructed of materials or methods which do not allow for traditional insulation, such as loft insulation and cavity wall insulation, to be fitted. Approximately a third of all homes in Scotland have no access to mains gas, the least expensive fuel for heating. As such they are not able to have an economic and efficient central heating system installed.

3.1.2 Scotland also has a more extreme climate. It is colder in the North of Scotland which produces a longer heating season. This problem is exacerbated by no access to mains gas and is an important issue as the SHCS 2002 states that the local authority area of Orkney has 41% fuel poor households and the Western Isles has 38% (local authorities from the North of Scotland), compared to areas such as West Lothian and East Dunbartonshire which have 8% fuel-poor households (local authorities from the South of Scotland).

3.2 Definition of fuel poverty

The Scottish Executive has adopted the definition of fuel poverty used in the UK Fuel Poverty Strategy, however it is more specific in certain areas, including:

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

- 'Household income' would be defined as income before housing costs, to mirror the definition used in the UK Households Below Average Income (HBAI) Statistics.

3.2.1 The Scottish Executive has agreed to use the definition which includes Housing Benefit and Income Support for Mortgage Interest but also to collect data and report on the definition which excludes housing costs. EAS's preference is the use of the latter definition of net income, as it gives a more accurate reflection of the impact income has on whether people are in or out of fuel poverty. Furthermore, free school milk, free school meals, community care grants and funeral payments are still considered as income by the Household Survey. Setting targets against such a definition of income would not give a true picture of the quantity and severity of fuel poverty.

3.3 Local housing strategies and fuel poverty guidance

Energy Action Scotland has recently organised a series of seminars that aimed to provide guidance on fuel poverty to local authorities who are currently in the process of writing their Local Housing Strategies. A major part of this activity will involve the inclusion of a Fuel Poverty Strategy. EAS has been encouraging local authorities to measures their progress against both gross and net definitions.

3.4 Progress to date

The Scottish House Condition Surveys 1996 and 2002 have produced the following information on Scotland's progress in reducing fuel poverty.

Total number of fuel-poor households in Scotland	
1996	**2002**
738,000 (35%)	262,000 (12%) (using the 1996 definition)
	369,000 (17%) (using the definition in the Fuel Poverty Statement, which defines net income more narrowly)

3.4.1 The Scottish House Condition Survey 2002 also indicates that:

- There has been an increase in the provision of central heating since 1996. 1.5 million dwellings (68%) have full gas central heating compared to 1.2 million in 1996 (56%). 250,000 (11%) have full electric central heating compared to 200,000 (9%) in 1996.

- Fuel poverty is less common in homes built after 1982; in urban areas; dwellings with gas central heating; and in homes rented from Registered Social Landlords (RSLs). It is more common in households with no central heating; single pensioner households; and the private rented sector.

- The housing stock is more energy efficient. Over 90% of dwellings have full or partial central heating, 88% have some degree of loft insulation and 87% have double glazing.

3.4.2 Although Energy Action Scotland welcomes the Scottish House Condition Survey 2002, and the evidence of reduced fuel poverty within Scotland, there are a number of areas which have to be highlighted in order to gain a clearer picture of fuel poverty. The main issues are:

3.5 Survey methodology and further reports

A full analysis of all figures will only be possible after the release of the Survey's complete data set and the further report on fuel poverty to be produced by Communities Scotland in March 2004. The report on fuel poverty will provide details on the fuel poverty definition and how all Survey results were obtained. The report will also provide information on the extent to which fuel prices and income levels have affected fuel poverty figures.

3.5.1 It is important to remember that fuel poverty is caused by a combination of three factors: poor energy efficiency of the dwelling, low disposable household income and high price of domestic fuel. Fuel prices and income levels will have had a significant impact on the SHCS 2002 fuel poverty figures. However both are subject to volatility. The Scottish Executive has highlighted the problem of fuel prices and stated that: 'Energy prices may go up in (the) next five years, so (there is) an ongoing challenge to meet targets'.

3.6 General information on the SHCS 2002 Results

EAS has outlined some general information from the SHCS 2002, including:

- Indications are that approximately **189,000** households in energy inefficient properties (NHER 0-2) have an annual income below the tax credit limit for Warm Deal work (£14,200).

- Ignoring new build dwellings since the last SHCS, indications are that 266,000 gas (86%) and electric (14%) central heating systems replaced older or less efficient systems. The majority of these heating improvements (70%) are attributed to the owner occupied sector.

- The greatest shift in average NHER has been in the local authority/other rented sector, from 4 to 4.9. Increases in NHER can be seen in single adult (3%), single parent (1%) and pensioner (3%) households. However all other household types have shown a decrease.

- 200,000 households indicated that 'draughty windows' was a reason for finding it difficult to heat the home.

3.7 Social housing

The recently published Scottish Social Housing Standard proposes a minimum standard of NHER 5 for all social rented properties. EAS would, however, wish to see an average standard of 7 as the requirement. For some housing providers this could prove difficult, as their dwelling stock may be predominantly hard to treat. Consequently, the average standard would need to be applied only where it would be reasonably practicable i.e. where the investment in improvements would not adversely affect rent levels.

3.7.1 Building Regulations are the only enforceable route at this stage to setting energy efficiency standards for all new dwellings. Current regulations would result in a dwelling with an NHER of approximately 8. However there also needs to be provision within the building standards to recognise the importance of incorporating renewable technologies which reduce energy load. EAS would support the view that, wherever possible, dwellings should be designed to take full advantage of renewable energy, *e.g.* all dwellings should have access to a solar water heater, and off-gas network properties should incorporate heat pump technology wherever practicable. Other measures such as drylining, external cladding and a more advanced heating system e.g. combined heat and power (CHP) should be used for hard to treat homes.

3.7.2 Since these standards apply to new houses it will have the greatest impact on the private sector, as local authorities are building very few new houses.

3.7.3 Social housing providers can provide a coordinated role to ensure best and effective use of grants programmes, such as the Warm Deal Initiative and Energy Efficiency Commitment (EEC). EAS believes that this type of coordinated approach ensures housing of all tenures receive assistance and are given access to the widest possible number of grants and measures.

Statutory programmes

3.8 Warm Deal Initiative

3.8.1 The Warm Deal Initiative was introduced in 1999. The Scottish Executive estimated that 160,000 houses had been insulated through Warm Deal by March 2003.

3.8.2 The Warm Deal Initiative features two elements: the first and largest is administered for the Scottish Executive by Eaga Partnership and covers all sectors of the stock; local authorities administer the other element for works to their own stock. The table illustrates the amount of funding allocated to the Warm Deal Initiative since 2001.

Financial Year	EAGA Partnership	Local Authority
2001-02	£7.5m	£3.02m
2002-03	£8.27m	£0.96m
2003-04*	£7.5m	£3.0m

** 2003-04 figures are not out-turns*

3.9 Central Heating Programme

3.9.1 The Central Heating Programme was introduced in 2001-02. The Scottish Executive estimates that, by March 2006, 70,000 householders will have received free central heating and insulation, worth around £2,500 per household. This programme also comprises two elements: Eaga Partnership administers the programme for households in the private sector who are aged 60 or more and lack central heating, or who have a heating system which is broken and beyond repair; social sector landlords (local authorities and housing associations) deliver the other element of the programme for tenants whose homes lacks any central heating system. The table illustrates the amount of funding allocated to the Central Heating Programme since 2001.

Financial Year	Eaga Partnership	Social Sector Landlords	
		Local Authority	Registered Social Landlord
2001-02	£8.29m	£9.74m	£2.1m
2002-03	£14.11m	£10.13m	£4.06m
2003-04*	£27.5m	£8.8m	£9.55m

** Note: 2003-04 figures are not out-turns*

3.9.2 There have been no recent major changes to the Warm Deal and Central Heating Programmes. However, from 2004, the Scottish Executive will extend the central heating programme to include householders who are over 80 and who have a partial heating system or a system that is not efficient.

3.9.3 EAS believes that the Warm Deal Initiative and the Central Heating Programme are targeting a great number of fuel-poor households within Scotland. However current energy efficiency schemes provide only the basic insulation measures of loft insulation, cavity wall insulation, draughtproofing, hot and cold water tank insulation, and low energy lightbulbs. New measures need to be introduced into these schemes while new sources of funding must be found. Insulation measures such as internal lining and external cladding may have to be considered where economies of scale can be achieved. Alternative energy sources such as solar thermal for space and water heating, solar photovoltaic, ground/air/water source heat pumps and wind power should be considered for assisting the off-gas network fuel poor. Other measures such as micro-CHP and small-scale community CHP may offer the best overall cost solution for eradicating fuel poverty in certain circumstances.

Devolved Issues

3.10 Single Schemes

3.10.1 EAS has argued that average expenditure of £2,500 per property is required to take a household out of fuel poverty. The organisation still believes this is required, and that grants such as the Warm Deal Initiative should move to an average grant rather than a grant maximum, as this may allow inclusion of wider measures and pay for shortfalls. The purpose of the Warm Deal and the Central Heating Programme are to tackle fuel poverty. The grants should serve that purpose regardless of the measures required to achieve it. EAS believes that a single means-tested, property-specific energy efficiency grant needs to be flexible enough to encompass the varied solutions that will be required in order to eradicate fuel poverty across Scotland.

3.11 Raising general public awareness of fuel poverty and energy efficiency

3.11.1 Very few members of the general public either consider themselves to be fuel poor or recognise that they live in an energy inefficient home. What they do know is that they are cold in their home and that it is expensive to heat. People need to know that if they are in this situation then there is a solution.

3.11.2 One of the challenges is to highlight the help that is available. It is particularly difficult to reach individual home owners and those living in the private rented sector with this information. However, even once they are aware that assistance is available, it can be difficult to know where to go to access it. Often there are many different bodies offering a slightly different package of measures, advice or funding. This can become confusing especially where these different schemes are not working in partnership.

3.11.3 EAS proposes that a Fuel Poverty *Helpline* offering a single point of access to the range of schemes available would be more effective in identifying and targeting assistance. It would be easier to promote this single source of help into which all relevant agencies could link.

3.11.4 There has to be a consistent and strong message given out by the Scottish Executive and Westminster, and their partners, advising people of their targets on the eradication of fuel poverty and the available grant programmes. Energy Action Scotland believes that Scottish Executive and Westminster agencies should work together with one coordinated approach to send out this message and it should include health, housing, education and environmental departments.

Section 4
Fuel Poverty in Wales

Scope, Definition and Overview

4.1 Officially-recognised indicators of households in fuel poverty in Wales are determined by figures provided within the 1997 Welsh House Condition Survey, which places approximately 220,000 households containing half a million people in fuel poverty. This assessment is based on the number of households eligible for assistance through the Home Energy Efficiency Scheme and, despite its taking no account of household income or individual heating requirements, is used by the Welsh Assembly Government to determine the extent of fuel poverty. This assessment will inform implementation of the *Warm Homes and Energy Conservation Act 2000: a Fuel Poverty Commitment for Wales*, which seeks the eradication of fuel poverty by 2016.

4.2 Figures provided by the 2001 Census indicate that over 70 per cent of dwellings in Wales are owner-occupied, of which 34.0 per cent are owned outright and 36.8 per cent owned with a mortgage. Most social housing is rented from local authorities (13.7 per cent of the housing stock with 4.2 per cent from Housing Associations). The private rented sector accounts for the remaining 7.4 per cent of housing. These figures reflect:

- a higher than average proportion of owner-occupiers compared to the rest of the UK
- low levels of local authority housing transferred to Registered Social Landlords
- a significant proportion of private rented sector housing.

4.2.1 The Welsh Assembly Government has developed a range of priorities for the Home Energy Efficiency Scheme (HEES) in order to ensure that the scheme addresses those areas of greatest concern. A number of factors have been taken into consideration with the intention that HEES will assist those households in most need. These factors include:

- Maintaining a high level of assistance for social housing in recognition of a history of significant under-investment in improving thermal efficiency in the local authority housing stock. Retention of social housing within local authority control, rather than transferred to Registered Social Landlords, has had the effect of inhibiting the capacity to generate capital investment.
- The need to concentrate resources in the more densely populated areas of the country. Two thirds of the population of Wales lives in the urbanised areas of the south east.
- Awareness of specific factors impacting on certain Welsh households and property types. These include the high incidence of solid wall dwellings, lack of access to a mains gas supply in rural areas and even dependence on concessionary coal in parts of the south Wales valleys.
- A disproportionately aging population many of whom are on low incomes but with, in many cases, considerable equity in the value of their homes.

4.2.2 Local authorities in Wales are designated energy conservation authorities under the Home Energy Conservation Act. The Act requires them to report on their plans to achieve significant improvements in the energy efficiency standards of residential properties within their area. Guidance to local authorities suggests that the objective

is a 30% energy efficiency improvement over a ten-fifteen year period. In many instances authorities in Wales have concluded that such a target is impracticable; however annual progress are still submitted to the Welsh Assembly Government.

4.2.3 There is considerable scope for Welsh local authorities to be at the forefront of eradicating fuel poverty as part of meeting their HECA obligations. In this respect a significant number of authorities in Wales have been involved in implementing schemes to upgrade their own housing stock via Assembly-funded HEES measures, support from Energy Saving Trust schemes and through partnership schemes funded by energy supply companies' Energy Efficiency Commitment.

Housing policy

4.3 Throughout Wales, a National Housing Strategy has been established via the *Better Homes for People in Wales* initiative. This document sets out an implementation framework across all housing sectors for cost-effective, affordable and sustainable provision of housing. It sets a specific target of 30,000 vulnerable households to be lifted out of fuel poverty by March 2003, a figure that is also reflected in the National Assembly Government's targets for HEES grants.

4.3.1 Policy guidelines introduced by the Assembly Government relating to improving energy efficiency feature in the Welsh Housing Quality Standard, which provides a common target that applies to the condition of all housing in Wales but in particular to social housing. The Standard contains a number of key indicators relating to affordable warmth. These include recommendations for:

- Identifying cost-effective opportunities to upgrade the thermal and ventilation performance of dwellings
- Ensuring the capacity of heating systems are such that they can heat a whole dwelling
- That loft insulation is a minimum of 200mm and that hot water tanks are adequately lagged or insulated
- That SAP ratings are utilised to estimate annual heating costs, with recommended minimum ratings depending on the floor area of the property

4.3.2 Although the Welsh Housing Quality Standard is not mandatory, it does provide significant guidance to housing authorities, landlords and private sector construction bodies and is being promoted in Wales for adoption by these bodies as a model of best practice.

Provision of fuel poverty baseline data

4.4 Data provided by the 1997 Welsh House Condition Survey has proven to be of limited use in giving an accurate assessment of fuel poverty. This was a consequence of the lack of any reliable information on household income and the level of expenditure required to achieve a warm and healthy environment. As a result data provided by the Survey has at best acted as a proxy for fuel poverty, with eligibility for HEES taken as the key indicator .

4.4.1 The next House Condition Survey is due to commence data collection in the early part of 2004, with final reporting expected by the middle of 2005. More sophisticated models are to be implemented in analysing demographic factors and relating household income to the SAP rating of properties occupied by different categories of

families and individuals. Once this survey is completed, the National Assembly will be able to make a far more accurate assessment of fuel poverty and thus determine priorities for future improved targeting of its HEES programme.

4.4.2 In addition to the Welsh House Condition Survey, and as an interim measure prior to survey data being available, the National Assembly has issued a contract to undertake a number of local fuel poverty mapping exercises that will utilise data provided by the 2001 Census and statistics provided by the Local Index of Multiple Deprivation. From this it is anticipated that a tool can be developed to identify the extent of fuel poverty in specific localities.

Hard to treat homes

4.5 Hard to treat homes form a significant proportion of dwellings in Wales in comparison to the UK average, due to the high incidence of older urban properties built before 1920 and properties in rural areas built with solid walls and of poor construction.

4.5.1 Large numbers of houses in the densely populated south Wales valleys exhibit a number of characteristics associated with hard to treat properties, including poor standards of construction and thermal insulation, solid walls and reliance on coal-fired open grates for room heating. The area also has a high proportion of low-income households.

4.5.2 Over two thirds of the land area of Wales is rural in character with low population density and isolated communities. Construction of dwelling in these areas is often of poor quality, solid walls are common as are damp problems associated with driving rain.

Access to affordable fuels

4.6 The gas network in Wales covers approximately 60% of the populated area, located mainly in urban areas and the south east of Wales and amounting to 78% of households. Of the remaining 22% of households without access to gas, National Assembly figures indicate that 21% of such households are eligible for HEES grants.

4.6.1 In addressing the issues associated with extending the gas network in to new communities, a number of OFGEM requirements must be complied with, not least that financial viability for a supplier must be demonstrated before a new installation can be made.

4.6.2 Mains gas heating, in conjunction with appropriate insulation measures, can make a significant contribution towards enabling a fuel-poor householder to achieve affordable warmth. In this respect the Welsh Assembly Government is encouraging gas transporters and local authorities to investigate viable extensions to gas supply pipelines in Wales.

4.6.3 As recently as the Autumn of 2003, the local authority in Wrexham joined forces with a major gas transporter to develop a programme for the installation of gas in 400 homes in the Llay area, which is located well outside the catchment area of an urban gas supply. Over 95% of householders were able to benefit; these were primarily council tenants, but owner-occupiers also benefited. The scheme was the first major gas pipeline extension to take place in the UK in the post-energy market deregulation period and the Welsh Assembly Government is keen to see the scheme replicated in other parts of Wales.

Statutory programmes

4.7 The Home Energy Efficiency Scheme (HEES) in Wales is the main statutory programme targeted at the eradication of fuel poverty. During the first period of HEES, up until October 2000, only insulation measures were available. From October of the same year HEES was revised to include a HEES+ component whereby full central heating measures are provided for vulnerable households in receipt of a qualifying benefit - people over 60, lone parent families and people who are either disabled or chronically sick.

4.7.1 The revisions to HEES and the introduction of HEES+ during 2000, which also coincided with the introduction of the Warm Homes and Energy Conservation Act, represented a considerable increase in levels of financial commitment from the Welsh Assembly Government.

4.7.2 With the extension of HEES came broader eligibility criteria specifically aimed at targeting energy efficiency measures at vulnerable households. This forms the basis for provision of affordable warmth for all vulnerable households by 2010. The National Assembly set a target of 38,000 households to have been assisted in the period 2001 to 2004, with a further 57,000 by the middle of 2007.

4.7.3 During 2002 the National Assembly undertook a feasibility appraisal to extend the range of HEES measures relevant to hard to heat properties with particular emphasis on the piloting of renewable energy solutions. Options including ground source heat pumps, bio-fuels and the installation of oil-fired central heating would be considered in certain circumstances. For practical reasons, including difficulties in maintaining a guaranteed supply of fuel in the case of the bio-fuels option, neither of these first pilots options has been taken forward. However, a successful oil-fired heating demonstration project was undertaken in mid-Wales, which has been followed by significant piloting in other areas and is expected to form a mainstream component of HEES measures in the future. Furthermore, and as a means of extending choice, the installation of reconditioned and new coal-fired heating systems is also being considered, particularly in areas where households are in receipt of free coal allowances, or where coal is a viable option given limited access to other affordable fuels.

Non-statutory programmes

4.8 All of the incumbent energy supply companies in Wales have promoted Energy Efficiency Commitment (EEC) and, prior to that, Energy Efficiency Standards of Performance (EESoP) Schemes, both within the social and private housing sectors. Most of these schemes have focused on providing loft and cavity wall insulation to large-scale housing stock projects in the social housing sector and the distribution of CFLs to priority groups via a range of different statutory and community- based channels.

4.8.1 A number of other out-of-area energy suppliers have also undertaken EEC supported programmes via involvement in the South Wales Energy Partnership, which is made up of a consortium of local authorities, housing associations and other relevant agencies.

4.8.2 During the EESoP period, energy supplier schemes, primarily acting in partnership with social housing providers and agencies able to offer supported schemes in the private housing sector, invested approximately £3.5 million in Wales over a 6 year period. Out-turn investment from EEC as a successor to EESoP, is well on target for an anticipated doubling of this figure to £7 million for the period 2002 to 2004. During the post 2005 period when EEC 2 commences, similar increases in investment are expected.

4.8.3 Integration between non-statutory schemes and National Assembly-funded programmes incorporating HEES has not been particularly effective. Some integration has taken place within local authorities, that have used EEC funds to support Housing Renovation, Disabled Facilities and other grant programmes. During the period 2002 to 2003, the National Assembly provided guidance to Eaga Limited, the HEES Managing Agent, that wherever possible, HEES and EECshould be integrated, with HEES being the primary focus for heating measures that EEC cannot support.

Progress and achievements

4.9 Given that the 15 year programme envisaged by the National Assembly *Fuel Poverty Commitment for Wales* is still at an embryonic stage, much scope exists for refining indicators of progress and undertaking further reviews, both in terms of measuring achievement and enabling better targeting of energy efficiency measures.

4.9.1 In recognition of socio-economic factors governing the demographics of Wales, funding for measures to reduce poverty are allocated over geographical areas, with South Wales receiving 58% of the budget, North Wales 28% and mid Wales 14%. To date, all targets have been met, with year on year increases in budget allocations to HEES since 2001, with the budget for 2002/3 being £13.1 million and £14.1million for 2004/5 . This division of resources has also applied to Energy Efficiency Commitment schemes.

4.9.2 A recent report by the National Audit Office on the effectiveness of Warm Front in England indicates that a high percentage of households assisted by Warm Front are not in fuel poverty, but receive energy efficiency measures as a result of receipt of certain qualifying benefits. The National Audit Office also indicated that many householder who were in fuel poverty could not access Warm Front grants due to their not being in receipt of a qualifying benefit.

4.9.3 Anecdotal evidence provided from a number of sources in Wales seems to indicate that the situation is very little different from that described by the National Audit Office. The National Assembly for Wales is currently undertaking a review of its HEES scheme, as a means of more effectively targeting measures and improving eligibility. It seems certain that many comparisons with the Warm Front experience in England will be drawn and, given the track record of the National Assembly, it is likely that significant modifications will be made to improve its own HEES scheme. Other non-statutory EEC scheme providers will also be encouraged to improve the focus of measures towards fuel-poor households, particularly once EEC2 becomes available with extended targets.

Section 5
Fuel Poverty in Northern Ireland

Introduction

The incidence of fuel poverty is extremely high in Northern Ireland; some 203,000 households (33% of the population) are fuel poor[20]. This is the result of a combination of factors, particularly the high cost of both gas and electricity and low household incomes. Higher fuel costs, up to 31% more expensive than Britain (Belfast Telegraph, October 30, 2003) are clearly a major factor. A recent study also highlights the high incidence of general poverty in Northern Ireland: *Bare Necessities – Poverty and Social Exclusion in Northern Ireland* by Bristol University, the University of Ulster and the Queen's University of Belfast available at http://www.democraticdialogue.org/reports.asp. There have been considerable efforts in recent years to address energy efficiency in all housing sectors. However, unless measures to address energy costs and lower incomes are developed, fuel poverty will prove very difficult to eradicate in Northern Ireland.

5.1 The Department for Social Development (DSD), which has lead responsibility for this issue, issued a consultation paper *Towards a Fuel Poverty Strategy for Northern Ireland* in October 2003. This is expected to lead to the production of a Fuel Poverty Strategy for Northern Ireland in March 2004. Currently there is no legislative target for the eradication of fuel poverty, however the consultation paper proposes the eradication of fuel poverty in all vulnerable households by 2010 and for all other households by 2016, resources permitting. A variety of interim targets has been set for Northern Ireland in various policy documents, including *Investing for Health* (http://www.investingforhealthni.gov.uk/) and the UK Fuel Poverty Strategy.

Definition of fuel poverty

5.2 The definition of fuel poverty used in Northern Ireland, prior to the issuing of the DSD consultation paper, uses disposable income in defining income and all energy costs in determining energy needs. In the consultation paper it is proposed that the definition of fuel poverty be standardised across the four countries of the United Kingdom. This definition regards "income" as that of all members of the household, net of tax, including Housing Benefit or Income Support for Mortgage Interest and any other benefits or payments received. DSD has stated that it will also collect and publish information using a definition of fuel poverty that excludes Housing Benefit and Income Support for Mortgage Interest. This definition also utilises a three-year average for the cost of home heating oil to preclude dramatic but short-term fluctuations in numbers in fuel poverty. In recent years there has been much discussion on the definition of fuel poverty. It is generally accepted that households are fuel poor where they spend 10% or more of income on energy, however income and energy costs both need to be defined and, whilst comments are made below, we welcome the commitment by the Department to publish statistics for calculations using income ex-housing costs.

5.2.1 NEA NI recognises the difficulties in measuring income, however we are concerned at the inclusion of housing benefit and income support for mortgage interest as income; in theory, an increase in rent or mortgage payments would take households out of fuel poverty by increasing their income whereas, in reality, the household has no extra money to pay for energy and no extra warmth. NEA NI

[20] Towards a Fuel Poverty Strategy for Northern Ireland, October 2003, Department for Social Development. Derived from the Northern Ireland House Condition Survey 2001 and modelled by BRE. Figures use a 3-year average for the cost of home heating oil.

agrees that all energy costs (heat, light and appliances) must be included in any income/fuel costs ratio and we welcome the Department's recognition that fuel-poor households are not always able to pay for all the heat they may need. Therefore, we propose that required fuel costs are used in measuring susceptibility to fuel poverty; thus taking account of the thermal efficiency of the dwelling as well as local fuel costs. The final decision on definition will be included in the Fuel Poverty Strategy for Northern Ireland, likely to be published in March 2004.

Progress to date

5.3 Previous data on fuel poverty in Northern Ireland has indicated that 170,000 households lived in fuel poverty. The recently-published figures of 203,000 may appear to be a substantial increase. It is widely accepted in Northern Ireland that previous figures were based on small samples and actual reported spend, rather than required fuel costs. Consequently, the figure of 203,000 is regarded as the first valid analysis of fuel poverty in Northern Ireland. It is therefore not possible to record the numbers that may have been taken out of fuel poverty in the last decade or so.

5.3.1 The first annual report of *Investing for Health* indicated that 11, 219 households had been assisted under the Warm Homes Scheme since July 2001. There is no indication of how many have been removed from fuel poverty.

5.3.2 Further analysis of this data by the Northern Ireland Housing Executive has provided a comprehensive overview of fuel poverty.

Fuel poverty by tenure	Number of households	% households
Owner occupier	104,700	51.5
Private rented	23,300	11.5
Housing Executive	70,500	34.7
Housing Association	4,800	2.4
Total	**203,000**	**100.0**

Urban and rural fuel poverty	Number of households	% households
Urban	135,500	66.6
Rural	68,000	33.4
Total	**203,000**	**100.0**

Fuel poverty by annual income	Number of households	% households
Under £3,000	12,400	6.1
£3,000 - £4,999	49,300	24.3
£5,000 - £6,999	67,000	33.0
£7,000 - £9,999	47,600	23.4
£10,000 - £14,999	19,900	9.8
£15,000 - £19,999	6,100	3.0
£20,000+	1,000	0.5
Total	**203,000**	**100.0**

Fuel poverty by employment status	Number of households	% households
Employed	38,100	18.7
Unemployed	29,500	14.5
Student	2,600	1.3
Retired	85,500	42.0
Permanently sick/disabled	23,500	11.6
Other	24,100	11.9
Total	**203,000**	**100.0**

Tables from the Northern Ireland Housing Executive Seventh Annual Progress Report on the Home Energy Conservation Strategy, December 2003.

5.3.3 This data indicates that there is a substantial number of fuel-poor households where the head of household is employed (18.7%) whilst the lower incomes reported make paying for Northern Ireland's higher fuel costs much more difficult.

Social housing

5.4 The Northern Ireland Housing Executive (NIHE) is currently rolling out heating conversions from solid fuel to oil and natural gas in addition to a programme of first-time installation. Under its heating programme NIHE has installed natural gas or oil heating in 9,000 homes in each of the last three years. This programme received an £18m boost this year when the Reform and Reinvestment Initiative was extended to allow Economy 7 to be replaced in Housing Executive homes over a three-year period. Nevertheless, it will take up to 15 years for these programmes to be complete

Statutory programmes

5.5 The Department for Social Development has added an additional £0.8m to the budget for the Warm Homes Scheme and this will bring the resources committed to Warm Homes up to £10.65m this year. This includes £1.5M from the NIE Customer levy, which meets additional costs for Warm Homes Scheme grants that exceed the grant maximum. This subvention is delivered seamlessly as far as the client is concerned. Amendments to the Warm Homes Scheme have been introduced this year, and are in line with the changes in eligibility criteria in England.

5.5.1 NEA NI has completed an analysis of the Warm Homes Scheme and its impact on fuel poverty. It is anticipated that this report will be published by the Department for Social Development in the Spring of 2004.