

**Fuel Poverty Advisory Group**  
(for England)

**Second Annual Report**

2003/4



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# Key recommendations

Of the points we set out in the report, we would highlight 11 key recommendations for Government.

## RESOURCES

- DTI/Defra should have a joint, measurable Public Service Agreement – **to reduce the number of households in fuel poverty in the UK to 400,000 by March 2008.**
- Resources needed for Warm Front, the Energy Efficiency Commitment (EEC) and new schemes (such as network gas extension) are estimated to be £2.5bn over the 2005-10 period. **If expenditure for low income groups under EEC is doubled, then other programmes need to increase by at least 50% in order to provide £2.5bn.**  
The Energy White Paper underlined the Government's commitment to the Fuel Poverty targets. This was in the knowledge of our preliminary estimate of the resources required. This commitment will turn out to be a meaningless one unless the resources are provided in the Spending Round.

**The resources required would clearly be greater – over £3bn – on the broader definition of Fuel Poverty.**

- **The Government should in its Annual Fuel Poverty Report set out its own estimates of the expenditure required for the Programmes, explain any difference from the FPAG estimates, and review the adequacy of its existing polices for meeting the targets.**

## FUEL POVERTY PROGRAMMES

- The current Fuel Poverty programmes have been very successful in improving the energy efficiency of the homes and appliances of vulnerable households. The targeting of the programmes can be improved. **However, it is our strong view that the emphasis, placed by Government and some others on the targeting shortcomings of current schemes, is being significantly overdone.** More focus on the fuel poor is possible, but there are serious limits on the extent to which this is feasible or desirable.
- **There should be better integration, when the schemes are revised in 2005, between Warm Front and Priority EEC** – to increase cost effectiveness and improve the customer experience.

## HARD TO TREAT HOMES

- **It is essential that funds are made available for appropriate extensions to the gas network.**
- Defra/DTI should reach a view on the solution to fuel poverty which is likely to be best for hard to treat homes in different circumstances.

## OTHER DEPARTMENTS

- ODPM, with its housing responsibilities, has a key role to play in tackling fuel poverty. It is most puzzling that ODPM does not focus more on these issues, as improvements in energy efficiency would make a major contribution to ODPM's key objectives of bringing homes in both private and social sectors up to a Decent Standard. We outline (Section 7) a number of ways in which ODPM can help. **One key area is the private rented sector, and ODPM should produce an action plan for ending fuel poverty in this sector. Defra, DTI and ODPM Ministers should meet in the near future to determine the way forward on ODPM issues.**
- Although individuals locally have been helpful, **the Department of Health and NHS centrally have been particularly unresponsive to our modest request – for assistance in getting energy efficiency help to those most in need!** More encouragement should be given by the Department of Health to Primary Care Trusts on fuel poverty issues.
- The Department of Work and Pensions approach is broadly positive but there are a number of ways in which the DWP can help on Fuel Poverty – **e.g. funding of extensions to the very successful schemes of the energy, and energy efficiency, companies to increase benefit take-up;** use of the Social Fund to encourage the purchase of energy efficient, instead of extremely inefficient appliances, by those most in need; and mailings to those on benefits, especially Winter Fuel Payments, to highlight the existence of the energy efficiency programmes.
- We made recommendations last year about cooperation with ODPM, DOH and DWP but progress has been limited. **We think that the Government should address in its next Fuel Poverty report, the roles of all Departments in tackling fuel poverty, the specific measures to be undertaken by each Department, and the means by which more effective coordination will be achieved.**

## CONCLUSION

The 2010 target can be met but it would not, in the Group's view, be achieved by 'business as usual'.

## 1 Introduction

This report covers:

Progress on fuel poverty to date.

Resources required over the coming years.

Hard to Treat Homes.

Recommended changes to the current programmes.

Role of Departments, other than DTI/Defra.

Terms of reference and membership of the Group are in Appendix 1.

## 2 Progress with Fuel Poverty

Considerable progress has been made with fuel poverty in England. The Government's fuel poverty target for 2010 now seems to FPAG to be attainable, but it will be a tough challenge and there is no room for complacency.

The table below sets out the key data on fuel poverty in 2001, most of them taken from the DTI/Defra 1st Annual Progress Report on UK Fuel Poverty Strategy.

**TABLE 1**  
**FUEL POVERTY IN ENGLAND, 2001**

	Number of households (m)
Households in fuel poverty	1.7
Vulnerable households in fuel poverty	1.4
Households in severe fuel poverty	0.2
Vulnerable Households in fuel poverty (broader definition)	2.0

It will be seen that 1.4m – 2m vulnerable households – the key group for the 2010 target – are in fuel poverty (depending on the definition used). This represents a very substantial reduction – nearly halving – compared with 1996.

The reductions are a result of rising incomes and benefit levels, and falling fuel prices, but energy efficiency has also played a role. Table 2 sets out data on energy efficiency.

**TABLE 2**  
**ENERGY EFFICIENCY – ENGLAND**

	SAP Rating	
	1991	2001
Average	41.5	50.5
Households with lowest 30% of income	39.0	49.4

Source: Annex (p30) of DTI/Defra 1st Annual Progress Report.

It can be seen that there has been a significant rise in the energy efficiency of homes and appliances, and that the gap between the efficiency of the homes of those with low incomes on the one hand, and the average on the other hand, has narrowed – although much work remains to be done, as the efficiency of the stock is still low.

There will have been further reductions in the numbers in fuel poverty since 2001 as a result of increases in benefits – but again a great deal still remains to be done, especially as fuel prices have started to rise.

### 3 Public Spending Round, PSA Target and Resources Required

Work is now in hand on the Spending Round for the period April 2005 – March 2008. The background on fuel poverty for the spending review is the unequivocal commitment, in the Government's Energy White Paper of February 2003, to the Fuel Poverty targets (section 8.2 p107).

"We are committed to eradicating fuel poverty. The UK Fuel Poverty Strategy sets out policies for ending fuel poverty in vulnerable households in England by 2010.

**We reaffirm these commitments and policies."**

The Spending Review covers 3 of the remaining 5-6 years before the 2010 target date. The provision of resources in this Spending Round is thus in the view of FPAG absolutely critical for the attainment of the fuel poverty target.

## A) FUEL POVERTY PUBLIC SERVICE AGREEMENT TARGET

It will be important in the spending round to have PSAs explicitly related to the numbers in fuel poverty. **Specifically, it is proposed by FPAG that Defra and DTI should have a joint, simple PSA:**

**“To reduce the number of vulnerable households in fuel poverty in the UK to 400,000 by March 2008.”**

This would put the Government on track to reducing the number of vulnerable households in fuel poverty in the UK from an estimated 2m in 2001 to zero in 2010.

It is appreciated that the definitions and the role of devolved administrations would need to be clarified – but this proposal sets out an initial framework. **For England alone the equivalent target would be 300,000.**

There are important interactions between the targets of other Departments (set out in Appendix 2) and the fuel poverty targets of Defra/DTI. Progress in eradicating fuel poverty will help other Departments, especially Department of Health and ODPM, to achieve their targets. Conversely, work by ODPM and the Department of Work and Pensions in meeting their targets will help to reduce fuel poverty – although clearly their work on its own will not be enough and the core Defra/DTI programmes are vital.

It will therefore be important to seek the support of other Departments for the fuel poverty targets and programmes. Conversely, it will be helpful for DTI and Defra to support other Departments' programmes which will reduce fuel poverty.

## B) RESOURCES REQUIRED

FPAG in its Annual Report of early 2003 estimated, on the basis of broad brush calculations, that resources might need to be increased by about 50%, in order to meet the Government's target of eradicating fuel poverty amongst vulnerable households by 2010 in England.

More detailed work has now been carried out for FPAG by DTI and DEFRA officials. This work has estimated the costs, especially of heating and insulation measures, for households in different circumstances e.g. those with solid and cavity walls, those needing new heating systems, those with and without gas. The 2001 English House Condition Survey was the main source of information. Account was also taken, in the work, of possible future changes in fuel prices and in the incomes of those in fuel poverty, and of the potential for improvements in the targeting of the Fuel Poverty programmes.

The table below sets out a summary of FPAG views on the resources needed, compared with those available under current programmes. The comparison is for the 2005 – 2010 period, as significant changes in resources are unlikely before 2005.

**TABLE 3**  
**FPAG VIEW OF RESOURCES NEEDED**

	Resources 2005-2010 (£bn)
Current level of programme (Warm Front and EEC)	1.4
Current WF; doubling in EEC Priority Group expenditure	2.0
Resources needed from WF,EEC and new schemes (e.g. gas extension)	2.5

Thus it is estimated that £2.5bn is needed for vulnerable households for England. If current programmes continue at their present level, then some £1.4bn will be available. If resources for the EEC Priority Group are doubled, then an extra 0.5bn is needed from other programmes – somewhat more than 50% above current levels. Hence a doubling of EEC priority expenditure and a little more than a 50% increase in other programmes is in our view needed. Clearly if EEC Priority expenditure is not doubled, then the increase needed from other programmes, especially Warm Front, is correspondingly greater.

These estimates are based on the narrower definition of fuel poverty. On the broader definition, the resources required increase to more than £3bn, with sharp increases needed in the Fuel Poverty programmes. In its Fuel Poverty strategy, the Government committed to monitoring progress against the broader definition.

There is a series of uncertainties about these estimates. The Group believes that, if anything, the resources required will be greater than those set out above. There are particular concerns amongst the Group about the increased costs of finding the vulnerable households; the difficulties and costs of better targeting; the low levels used in the analysis for fuel prices, and the lack of contingency allowances; the assumption that EEC will be a more effective anti-fuel poverty tool in the future without any guarantee that this will be the case; and the probable understatement of the cost of removing those in hard to treat homes from fuel poverty. There is concern especially about the impact of fuel prices – a 10% increase in electricity and gas prices increases the numbers in fuel poverty by somewhat under 500,000, and of course pushes those already fuel poor more deeply into fuel poverty. Appendix 3 gives more detail on these uncertainties.

## C) GOVERNMENT AND RESOURCES

As noted, **the necessary resources need to be made available in the Spending Round in order to meet the 2010 Fuel Poverty target.** The White Paper underlined the Government's commitment to the target – in the knowledge that FPAG had already estimated that an increase in resources of around 50% was needed.

**It will now also be important for the Government to set out its own estimates of the resources required** and to explain the differences, if any, between its estimates and those of FPAG.

Finally, we recommended last year that **the Government should on an annual basis review the adequacy of existing policies for meeting the targets.** Ministers' initial response to our recommendations did not address this crucial point. We would repeat this, and we hope that the next DTI/Defra Fuel Poverty Annual Report will include such a review.

## 4 Hard to Treat Homes

A significant part – perhaps 40% – of the resources required will be for homes which are 'hard to treat' – those with solid walls and/or without a gas supply.

A key priority is to secure extensions to the gas supply. Clearly, it does not make economic sense to extend the gas network everywhere e.g. to isolated rural houses. **However, a significant number of homes without gas are within a reasonable distance of a gas supply,** and in these circumstances gas network extension will be the most cost effective way of removing them from fuel poverty.

### A) GAS NETWORK EXTENSIONS

It remains very important from a Fuel Poverty viewpoint to extend the gas network. Further work has confirmed that it is sensible to do so. For example, there are over 4000 communities (in the UK) with a cluster of over 50 households within as little as 2km of a gas main. It is estimated by DTI that 120,000 vulnerable households in these communities need gas to remove them from fuel poverty. The Government has worked out a programme to connect 65,000 of these households and a little under 60,000 other households, often also on low incomes. Very proactive work is underway to develop Pathfinder projects to take gas to those communities where there is a high level of deprivation.

The economics are improved significantly if there is at the outset a large take up of central heating installations – in social housing or through a coordinated Warm Front scheme in private housing. Funding is also in some areas available from a variety of

sources – LAs, EU regional development fund, Community Energy programme, other community funds, Warm Front/EEC, contributions from households not on the lowest incomes, and contributions from independent gas transporters who build the pipes and initially supply the gas.

Overall the programme would cost £350m over 3 years and the Government believes that £300m of this could be secured from outside sources. The Government is to be congratulated on its pioneering role in driving these initiatives forward. Nevertheless, it is in our view essential that some Government funding is found to top up the external support. It is our view that £100m over 3 years is needed. DTI's estimate of £50m does not seem to us to reflect a reasonable assessment of requirements – as there appears to be some over-optimism about external sources and caution about the number of households/communities to be connected. We are very disappointed indeed that no money at all has so far been provided.

## **B) OPTIONS WHERE GAS WILL NOT BE MADE AVAILABLE**

The Group has work in hand, led by National Grid Transco, on the optimum solution for Hard to Treat Homes where gas network extension is not feasible. An assessment is being carried out of a number of measures or combinations of them – ground source heat pumps, wood-chip boilers, oil central heating, combined heat and power, solar thermal, solid wall insulation. This work should be completed shortly, and DTI/Defra will then need to reach a view on the most appropriate solution to fuel poverty in different circumstances.

## **C) FUEL POVERTY PROGRAMMES AND HARD TO TREAT HOMES**

The current Fuel Poverty programmes are not designed for Hard to Treat Homes. Changes to the programmes, or new programmes, will be needed to allow gas network extension programmes, expenditure above current Warm Front maxima on some houses, local community – rather than individual dwelling – solutions, and provision of the necessary incentives in EEC. Pilot schemes of sufficient size should be undertaken soon where appropriate, and a number of these have been identified in work carried out for Defra.

In the light of this, it is the Group's view that:

- **It is essential that funds should be made available for extensions to the gas network, as part of the increased resources provided for meeting the Fuel Poverty target. It is estimated that £100m is required over three years.**
- **Defra/DTI should reach a view on the solution to fuel poverty which is likely to be best for different circumstances.**
- **Warm Front, and especially EEC, need to be adapted so that they are suitable for dealing with hard to treat homes.**

## 5 Current Fuel Poverty Programmes

Both Warm Front and EEC can be, and are likely to be, changed from April 2005. The schemes have been successful in improving the energy efficiency of the homes and appliances of vulnerable households. But the Group does believe that the schemes can make a greater contribution towards the elimination of Fuel Poverty.

### A) BALANCE BETWEEN PRIORITY AND NON-PRIORITY GROUPS IN EEC

Ideally, any additional resources needed to meet the fuel poverty targets should, in the Group's view, be provided through fuel poverty programmes like Warm Front. EEC could then be focused more on carbon savings. However, assuming a limitation on public resources, EEC would need to play a significant role in meeting fuel poverty targets as well as helping low-income customers more broadly on equity grounds.

There could be changes to EEC which would affect the balance between Priority and non-Priority expenditure, as well as the definition of the priority group. **However, if the EEC scheme were to remain broadly similar to the current one, then 50% of benefits should continue to go to the priority group – in order to make adequate progress towards the fuel poverty targets.**

### B) PRIORITY EEC

**The objectives of the Priority part of EEC should, in the Group's view, be focussed on fuel poverty abatement rather than energy efficiency alone. In this context, there should be incentives (up to a limit) to install central heating** – as the lack of central heating is a key cause of fuel poverty. The work carried out for the Group on resource requirements showed that over half of the expenditure needed to eradicate fuel poverty is on heating. By contrast, there was hardly any expenditure on heating for the Priority group in the first 18 months of EEC.

### C) EEC AND WARM FRONT

There is scope for the increasing cost effectiveness and improving the customer experience by securing better integration of Warm Front and Priority EEC. This should be a key objective of the current reviews of these schemes.

## D) MAXIMUM WORK IN ONE VISIT/ SET OF VISITS

There are high up-front costs in finding, making contact with and surveying the homes of those who need energy efficiency measures. **Once contact is made it is therefore sensible in most circumstances to carry out a full set of insulation measures, whether on their own, or with central heating where the household qualifies for central heating.**

Against this, it is sometimes argued that under such a policy more may be done than is necessary to remove the household from fuel poverty. But:

- The additional costs are relatively low – even cavity wall insulation costs on average about £300.
- These measures reduce the risk of fuel poverty in future – as a result of fuel price rises or changes in family circumstances i.e. they help to make houses “fuel poverty proof”.
- This would be in line with the NAO recommendation of maximising the increase in energy efficiency as a result of Warm Front measures.

## E) TARGETING

The current Fuel Poverty programmes have been criticised for poor targeting. About 40% of those helped by the schemes are in fuel poverty, although for pensioners it is over 60%. It is not surprising that many of those helped are not in fuel poverty, as there are far more households (c8m) in receipt of the benefit and tax credits, which are ‘gateways’ to the schemes, than there are in Fuel Poverty (3-4m, UK figures).

We believe that the focus of the schemes can and should be improved, but that the criticisms of targeting have been seriously overdone and that there are limits to the extent to which the fuel poor can or should be ‘pinpointed’ by the schemes.

Specifically it is recommended that:

- **Houses built under 1992 and later building regulations should be excluded from the Warm Front scheme.**
- **Houses which are already energy efficient (i.e. with a SAP rating above a certain level) should be excluded** (except for jobs which can be carried out during a visit to establish the SAP rating).

We have asked officials for estimates of the impact of these changes, but the data have not yet been produced. It is our judgement that it would be possible to secure that 60% of those helped by the fuel poverty programmes are in fuel poverty, compared with the historical 40%. Other small measures may be feasible, but beyond this the following should be borne in mind:

- Those helped by the schemes are all on low incomes or disabled. To an extent, if we improve targeting, we risk robbing Peter to pay Paul.
- Households who are on low incomes, but not in fuel poverty now, may be in fuel poverty in a few years time – because of ‘churn’ factors such as home moving, changes in the family situation (e.g. death of one partner in a pensioner couple), reductions in income, or increases in fuel prices. It will therefore help the fight against fuel poverty, if we improve the homes and appliances of those on low incomes.
- More precise targeting will increase complexity – hence the schemes will be more difficult for customers to understand, and there will be more risks that households, who need help under the schemes, will not request it.

Finally, more targeting will increase administration costs – and hence divert resources from the measures needed.

It will be better to secure most of the improved targeting through Warm Front Scheme Managers’ contracts rather than scheme rules.

The other targeting issue is that some of those in fuel poverty are not eligible for the schemes. This may be in part because they are not claiming the benefits to which they are entitled; the recent introduction of benefits health checks as part of Warm Front and our proposals for extending this (in 5(f) below) will help here. This problem will also be alleviated by the introduction of Pension Credit. However, we are doubtful about further significant measures to extend the schemes at this stage, as we need to know in what circumstances households, which are not amongst the 8m with the lowest incomes, are in fuel poverty. If without this analysis we extend eligibility to the schemes, we will exacerbate the problem, (set out earlier in this section) of including households not in fuel poverty.

It is recommended that:

- **Work should be carried out to understand the circumstances of those not in receipt of a ‘gateway’ benefit but in fuel poverty.**
- **The Warm Front Scheme Managers should have a small discretionary ‘pot’ of funds for those in urgent need of help, but not for a variety of reasons eligible for the schemes.**

## F) BENEFIT HEALTH CHECKS

Warm Front Scheme Managers and energy companies have found that significant increases in income can be secured for customers – as a result of assessing their eligibility for benefits. Their work here has been very successful. A benefits health check is now offered as a matter of course in appropriate cases, as part of Warm Front. **It is recommended that mechanisms for doing this for the EEC Priority Group should also be found.**

## 6 Energy Efficiency Advice

Advice on energy efficiency, and especially on the use of central heating systems, is very important. The Ofgem work with energy suppliers on energy efficiency advice and the use of the Energy Efficiency Advice Code of Practice are both helpful. More does ideally need to be done in promoting advice. At this stage however, credits should not, in the Group's view be included in EEC for advice – but this would be reconsidered if practical schemes with tight monitoring of the outcomes were put forward.

## 7 ODPM

Energy-inefficient housing is a major cause of fuel poverty. The Office of the Deputy Prime Minister is responsible for housing and ODPM's role in helping to eliminate fuel poverty is critical.

- The most urgent priority is the private rented sector. 13% of those in private rented accommodation were in fuel poverty in 2001, compared with 8% across all tenures. The Government will not meet its fuel poverty targets unless effective action is taken in the private rented sector. LAs will have new powers, under the Housing Health and Safety Rating System (HHSRS) and the licensing of Houses in Multiple Occupation (HMO), to deal with the worst problems of energy inefficiency in private rented housing.
- A great deal of work is being done by ODPM and LAs in the renewal of private sector housing especially in parts of cities and towns, mainly in the North, where the housing market is depressed.
- The Government has a commitment, for all social housing, to reach a Decent Standard (including an energy efficiency component) by 2010 and the responsibility for this is with ODPM.

ODPM officials have been helpful and supportive, and we recognise that ODPM has a range of objectives. Nevertheless, it does not seem to FPAG that ODPM are as engaged on the fuel poverty targets as they should be – given their crucial role and the contribution of the elimination of fuel poverty to ODPM PSA targets. One of the key recommendations in this report is therefore that:

- **Defra, DTI and ODPM Ministers should meet in the near future to review progress in all 3 sectors (private rented, owner occupied, social), to assess the policy options for making further progress especially in the private rented sector, to decide on the way forward, and to put in place monitoring arrangements.**

On specifics it is recommended that

- **ODPM should provide an action plan for ending fuel poverty amongst vulnerable households in the private rented sector.**
- **ODPM should give very positive guidance to encourage LAs proactively to use their HHSRS and HMO powers to increase energy efficiency in the worst private rented homes, and should provide the necessary resources to LAs.**
- **A refusal by a private landlord to have Warm Front or EEC work carried out and an energy efficiency rating below a certain level on a change of tenancy, should be triggers for an LA to assess the house under its HHSRS powers.**
- **In LA private sector renewal programmes, energy efficiency standards are likely to be reasonable (because of statutory provisions) where there is extensive refurbishment. In other cases, ODPM should ensure that there is adequate focus on energy efficiency.**
- **Progress in implementing the energy efficiency component of the Decent Homes Standard on fuel poverty should be monitored and the effect of the Standard on fuel poverty should be assessed.**
- **The energy companies and LAs should be encouraged to build on their EEC social housing partnerships and work together on LA private sector work – both private rented and owner occupied.**

## 8 Department of Health

Our requests to the Department of Health are extremely modest! We are keen to encourage referrals by Health Service staff to the fuel poverty schemes, i.e. we want assistance in getting the help available to those most in need. One might have expected the Health Service to be eager to bring in resources which will help with their own targets. We appreciate that there are issues related to the decentralisation of health service decision making, but nevertheless we are surprised that the Health Service has generally been unresponsive here.

It is recommended that:

- **The Department of Health should encourage Primary Care Trusts to accept fuel poverty as an important issue; to have at least one staff member whose job responsibility includes fuel poverty; to refer customers to the energy efficiency schemes; and in particular to respond with enthusiasm if they are approached by an organisation offering energy efficiency measures.**

- **The Department of Health should help with funding towards an initiative to roll out to all PCTs the energy champion scheme, successfully piloted in Portsmouth and currently operational in five PCTs.**

## 9 Department of Work and Pensions

There are number of important ways in which the Department of Work and Pensions (DWP) can help on fuel poverty. Their own work in improving benefit take-up is very important. There may be scope for some integration of the benefit take-up work of DWP and of that carried out (on a much smaller scale) by those managing fuel poverty schemes.

Other important possible initiatives are – use of the Social Fund to encourage the purchase of energy efficient, instead of extremely energy inefficient appliances, by those in most need; provision of information about energy efficiency schemes to all pensioners when they receive their Winter Fuel payments; and discussion about energy efficiency schemes with the large number of pensioners who are in contact, usually on the phone, with DWP about their entitlement to Pension Credit.

Our contacts with DWP on these issues are at an early stage. We are encouraged by the high awareness of fuel poverty issues by some senior DWP staff e.g. Alexis Cleveland, Chief Executive of the Pensions Service spoke at a DWP stakeholder meeting about referrals by Pension Service staff to Warm Front. We are keen now to build on this.

It is recommended that:

- **DWP should fund an extension of the exceptionally successful schemes to increase benefit take up being run by Warm Front Scheme Managers and energy companies.**
- **DWP should respond positively to the specific proposals being developed for them to help on fuel poverty issues.**
- **There should be more integration between DTI's role in fuel poverty and its role as a major funder of Citizens Advice (the CAB Central Office) – a recommendation made last year, but on which no action has been taken.**

## 10 Treasury

Last but by no means least – the Treasury. The key issue for the Treasury is the provision of the necessary resources set out in section 3, including (but by no means only) funds for gas network extensions, requests for which have been turned down by the Treasury on a number of occasions. We look forward to a much more positive response in 2004.

On a specific point, we were asked to comment on the Government consultation paper on Economic Instruments for Household Energy Efficiency. In response, our view – set out in a paper to the Treasury – is that **the case for charges on inefficient appliances/equipment and reductions in VAT on efficient equipment is strong from a fuel poverty viewpoint**. Use of the proceeds of any charges, for fuel poverty schemes, would have a further beneficial impact on fuel poverty.

## 11 Conclusions

Our 3 main concerns this year are:

- The Government should in its Spending Round have measurable fuel poverty targets and should provide the necessary increase in resources to meet the targets.
- Other Government Departments (as well as Defra and DTI) should engage more effectively on these fuel poverty targets.
- The Government should quickly develop policies for hard to treat homes.

February 2004

# Appendix 1

## Membership of the Fuel Poverty Advisory Group

### CHAIR

Peter Lehmann  
Chair, Energy Saving Trust

### MEMBER ORGANISATIONS:

	Nominated Representative	Position in organisation
Association for the Conservation of Energy	Jerry Robson	Member of ACE Governing Council
Centrica	Mark Clare	Managing Director, British Gas
EAGA	John Clough	Chief Executive
Energy Efficiency Partnership for Homes	John Chesshire	Chair
energywatch	Ann Robinson	Chair
Help the Aged	Mervyn Kohler	Head of Public Affairs
Innogy	Andy Duff	Chief Executive Officer
Local Government Association	John Hannam	Income Maintenance Advisor
National Energy Action	William Gillis	Chief Executive
National Heart Forum	Noel Olsen	Trustee
Powergen	Nick Horler	Managing Director – Retail Division
Presentation Housing Association	Mohni Gujral	Chief Executive
Public Utilities Access Forum	Gill Owen	Chair
Transco	Bill Russell	Director, Safety, Health and Environment

## Terms of Reference

The Fuel Poverty Advisory Group is an Advisory Non-Departmental Public Body sponsored by DEFRA/DTI. Its primary task is to report on the progress of delivery of the Government's Fuel Poverty Strategy and to propose and implement improvements to regional or local mechanisms for its delivery.

The Group is to consist of a chairman and senior representatives from organisations such as the energy industry, charities and consumer bodies. These members would be representative ex officio members rather than individuals, who should be able to take a broad and impartial view.

The role of the Group is:

- To consider and report on the effectiveness of current policies in delivering reductions in fuel poverty and the case for greater co-ordination;
- To identify barriers to the delivery of reductions in fuel poverty and to the development of effective partnerships, and propose solutions;
- To consider and report on any additional policies needed to deliver the Government's targets;
- To enthuse, and encourage, key players to tackle fuel poverty;
- To consider and report on the results of the work to monitor fuel poverty.

## Appendix 2

### Current Relevant PSA targets for other Departments

There are important interactions between the targets of other Departments and the fuel poverty targets of Defra/DTI. Progress in eradicating fuel poverty will help other Departments, especially Department of Health and ODPM, to achieve their targets. Conversely, work by ODPM and the Department of Work and Pensions in meeting their targets will help to reduce fuel poverty – although clearly their work on its own will not be enough and the Defra/DTI programmes are vital.

The targets for the other Departments may change in the next round, but the current relevant targets are:

#### DEPARTMENT OF HEALTH

- By 2010 reduce inequalities in health outcomes by 10% as measured by infant mortality and life expectancy at birth.
- Improve the quality of life and independence of older people so they can live at home wherever possible, by increasing by March 2006 the number of those supported intensively to live at home to 30% of the total being supported by social service at home or in residential care.
- Reduce substantially the mortality rates from the major killer diseases by 2010: from heart disease by at least 40% in people under 75; from cancer by at least 20% in people under 75.

#### OFFICE OF THE DEPUTY PRIME MINISTER

- By 2010, bring all social housing into decent condition with most of this improvement taking place in deprived areas, and increase the proportion of private housing in decent condition occupied by vulnerable groups.

This is clearly a very important objective from a fuel poverty viewpoint – with a two-way interaction. Fuel poverty work will help in the achievement of the ODPM target and ODPM housing work will reduce fuel poverty.

## DEPARTMENT OF WORK AND PENSIONS

- By 2006, be paying Pension Credit to at least 3 million pensioner households.
- Reduce the number of children in low-income households by at least a quarter by 2004, as a contribution towards the broader target of having child poverty by 2010 and eradicating it by 2020. (Joint target with HM Treasury)
- Over the three years to Spring 2006, increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle – lone parents, ethnic minorities, people aged 50 and over, those with the lowest qualifications, and the 30 local authority districts with the poorest initial labour market position, and significantly reduce the difference between their employment rates and the overall rate.

The achievement of these targets will help to raise the incomes of some of those in fuel poverty. Fuel poverty work via benefit health checks, will contribute towards benefit take up and hence the Pension Credit objective.

## LOCAL GOVERNMENT

There is a separate PSA for Local Government which sets out those Departmental targets where Local Government can contribute. A number of the key targets set out in this note are in the Local Government PSA.

## Appendix 3

### Uncertainties in estimates of resources required

Resources required may be higher than estimated because:

- No allowance has been made for the very high costs of eradicating fuel poverty in houses which are very hard to treat.
- It has been assumed that sufficient resources will be available to eradicate fuel poverty amongst vulnerable households in social housing – which may be optimistic both for LA housing and for Housing Associations where grants and rents are often being reduced as a result of current changes.
- No allowance has been made for ‘churn’ – the changes over time in the specific households that are in fuel poverty – as a result of changes in family or economic circumstances, or of moving house. This is very important.
- The increase in the number of pensioner households would increase the number in fuel poverty.
- There is only a tiny contingency allowance for the possibility that fuel price increases will be greater than anticipated. No allowance has been made for the likelihood that off peak electricity prices are likely to rise relatively, as nuclear power stations with their low cost off peak output are closed – and this will impact a material number of the fuel poor.
- Overhead and related costs are likely to increase especially because of the need for more outreach, – to find the vulnerable households – and of the inclusion of benefits health checks, important for the eradication of fuel poverty.
- The costs of work required could also rise – e.g. because of skills shortage and ventilation requirements.
- No allowance has been made for the costs of replacing boilers as they age and break down.
- Significant additional resources are assumed to come from the doubling of EEC. However a proportion perhaps one-third EEC priority group expenditure is used for appliances and light bulbs and will not therefore contribute towards the requirements, as set out, for improving the fabric of the house and heating. No allowance has been made for this.
- As noted resources have been calculated on the narrower definition of Fuel Poverty, including housing income. If the broader definition is used, the resources required increase to more than £3bn and the other Fuel Poverty programmes, apart from EEC, have to double.

Against this, the estimates of resources needed may be too high because:

- No account is taken of private sector housing renewals programmes e.g. by Local Authorities.
- There is no allowance for the impact of other energy efficiency programmes in improving houses and heating, and hence preventing fuel poverty which might otherwise have occurred (this partly, but by no means wholly, offsets the point about “churn” above).
- Numbers in fuel poverty may have fallen more than anticipated because of benefit changes and some estimation issues.
- Some households will refuse to accept measures under the fuel poverty programmes.

# Annex

- 1 The 1996 English Housing Condition Survey was used to assess the cost of measures needed to secure given reductions in fuel expenditure required to meet the specified heating standards.
- 2 Data from 1 ward in Stockton and from some work in Camden were used to get information on current required fuel bills (i.e. fuel expenditure required to meet the heating standards) and on income levels.
- 3 The necessary reduction in fuel bills, to eradicate fuel poverty, was estimated.
- 4 The cost of securing these reductions was estimated from 1.

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[www.dti.gov.uk/energy/consumers/  
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