

The UK Fuel Poverty Strategy

2nd Annual Progress Report: 2004

April 2004

Department for Environment, Food and Rural Affairs
Nobel House
17 Smith Square
London SW1P 3JR
Telephone: 020 7238 6000
Website: www.defra.gov.uk

© Crown copyright 2004

Copyright in the typographical arrangement and design rests with the Crown
This publication (excluding the logo) may be reproduced free of charge in any
format or medium provided that it is reproduced accurately and not used in a
misleading context.

The material must be acknowledged as Crown copyright with the title and
source of the publication specified.

Further copies of this publication are available from:









Defra publications
Admail 6000
London
SW1A 2XX
Tel: 08459 556000

This document is also available on the Defra website.

Published by the Department for Environment, Food and Rural Affairs. Printed
in the UK, April 2004, on material containing 80% post-consumer waste and
20% Elemental Chlorine Free pulp.

Product code PB9554

Contents

	Ministerial Foreword.....	2
	By Lord Whitty of Camberwell, Parliamentary Under Secretary (Lords) and Nigel Griffiths MP, Parliamentary Under Secretary	
	Executive Summary.....	4
	Chapter 1 Targets	6
	Chapter 2 Measures for tackling fuel poverty	8
	ENERGY EFFICIENCY AND HOUSING ENERGY MARKETS SOCIAL INCLUSION THE ROLE OF THE HEALTH SECTOR GAS INDUSTRY	
	Chapter 3 Progress on tackling Fuel Poverty in the UK	20
	Chapter 4 Progress towards meeting the target for England	22
	Chapter 5 Progress in the Devolved Administrations	29
	SCOTLAND WALES NORTHERN IRELAND	
	Chapter 6 The way forward	33

Available on the Internet

www.dti.gov.uk/energy/consumers/fuel_poverty/index.shtml

Consultation on the methodology used for fuel poverty figures for England

Fuel Poverty Monitoring – headline income, fuel prices and housing indicators

Fuel Poverty Monitoring – Energy Company Schemes (2002)

Case studies

Ministerial Foreword

Following the publication of the first progress report last year we are pleased to present this, the second annual report on the progress of the Government's Fuel Poverty Strategy. Fuel poverty remains one of our core objectives within our wider policies on energy and social inclusion.

We are committed to the fuel poverty targets set out in our UK Fuel Poverty Strategy, and reaffirmed in last year's Energy White Paper. Working with a number of other Government Departments, energy suppliers and other organisations we continue to focus on helping those households most in need.

This report gives an update of progress during the last year. We are happy to confirm that the outlook continues to look encouraging. The most recent estimated figures of those households in fuel poverty indicate a further fall in the number of households living in fuel poverty in 2002.

However, we cannot be complacent as much remains to be done. We are continuing to gain a better understanding of the issues involved, and are looking critically at how we can improve targeting of our programmes so as to reach the fuel poor, and to ensure that we offer the best possible mix of measures.

Working in partnership with other Government Departments is vital. Many have an important role to play in achieving our targets. Ensuring effective co-ordination and delivery is a critical part of the strategy. This is something we have striven to develop over the past year and remains a central focus of our planning as we move forward.

We are currently developing a detailed Fuel Poverty Implementation Plan, which we plan to publish in the Summer. This will set out our proposals for reaching the fuel poverty targets and for the range of measures that will be required to take householders out of fuel poverty.

As we continue to refine our proposals and policies, we hope that those in the energy industry, local government and beyond will continue to work with us to help us achieve our goals and targets. Progress has been made, but there is still much more that we can achieve.



A handwritten signature in black ink that reads "Nigel Griffiths". The signature is written in a cursive style.

PARLIAMENTARY UNDER SECRETARY



A handwritten signature in black ink that reads "James Galloway". The signature is written in a cursive style.

PARLIAMENTARY UNDER SECRETARY (LORDS)

This is the Government's second report on progress towards the targets set out in the UK Fuel Poverty Strategy. It provides an update on actions since the first progress report was published in 2003, and highlights some of the key areas for action during the coming year. Accompanying the report are a number of supporting detailed annexes which are published on the internet.

There has been a lot of progress made over the past year in a number of areas. Each of the four countries of the United Kingdom have been working to implement policies to meet the targets for eradicating fuel poverty, developing policies and programmes which reflect the particular needs and circumstances within their locality.

Progress has been encouraging and the estimated figures for 2002 show a further drop in the numbers of households in fuel

poverty. The number of households in the UK estimated to be in fuel poverty in 2002 has fallen to around two and a quarter million, from around three million in 2001.

It is recognised that much of the fall in the number of households in fuel poverty over recent years can be attributed to energy price reductions and changes in income levels. The fall in prices is not expected to continue. Changes to the benefit system will continue to improve the incomes of vulnerable groups, in particular helping the elderly and those with young children. These changes are detailed further within the report and the accompanying annexes. The effect of energy efficiency and heating schemes in tackling fuel poverty are expected to have a growing influence. Focused on those with lower incomes, measures are aimed at removing from fuel poverty those at greatest risk.

During the past year the National Audit Office and Public Accounts Committee have published reports on Warm Front, the main Government scheme to tackle fuel poverty in the private sector in England. Coupled with Defra's own internal review these will provide valuable analyses to feed into the continuing development of the Scheme and wider fuel poverty policy areas. We are developing a Fuel Poverty Implementation Plan which will explore in detail progress to date towards the fuel poverty targets and will set out plans for the future of the Scheme in light of the recommendations made.

The Fuel Poverty Advisory Group for England published its second annual report in February this year. We welcome the input that they have provided over the past year and we have commented on their recommendations in this report. Similar groups have now been set up in Wales and Scotland, with Northern Ireland having separate arrangements. We will continue to keep in contact with these groups.

The work done by a number of Government Departments over the past twelve months is also outlined in this report. Further information and analysis on the effect of these programmes will be provided in the Fuel Poverty Implementation Plan.

Chapter 1

Targets

UK

- 1.1 The goal of the Government and the Devolved Administrations, set out in the UK Fuel Poverty Strategy of November 2001, is to seek an end to the problem of fuel poverty. In particular, England, Wales and Northern Ireland will seek an end to the blight of fuel poverty for vulnerable households by 2010 (a vulnerable household is one containing children or those who are elderly, sick or disabled).
- 1.2 This commitment was reaffirmed in the Government's 2003 Energy White Paper 'Our energy future – creating a low carbon economy'. This has four main energy policy goals, one of which is 'to ensure that every home is adequately and affordably heated'.

England

- 1.3 Following the publication of the UK Fuel Poverty Strategy, the target for England was that the Government would seek an end to fuel poverty for vulnerable households as far as reasonably practicable by 2010. Fuel poverty in non-vulnerable households in England will also be tackled once progress has been made on these groups, with a target that as far as reasonably practicable by 22 November 2016 persons in England should not

live in fuel poverty. This mirrored the wording of the Warm Homes and Energy Conservation Act 2000, which places an obligation on Government to tackle fuel poverty.

- 1.4 Two definitions of fuel poverty figures are used in England – the first (which was used for calculating the Strategy's targets), includes all benefits received, whilst the second (included to enable historical comparison) excludes Housing Benefit and Income Support for Mortgage Interest. Figures on the number of households in fuel poverty for England are provided on both definitions.

Scotland

- 1.5 The Scottish Executive has stated, in 'The Scottish Fuel Poverty Statement August 2002' <http://www.scotland.gov.uk/library5/environment/sfps-00.asp> that its overall objective is:

'To ensure, so far as reasonably practicable, that people are not living in fuel poverty in Scotland by November 2016.'

Further, the Scottish Executive has committed to a 30 per cent reduction in fuel poverty by 2006, based on the 2002 Scottish House Condition Survey.

Wales

- 1.6 The Welsh Assembly Government's Fuel Poverty Commitment sets a range of interim objectives and targets and a specific target date for achieving the objective that '*... as far as reasonably practicable persons in Wales do not live in fuel poverty*'. In Wales the Act's overall target date is 2018.
- 1.7 The Assembly Government is currently considering proposals and timing for reporting progress to date against the Commitment, with the first progress report to be published during 2004.
- 1.8 Whilst the first priority is to end fuel poverty in vulnerable households, the Assembly Government recognises that other less vulnerable groups may also suffer from fuel poverty. Accordingly, they will seek an end to fuel poverty amongst non-vulnerable households in social housing by 2012.

Northern Ireland

- 1.9 The Department for Social Development (DSD) published its consultation document '*Towards a Fuel Poverty Strategy for Northern Ireland*' in October 2003. Consultation responses welcomed the proposed target to eradicate fuel poverty in vulnerable households and social housing by 2010, and in non-vulnerable households by 2016.

- 1.10 DSD's forthcoming Fuel Poverty Strategy will recommend a partnership approach to the problem that combines the efforts of the statutory, private and voluntary and community sectors.

UK definition of fuel poverty

- 1.11 As outlined in last year's Report, some progress has been made in terms of standardising the definitions used when calculating fuel poverty figures, although differences do, and will continue to, exist.

Chapter 2

Measures for tackling fuel poverty – actions over the past year

ENERGY EFFICIENCY AND HOUSING

Warm Front

- 2.1 From June 2000 to February 2004 approximately 770,000 households received assistance under the scheme. Between April 2001 and February 2004, approximately 670,000 households received assistance, with over 165,000 between April 2003 and February 2004.
- 2.2 Benefits health checks were introduced by both scheme managers in late 2003 and have been offered to applicants not in receipt of a Warm Front qualifying benefit at the time of application.
- 2.3 By the end of February 2004 around 2,150 benefit health checks had been carried out by the scheme managers. From these around 800 applicants were found to be eligible for benefits and a Warm Front grant.
- 2.4 During 2003-4 a number of changes were made to the eligibility criteria for Warm Front. Working Tax Credit and Child Tax Credit were included (with an income cut off of less than £14,200) and a disability element was added for Working Tax Credit in October 2003. In addition Pension Credit was also added at that time.
- 2.5 In the last year the National Audit Office and Department for Environment, Food and Rural Affairs completed reviews of Warm Front, reports on Warm Front were

published by the National Audit Office and the Public Accounts Committee. Although it was acknowledged that Warm Front has made a difference to a large number of households in England, areas for improvement were identified with respect to targeting, eligibility and the measures offered under the scheme.

- 2.6 Defra is considering these findings and is developing a Fuel Poverty Implementation Plan for England.

Energy Efficiency Commitment (EEC)

- 2.7 The Energy Efficiency Commitment for 2002-5 requires electricity and gas suppliers to meet targets for the promotion of improvements in domestic energy efficiency. Suppliers are required to focus 50 per cent of the energy saving activity on a priority group of low-income consumers. In doing so EEC makes a contribution to the alleviation of fuel poverty. It is difficult to quantify accurately the effect of EEC in removing households from fuel poverty because the low-income group is not an accurate proxy for the fuel poor, and EEC is monitored on the basis of energy savings associated with measures installed.
- 2.8 However, suppliers are making progress towards meeting their EEC targets. By the end of December 2003, they had achieved just over half of their overall energy

saving target of 62 fuel-standardised terawatt hours. Of these energy savings, around 45 per cent had so far been achieved within the priority group, predominantly through the installation of insulation and provision of low energy lighting measures. The overall EEC target must be met by 31 March 2005.

Company schemes

- 2.9 Energy companies have a positive role to play in tackling fuel poverty – they are in direct contact with customers and can help those customers avoid debt as well as provide direct help with energy efficiency or services, often through their statutory Energy Efficiency Commitment obligation.
- 2.10 During 2003 the Department of Trade and Industry (DTI) carried out their second survey to obtain information on such schemes, enabling comparison with previous data. Results for 2002 will be published later in the year. While much work was subsidised by EEC funding, additional funding was added from external sources.
- 2.11 Initial findings suggest a wide variation in terms of incentives offered, arrangements, geographical coverage, and financial and energy efficiency savings for customers.

Warm Zones

- 2.12 In 2000 the Government provided funding for a three year pilot programme from 2001-4, to establish five Warm Zones. The purpose of the pilot was to assess the benefits of a systematic local approach to identifying and helping fuel poor households by integrating funding from mainstream fuel poverty programmes such as Warm Front and EEC together with other local support. Five Zones were established in Stockton on Tees, Newham, Sandwell, Northumberland and Kingston upon Hull with different management structures and frameworks for delivery.
- 2.13 The Energy Saving Trust (EST) is managing an independent evaluation of the Warm Zones on behalf of Defra. Final results are expected at the end of 2004 with an interim report in Spring 2004. Interim results to date vary in the different Zones with an estimated 5 per cent of households in the Zones removed from fuel poverty.
- 2.14 The Warm Zones are therefore very unlikely to meet their overall target to remove 50 per cent of households from fuel poverty in three years.
- 2.15 Performance between the individual Zones has varied widely. Stockton has been successful enough to encourage other local authorities to consider joining

in partnership with suppliers to invest in similar schemes. New independent Zones have been developed in Newcastle and Redcar and Cleveland with others being developed in Scotland and Wales. Current results indicate that fuel poverty reduction through energy efficiency measures has been achieved at a rate three to four times faster than would have occurred in these areas without the pilot Zones.

- 2.16 Progress against the 50 per cent target has been limited for several reasons, including available energy efficiency improvements not being adequate to take households out of fuel poverty. However, it should be recognised that activity initiated by the Warm Zones will have reduced the severity of fuel poverty suffered by those households.
- 2.17 It is reported that there may be some fuel poor households identified through the Warm Zone assessment process who are ineligible for assistance through current fuel poverty schemes. These findings will be evaluated as part of the development of future schemes.

Decent Homes

- 2.18 The Government has a target to ensure all social housing meets set standards of decency by 2010. The decent homes target is one of the primary vehicles for delivering energy efficiency improvements in the social sector, and

includes a requirement for a reasonable degree of thermal comfort.

- 2.19 In 2001 around 80 per cent of the 1.6 million social homes classified as non-decent failed on grounds which included inadequate thermal comfort, with 65 per cent of them on this factor alone. According to local authority estimates, since April 2001 at least a quarter of a million local authority dwellings have received energy efficiency works either as part of work on non-decent homes or through local authorities wider repairs work.
- 2.20 Revised guidance on the Decent Home Standard and its implementation was issued by the Office of the Deputy Prime Minister (ODPM) in February 2004. This emphasised that the standard acts as a trigger for action to improve homes, rather than a standard to which work should be carried out. This is intended to ensure resources are targeted at the worst properties, which are more likely to benefit from improvement works.
- 2.21 Homes which have been improved as part of the decent homes programme should be in a significantly better condition than those in a condition which places them just above the threshold set by the Decent Homes Standard. For instance the decent homes guidance states that 'a dwelling is non-decent if it has less than 50mm of loft insulation ... but when insulating a dwelling, a greater depth of

insulation should be installed. When considering refurbishment packages, landlords should consult with current Building Regulations’.

- 2.22 In addition, the guidance encourages landlords to carry out an appropriate package of works (such as installing additional loft insulation when carrying out re-roofing work even where existing insulation meets the Decent Homes Standard). As a result many more social homes will benefit from energy efficiency improvements than the 1.3 million which fail the standard on thermal comfort.

Community Energy

- 2.23 The Government’s Community Energy Programme provides grants to support the installation and refurbishment of community energy systems across the UK. One of its key aims is to help 100,000 people on low incomes heat their homes and to provide cost savings for households over the life of the schemes. Since 2002 the scheme estimates that over 16,000¹ fuel poor individuals (over 7,000 fuel poor households) have been connected to community heating projects under the Community Energy Programme.

1 Please note: All figures quoted represent schemes allocated funding by the programme. These schemes are still subject to alteration and in some cases cancellation. These figures are therefore subject to change. The actual number of households assisted will only be available once all projects have been completed.

Energy Efficiency Partnership for Homes

- 2.24 The Energy Efficiency Partnership for Homes has a dual mission of addressing both climate change and fuel poverty. The Partnership’s Fuel Poverty Strategy Group has undertaken a number of key projects this year, including the launch of a new website to provide information on possible heating, insulation and ventilation strategies for hard to treat dwellings (www.est.org.uk/bestpractice/hardtoreat). The group has also undertaken a strategic review of the health sector to identify opportunities for raising awareness of fuel poverty across the health sector. A review of initiatives involving interaction between the fuel poverty sector and the health sector has also been carried out. As a result of this work the group will be publishing good practice guidance on energy efficiency and health partnership projects, which will be made available on the Partnerships website (www.eeph.org.uk).

ENERGY MARKETS

Energy prices

- 2.25 Between 2002 and 2003, the prices paid by households for electricity and gas fell in real terms by 1.9 per cent and 1.2 per cent respectively. This fall will have had a beneficial impact in terms of reducing the number of households in fuel poverty.

2.26 Energy consumers can still make significant savings on their bills by switching supplier. Between 1999 and the end of 2003 over 10 million (41 per cent) of domestic electricity consumers had transferred away from their home supplier. Between 1997 and the end of 2003, 8 million (39 per cent) of gas consumers made a similar switch. Figures for 2003 indicate that the average saving for an electricity customer switching from their traditional home supplier and paying their bill by direct debit was £22; for gas, the average annual saving on a direct debit arrangement was £27. In 2003, the highest available level of saving was witnessed by gas customers on standard credit arrangements – on average, those who had switched supplier paid £46 less than their counterparts who remained with their original supplier. Further savings are possible when consumers switch to the cheapest payment method, which is direct debit.

The Regulator's Social Action Plan

2.27 Under the Utilities Act 2000, the Regulator, Ofgem, is required to protect the interests of consumers, with special regard to the interests of vulnerable individuals. The Government asked the Regulator to develop a Social Action Plan which was published in March 2000.

Projects undertaken by Ofgem under the Social Action Plan during 2003 included:

1. Researching companies' service to Priority Service Register customers. This led to the publication of a report which found that awareness of the register and its associated services was very low amongst eligible customers.
2. Promoting awareness about competition and energy efficiency amongst ethnic minority groups. In conjunction with the London Borough of Camden, a pilot was launched to provide information and training to volunteers from local black and ethnic minority community groups on how to save energy and switch supplier. The volunteers will then use this to assist in providing advice and information to members of their communities.
3. Follow-up mystery shopper research into suppliers' energy efficiency advice services. A second report was published in December 2003 which showed an improvement in the level of service provided by dedicated energy efficiency help lines, although there appears little improvement in the performances of suppliers' general call centres.
4. Monitoring implementation of debt prevention strategies. With energywatch Ofgem made visits to the seven largest suppliers (representing over 99 per cent of the domestic market) to discuss implementation of their debt prevention strategies. Ofgem also commenced work with energy suppliers on the prevention from disconnection of vulnerable customers.

5. Implementing a new debt assignment protocol, developed by suppliers, for prepayment meter customers from 2 February 2004.
6. Integration of payment and energy advice for low-income families through involvement with the Factor Four project. A full-scale three-year pilot has been launched in Birmingham which Ofgem will evaluate with National Energy Action (NEA).

energywatch

2.28 The statutory consumer watchdog for gas and electricity consumers, remains concerned regarding households in fuel poverty, despite the falling numbers. Work for 2004-2005 continues to focus on ensuring that companies have effective debt management policies and processes for dealing with the consequence of debt. This work is likely to become even more important as prices rise. energywatch will also be working with Ofgem and DTI to raise the profile of switching with vulnerable consumers so that those who could benefit the most from the competitive energy market are able to do so. They also plan to revisit the work undertaken in 2001 to raise the profile of the Priority Service Register and work with suppliers to create a brand that is attractive to eligible consumers.

SOCIAL INCLUSION

2.29 Poverty and social exclusion are complex multi-dimensional problems that have built up over many years. Government is determined to tackle poverty, addressing the underlying causes of poverty and social exclusion not just the symptoms.

Pensioners

2.30 The Government wants all pensioners to have a decent and secure income in retirement and to share in the rising prosperity of the country. The Government's first priority has been to help the poorest pensioners.

2.31 As a result of measures the Government has introduced since 1997, it will be spending an extra £10 billion on pensioners in 2004/5. This is £6 billion more than an earnings link would have given them.

2.32 The Government has continued Winter Fuel Payments (WFP) for older people. The WFP is now £200 a year for qualifying households. In April 2003 Government announced an extra payment known as the 80+ Annual Payment. This additional payment of up to £100 is made to eligible people aged 80 or over who are entitled to a WFP.

2.33 The Basic State Pension will remain the foundation of income in retirement. The Government has increased rates from

April 2004, to £79.60 for single people and to £127.25 for couples.

- 2.34 Pension Credit, which replaced the Minimum Income Guarantee on 6 October 2003 has already boosted the income of the poorest pensioners. It provides a contribution to a guaranteed minimum income of £105.45 a week or £160.95 for couples (April 2004 rates). These amounts may be more if pensioners have severe disabilities, caring responsibilities or relevant housing costs.
- 2.35 For the first time, Pension Credit may reward people aged 65 and over with modest income or savings. In the past, those who had managed to save a little were left no better off than those who had not saved at all. People who had capital of £12,000 or more could get no help however low their income. Pension Credit changes this by giving new money to those 65 and over who have saved. This is worth up to £15.51 for single pensioners or £20.22 for couples (April 2004 rates). The credit rewards those over 65 with total weekly incomes up to around £144 for single pensioners, £212 for couples (April 2004 rates).
- 2.36 The Pension Service is using a mix of direct mailings, TV and press advertising to build awareness and understanding of Pension Credit and to encourage those eligible to apply (by Spring 2004, the Pension Service will have written to every pensioner household in the country). The

normal way of applying is to the freephone application line. Specific advertising has been targeted at harder-to-reach groups such as carers and ethnic minorities at the local level. The Pension Service is working closely in partnership with external organisations such as Age Concern, Help the Aged and Citizens Advice. The Pension Service aims to have at least three million pensioner households receiving Pension Credit by 2006, whilst encouraging all those who are eligible to take up their entitlement.

- 2.37 As announced in the Budget 2004, there will also be a one-off payment of £100 to households containing someone aged 70 or over.

Families and Children

- 2.38 The Government is committed to eradicating child poverty by 2020, ensuring all children get the best possible start in life through:
- Reform of the tax and benefit system to improve family incomes.
 - Helping parents into work and targeting help to those most in need.
 - Tackling the multi-dimensional problems of child poverty through for example the Sure Start programme, raising educational standards and improving housing and health services.
 - Simplifying the Child Support Scheme so that more children get the support

they are entitled to from their non-residential parent.

2.39 A Public Service Agreement (PSA) target was set in the 2002 Spending Review to reduce the number of children living in low-income households by at least a quarter by 2004, as a contribution towards the broader target of halving child poverty by 2010 and eradicating it by 2020. Government are on course to meeting this target. It is estimated that by 2004-5 financial support for children through tax credits, Child Benefit and other benefits will have increased by £10.4 billion in real terms from its 1997 level, a rise of 72 per cent.

2.40 The most recent data shows that, between 1998-9 and 2002-3, the numbers of children in relative low-income households fell by 0.5 million before housing costs and 0.6 million after housing costs, from 3.1 million and 4.2 million respectively. The Government has therefore succeeded in arresting and reversing the long-term trend of rising child poverty. These data do not reflect the increased support for families with children provided through the introduction of new tax credits in April 2003, nor the increase in the child element announced in the 2003 Pre-Budget Report.

2.41 Sure Start Maternity Grants (SSMGs) are now worth up to five times as much as the Maternity Payments they replaced

and provide more help to the neediest families. The capital limit applying to SSMGs was removed in October 2001. SSMGs have increased from April 2002 to £500, in respect of children due, born, adopted or being the subject of a parental order on or after 16 June 2002.

2.42 As a result of personal tax and benefit measures introduced since 1997 families with children in the poorest fifth of the population will be, on average, by October 2004 £3,000 a year better off.

2.43 The Child Tax Credit (CTC) contributes to the Government's objective of eradicating child poverty in 20 years, by targeting resources to the most vulnerable. CTC was introduced from April 2003, bringing together the various strands of income-related support for families with children into a single, payable tax credit.

2.44 The Government is increasing the Child element of the CTC by £180 to £1,625 a year in April 2004, equivalent to a weekly increase of £3.50. This will benefit around 3.7 million families, including 2 million children or over half of all children in the UK.

2.45 In addition to the Child Tax Credit there have been significant rises in Child Benefit, which has increased to £16.50 from 7 April 2003 for first/eldest child and £11.05 for all other children.

2.46 Around 540,000 lone parents have joined the New Deal for Lone Parents (NDLP),

and more than one in three participants (222,000) have found work.

- 2.47 The Working Tax Credit (WTC) was introduced in April 2003 to tackle persistent poverty among working people. For families with children, the WTC broadly replicates the support for adults previously provided through Working Families Tax Credit and the Disabled Persons Tax Credit. It is available for those families with an income up to the maximum of around £15,000 and is paid through the wage packet.
- 2.48 The Working Tax Credit continues to include help with the costs of childcare which is paid direct to the main carer alongside Child Tax Credit. This is worth up to 70 per cent of eligible childcare costs, up to a maximum of £200 per week if a person has two or more children, or £135 if a person has one child.

THE ROLE OF THE HEALTH SECTOR

- 2.49 The Department of Health (DH) recognises the importance of involving the health sector in tackling fuel poverty and has taken a number of important steps to ensure that it is recognised as a health determinant at all levels of decision making. At the strategic level fuel poverty is incorporated into National Service Frameworks which set national standards to support implementation at the local level and establish performance measures.

Health Inequalities

- 2.50 Health Inequalities have been identified as one of the priorities in the 2003-6 Planning and Priorities Framework. The Government's strategy 'Tackling Health Inequalities: A Programme for Action' was launched on 2 July 2003, supported by twelve Government Departments. This highlighted ending fuel poverty as a key intervention, particularly for vulnerable households.
- 2.51 The Programme for Action includes fuel poverty in one of the key headline indicators – being measured in terms of the proportion of vulnerable households living in non-decent housing. It also identifies housing and fuel poverty as key underlying determinants of health: improving environmental health, including housing conditions, is identified as one of four key interventions needed to achieve the life expectancy target.
- 2.52 The Programme emphasises the need to join up the range of government programmes and services in a way that make sense to people at the point of delivery, and maximise their potential impact on health. Action will focus on local activity through the NHS, local authorities, voluntary organisations, community and other groups.

Local Partnerships

- 2.53 Against this strategic background DH recognises that strong local partnerships are key to driving forward the public health agenda – through identification of local needs and ensuring the delivery of public health services.
- 2.54 All Primary Care Trusts are now required to develop partnerships with local authorities through a Local Strategic Partnership. As the national health inequalities target is included in the list of local PSAs (LPSAs), local authorities are able to set LPSAs to deliver specific improvements in performance on tackling health inequalities – this could include addressing fuel poverty through local health and housing strategies.
- 2.55 In March 2003 a DH funded Fuel Poverty Toolkit was published by the National Heart Forum. This resource is aimed at helping primary care organisations and public health and primary care professionals develop local strategies to reduce fuel poverty.

Health Action Zones

- 2.56 There are 26 Health Action Zones, based in deprived areas of England. They are ideally placed to share their knowledge and ways of working with Primary Care Trusts and Local Strategic Partnerships. These zones are tasked with finding new and innovative ways of tackling health

inequalities and reducing levels of deprivation in their local communities through partnership working.

Choosing Health

- 2.57 In addition, on 3 March 2004 the Secretary of State for Health launched ‘Choosing Health? A consultation on action to improve people’s health’. The consultation aims to engage the entire population in a wide-ranging debate about how we as a nation can best tackle challenges to good health like obesity, smoking and inequalities. Responses to the consultation will feed into the production of a new White Paper, to be published this summer. One of the key aims of the consultation is to build on evidence of what works from existing local and national programmes as well as identifying new ways that stakeholders, across Government and in wider society, can work together to tackle the wider determinants of health such as fuel poverty.

Keep Warm, Keep Well Campaign

- 2.58 Each winter the DH, in conjunction with several voluntary organisations, operates the ‘Keep Warm, Keep Well’ campaign to help protect older people and those with chronic conditions from the effects of winter. In addition to advice from the campaign’s *Winter Warmth Advice Line*, free booklets including advice on maximising energy efficiency and obtaining assistance

for heating and insulation of the home are produced in several languages.

- 2.59 In 2002-3 over 1.5 million booklets were distributed to GP surgeries, hospitals, chemists, libraries and other public places in England with nearly 15,000 calls to the advice line.

Home Improvement Agencies

- 2.60 Home Improvement Agencies work closely with health and social care providers on initiatives such as 'Hospital Discharge' and 'Safer Homes' schemes, to reduce the need for vulnerable people to seek hospital or residential care. They contribute to the safe and speedy transfer of people back to their own homes by carrying out essential aids and adaptations.

GAS INDUSTRY

Skills shortages

- 2.61 Government reported last year on the problem of skills shortages, particularly with respect to gas installers. The situation has remained stable, with some new entrants to the sector, mainly from Department of Work and Pension's Ambition Energy programme and from British Gas's large in-house training effort: but there remain shortages in some areas (particularly London and the South East). This has implications for delivery of measures.

- 2.62 To address this, the Secretary of State for Environment, Food and Rural Affairs announced at the Better Buildings Summit in October 2003 the launch of an Energy Efficiency Installer Training Programme. The programme aims to provide 70,000 engineers with the necessary skills to specify, install and maintain high-efficiency heating systems. With initial aims to train 45,000 engineers by 1 April 2005, and a further 20,000 by the end of 2005, although the programme will continue after this. This training, developed closely with the heating industry, is now in its first 'train the trainer' phase. The programme will help to ensure there is a smooth transition to meeting our Energy White Paper commitment to raise standards for new and replacement boilers to the level of the most efficient A and B rated condensing boilers from April 2005.

- 2.63 The Energy Saving Trust, working with industry and third parties through the Energy Efficiency for Domestic Heating Management Board oversee this training and assessment programme. The programme is currently funded by the Learning and Skills Council and the Energy Saving Trust. In the long term, installers will be expected to make a modest contribution towards the accreditation they receive.

- 2.64 The UK's major domestic heating manufacturers and more than 100 training centres have signed up to become

approved providers of the new training programme. Nearly 200 trainers will be put through the 'train the trainer' workshops that have been run across England from February to April 2004.

2.65 DTI is planning a stakeholder workshop in May 2004, to bring together the wide range of organisations with an interest in training across the sector with a view to developing a greater degree of coherence. Details will be available on the DTI website in due course.

2.66 The new Energy and Utilities Sector Skills Council was formally launched on 17 February 2004, covering the gas, electricity, water, and waste management sectors.

Extension of gas network

2.67 The Government continues to seek ways of encouraging extensions to the gas network to assist fuel poor customers. In May 2003, the Government announced the establishment of a Design and Demonstration Unit (DDU) of private sector secondees, based in DTI, to take forward work. The Unit has continued work begun by DTI and Transco to map the distribution of deprived communities in non-gas areas and to refine the costs of providing gas connections to these communities.

2.68 DTI, Ofgem and DDU are also encouraging independent gas transporters to carry out infill projects in non-gas areas. In December 2003, Ofgem announced changes to Independent Gas Transporters' charging arrangements, which increased the attractiveness of infill connections, compared with that of providing connections to new developments.

Pilot schemes

2.69 Analysis suggests that there are nearly 9,000 communities without access to a gas supply, of which about half are outside the economic range of a gas main. DTI's DDU has developed projects to provide connections to deprived communities, drawing in a range of funding sources (see 5.15). The DDU is also developing five pathfinder projects to assess the viability of community-based renewable energy programmes as a means both of tackling fuel poverty and reducing carbon emissions. The projects will create a business model which uses a range of funding options to develop a 'whole community, whole house' approach. The projects will be evaluated and the capacity for replication assessed. They are expected to begin during 2004.

Chapter 3

Progress on tackling fuel poverty in the UK

3.1 In 1996, estimates suggested that around five and a half million UK households were fuel poor, with about four million of those classified as vulnerable. The latest available estimates², on a comparable basis, indicate that in 2002 approximately two and a quarter million households (one and three quarter million vulnerable) can be considered to be in fuel poverty. This fall of around three million (over two million in the vulnerable category) during a six year period represents considerable progress towards the Government's targets. The reduction can be attributed to two main factors – reductions in energy prices (especially in the early years) and latterly increases in incomes. In addition, improving the energy efficiency of the housing stock will have played a role, including work through Warm Front, and similar schemes in the Devolved Administrations, and the Energy Efficiency Commitment.

3.2 The annex *Fuel Poverty Monitoring – Indicators 2002* (www.dti.gov.uk/energy/consumers/fuel_poverty/monitoringindicators2004.shtml) provides more detail on progress. It sets out, for example, the income improvements related to benefits that have helped the vulnerable and those in the lowest income deciles, groups particularly susceptible to fuel poverty. However, whilst much progress has

² 2002 estimates for England have been arrived at by modelling changes in energy prices, incomes and energy efficiency, using 2001 published figures as a baseline.

been made, there is still much to do to maintain progress.

Number of households in fuel poverty in the UK

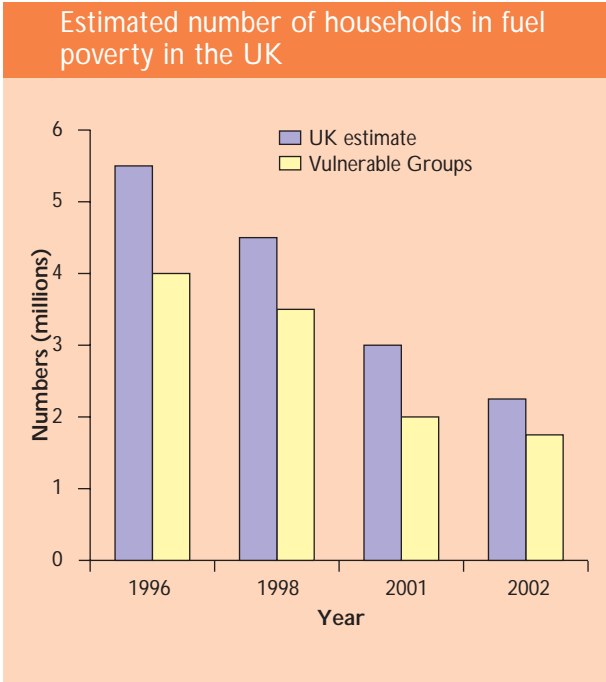
3.3 As indicated in last year's Progress Report, many of the energy efficiency schemes aimed towards those most likely to be fuel poor would not have started to impact significantly upon households until 2002. Some benefit was noted – for example average SAP ratings have risen – and the contribution of such schemes is expected to become increasingly important in the future as their effects are seen in the surveys used to calculate fuel poverty figures.

3.4 Tracking progress on a UK-wide basis remains complicated. Figures are collected on a country-by-country basis, with a range of methodologies, definitions and time periods although the recent Department for Social Development (DSD) consultation on the proposed Northern Ireland Fuel Poverty Strategy highlighted the importance of taking an approach more consistent with that adopted in England to enable comparison (www.dsdni.gov.uk/consultation-zone/documents/FUELPOVERTY_081003.pdf).

3.5 Modelled estimates for England are available for 2002 (see Chapter 4), while Scotland has actual data from its 2002 House Condition Survey, Northern Ireland

data relates to 2001, and data for Wales relates to 1997/98. It is hoped that some improvement in national comparisons will be possible in future as both England and Scotland move to rolling annual House Condition Surveys. The first set of annual data for Scotland is planned for release in 2007.

- 3.6 Northern Ireland will continue with a five-yearly House Condition Survey: the next full survey will be carried out in 2006, but an interim survey will be conducted in 2004 with a smaller sample size.
- 3.7 Current estimates of fuel poverty in Wales are based on eligibility for the Home Energy Efficiency Scheme. Data for Wales is currently being collected through the Welsh Household and Dwellings Survey: initial results for 2004 are likely to be available in 2005, and periodically thereafter.



- 3.8 The publication of this report coincides with publication of a suite of indicators developed by the Fuel Poverty Monitoring and Technical Group, and set out in the UK Fuel Poverty Strategy. These have been updated and are available to view at www.dti.gov.uk/energy/consumers/fuel_poverty/monitoringindicators2004.shtml.

Chapter 4

Progress towards meeting the target for England

Overview

- 4.1 Previously published fuel poverty estimates for England have been developed in two ways: for 1991, 1996 and 2001 actual data from the English House Condition Survey (EHCS) was used, and for 1998 data from the 1998 Energy Follow Up Survey (EFUS). Broad estimated figures were also produced for 1999 and 2000 for the UK Fuel Poverty Strategy, using modelled estimates based on projecting changes in energy prices and incomes. Further detail on these approaches can be found in the UK Fuel Poverty Strategy (www.dti.gov.uk/energy/consumers/fuel_poverty/strategy.shtml), and in the paper, *Fuel Poverty in England 2001 Methodology*, published on the DTI website at www.dti.gov.uk/energy/consumers/fuel_poverty/england2001method.pdf. This paper also details the components used to model fuel poverty figures by the Building Research Establishment (BRE) on behalf of DTI and Defra.
- 4.2 From 2002, the EHCS moved from a five-yearly to an annual survey. The reduced sample size (half that of the 2001 survey) would make any results for one year less robust, and so data for 2002 will not be considered in isolation. The intention is that future annual results will be made available based on “rolling combinations of two year data sets”. Being the first year of the annual survey 2002 marks the beginning of such a process and so accurate figures are not available. It is felt that the approach outlined above will provide a sound and robust basis for monitoring change via the EHCS in future.
- 4.3 To provide an estimate of the situation in 2002, BRE have produced a modelled estimate, based on projecting forward changes in energy prices, incomes and energy efficiency since the 2001 survey. The previously published 2001 data took account of income benefit changes up to March 2001. The 2003 data, to be based on two years of the continuous EHCS (covering the period April 2002 to March 2004), will include benefit increases up to March 2004. To spread the impact of these benefit increases the 2002 modelled figures take account of half of them.
- 4.4 Using this model it has been estimated that in 2002 1.4 million households were in fuel poverty in England – a reduction of around half a million households since 2001, or 2.8 million since 1996. For the vulnerable fuel poor it is estimated that the 2002 figure was 1.2 million households. The table below summarises these figures, presented on both income definitions.

Fuel poor households in England (millions) – Income including housing benefit and ISMI (income not including Housing Benefit and ISMI)

	1996	1998	2001	2002
Total Fuel Poor⁽³⁾	4.3 (5.3)	3.3 (4.5)	1.7⁽¹⁾ (2.3)	1.4⁽²⁾ (2.0)
Vulnerable	3.0 (3.7)	2.7 (3.7)	1.4 (2.0)	1.2 (1.6)
Non-Vulnerable	1.3 (1.5)	0.5 (0.8)	0.3 (0.3)	0.3 (0.4)
Social housing	1.4 (2.2)	1.0 (1.7)	0.3 (0.8)	0.3 (0.7)
Private housing	2.9 (3.1)	2.3 (2.7)	1.3 (1.5)	1.1 (1.3)

(1) Figure of 1.7 million published in July 2003. (www.dti.gov.uk/energy/consumers/fuel_poverty/monitoringindicators.shtml#1)

(2) Based on estimated modelled data.

(3) Estimates may not sum due to rounding

4.5 The estimated reduction for 2002 is believed to largely be the result of higher incomes, particularly through the benefits system. The Minimum Income Guarantee significantly boosted the income of the poorest pensioners following its increase in April 2002. Energy prices were relatively flat in real terms over this period, and the benefits of improved energy efficiency through schemes such as Warm Front have also played a role in reducing the estimated number of households in fuel poverty.

4.6 Because of the inherent constraints of using modelled data it is not possible to produce any further detailed analyses or breakdown of these figures, such as those for 2001 published on DTI's website at www.dti.gov.uk/fuel_poverty/england2001analysis.pdf. However, it is anticipated that, as the rolling EHCS becomes well-established, such a breakdown will be available in future years.

4.7 In our first annual report the Government sought views on possible changes to the methodology for calculating the incidence of fuel poverty through the English House Condition Survey. A number of methodological improvements have been proposed, in recognition of the fact that some of the assumptions underlying the methodology may need to be updated and new opportunities taken to use actual survey data rather than modelled data. A consultation on the 'Methodology Used for Calculating the Number of Households in Fuel Poverty in England' has been published on the DTI website (www.dti.gov.uk/energy/consumers/fuel_poverty/englandmethodconsultation2004.pdf) and runs to July 2004.

4.8 To help stakeholders consider the suggested changes BRE will be conducting a workshop in May 2004 to discuss the proposals and their implications in more detail. Further details are available in the consultation document.

4.9 The Government also proposes to conduct a peer review of methodological issues. The review will look at the method used to produce the estimates of households in fuel poverty under the definition for England set in the UK Fuel Poverty Strategy. There is no intention to review that definition. It is hoped to implement some of the proposed changes, if agreed, in time for the 2005 Annual Report. Again

details of this review, and its timing, are set out in the consultation paper.

Fuel Poverty Advisory Group (FPAG)

- 4.10 Building on the work carried out since the first meeting was convened in 2002 the Fuel Poverty Advisory Group, a Defra and DTI sponsored Advisory Non-Departmental Public Body, continues to investigate many issues related to fuel poverty.
- 4.11 The Group's Second Annual Report has been published and can be found at www.defra.gov.uk/environment/energy/fuelpov/fpag together with related documents and the work programme for the coming year.

The Group's report made a number of recommendations. These are outlined below together with the Government's response.

Key Recommendations

Resources

- 1) 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.**
- 2) 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 per cent in order to provide £2.5bn.**
- 3) 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 policies for meeting the targets.**

The Government is developing PSA targets to mirror its commitment to eradicating fuel poverty which has been made in the Energy White Paper and Fuel Poverty Strategy. We believe it is important that PSA targets relate to the statutory targets, and we therefore propose to make these to 2010 as the target year.

The resources required to tackle fuel poverty are dependent upon a number of key drivers. We are currently reviewing a whole range of issues, including the future format and scope of schemes. Our conclusions and analysis will be further outlined in the Fuel Poverty Implementation Plan. Funding requirements are being considered in the current Spending Round.

Fuel Poverty Programmes

- 4) 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.**
- 5) 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.**

Government is developing the Fuel Poverty Implementation Plan which will provide further information on the work which is being done on the future format of Warm Front and the contribution made by other schemes and programmes to tackling fuel poverty.

We are working with suppliers, Ofgem, and the Warm Front Scheme Managers to establish pilot programmes in which we can explore how improved integration can be established.

Hard to Treat Homes

- 6) It is essential that funds are made available for appropriate extensions to the gas network.**

The Government shares the view that connection to the gas network, allied with appropriate measures inside the home, has the potential to remove households from fuel poverty. The Government has worked to encourage connections to the network. The Design and Demonstration Unit, based in DTI, has developed pathfinder projects to provide connections to deprived communities. The first of these, in Llay, North Wales, was completed in February 2004. Additionally, in December 2003, Ofgem revised rules governing charging by independent gas transporters, to encourage more infill projects.

Government funding for gas network extension is under consideration in the current Spending Round.

- 7) 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.**

FPAG's own analysis suggests that the most cost-effective means of removing households from fuel poverty is the provision of high-efficiency gas heating; but we recognise that this will not be possible in many cases. Further work is needed to refine our knowledge of the costs and benefits of other forms of heating (including oil, LPG, and renewables) and to assess the benefits of community approaches. The Government welcomes the work of FPAG to help find the most cost-effective solutions to hard-to-treat homes and we will be outlining some of the analysis in this area in the Fuel Poverty Implementation Plan.

Other Departments

- 8) Office of the Deputy Prime Minister (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. 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.**

ODPM's housing programmes already place a major focus upon energy issues including tackling fuel poverty. Policies to improve the condition of existing housing and to increase the energy efficiency of new dwellings will help to reduce the cost of heating a home for many households and we welcome FPAG's recognition elsewhere in their annual report of ODPM's supportive approach.

Eradicating fuel poverty, both in the private sector and in the social sector, requires action to be taken across Government. The Fuel Poverty Implementation Plan will set out the range of activities across government departments that will help deliver the fuel poverty targets. We see no need for ODPM to produce an additional action plan, as this would duplicate information to be set out in the Fuel Poverty Implementation Plan.

Ministers from across Government with an interest in fuel poverty, including Defra, DTI and ODPM, meet to discuss policies and initiatives with a bearing on fuel poverty. It is proposed that Ministers will discuss fuel poverty in the private rented sector at a future meeting.

9) 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 DH recognises the importance of involving the health sector in tackling fuel poverty and has consistently worked to raise awareness amongst health professionals of fuel poverty as a potential health determinant and the help that is available to individuals. A number of specific measures have been taken which help to focus activity on the fuel poor.

- Fuel poverty has been incorporated into local health planning. Health Action Zones were developed to tackle health inequalities and modernise services in some of the most deprived areas in England. They link work on health, regeneration, employment, education, housing, and anti-poverty initiatives.
- Health Authorities were given a statutory responsibility, underpinned by the Health Act 1999, to develop local Health Improvement Programmes (HIMPs). Under HIMPs comprehensive plans are developed to tackle the wider determinants of ill health. HIMPs are set in the context of priorities identified in the National Priorities Guidance which identifies the importance to health of safe, warm, dry, and well-ventilated housing. HIMPs will bring together local organisations including NHS Trusts, Primary Care Groups, Local Authorities, the voluntary sector and local communities.
- Locally, PCTs are required to develop partnerships with local authorities through the mechanism of Local Strategic Partnerships (LSPs). The Health Inequalities Programme for Action emphasises the importance of partnership working at the local level and makes clear that this must reflect local needs and priorities. Within the LSP, it is for PCTs to agree a set of local priorities that all partners can sign up to and deliver – including addressing fuel poverty through local health and housing strategies. Local Directors of Public Health have a key role and in many areas they are now jointly appointed by PCTs and local authorities to provide a visible link between the two key organisations.
- Fuel poverty is an identified targeted intervention within the Health Inequalities Programme and Health Inequalities has been identified as a priority in the 2003-6 Planning and Priorities Framework, alongside other core NHS priorities. In addition, tackling fuel poverty is a key element of one of the Health Inequality Delivery Plan's key headline indicators – the proportion of vulnerable households living in non-decent housing.
- Within DH, the Health Inequalities Unit works with local champions to disseminate advice and information on what works locally with support from the Health Development Agency and other organisations.

10) The Department of Work and Pensions' (DWP) 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; and 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.

DWP is committed to improving take up of benefits and recognises the importance of the work to improve take up which energy and energy efficiency companies undertake. However, DWP do not have any current plans to fund extensions to these schemes. The recent NAO report 'Tackling pensioner poverty: Encouraging take-up of entitlements', identified barriers to take-up and made a number of recommendations, all of which have been accepted by the Government.

The Pension Service is committed to maximising benefits and services for all pensioners through developing a single co-ordinated strategy, which will promote benefit take-up more systematically and consistently. The Pension Service recognises that, in order to encourage take-up of Pension Credit and other older people's benefits, we need to work in partnership with voluntary organisations, local authorities, community groups and others.

Government recognise the importance that energy efficient white goods play in tackling fuel poverty, particularly amongst those on the lowest incomes. We are looking at whether the Social Fund could be used to encourage the purchase of energy efficient appliances in the wider consideration of reform of the Social Fund. A number of issues will need to be considered carefully in examining this option.

DWP is committed to supporting energy efficiency programmes, and has information about the schemes including contact details, in DWP leaflets. There are no plans at present to include mailings with Winter Fuel Payments, or other benefit payments.

11) We made recommendations last year about cooperation with ODPM, DH 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.

This will be covered by the Fuel Poverty Implementation Plan where the impact of other Government Department programmes is explored. We will continue to discuss options for action in the Inter-Departmental meetings which take place at regular intervals. A holistic approach to tackling fuel poverty is required and it is essential that Departments work together to meet our goal of eradicating fuel poverty.

Trade and Industry Select Committee

- 4.12 Following up its 2002 report on fuel poverty (HC 814, published 10 September 2002) and the subsequent Government response (published by the Committee on 13 December 2002, HC 152), the Committee invited the Fuel Poverty Advisory Group to provide oral evidence on progress in England. FPAG's evidence was taken on 16 December 2003, and can be viewed on the Committee's website (www.parliament.uk/parliamentary_committees/trade_and_industry_reports_and_publications.cfm).

Chapter 5

Progress in the Devolved Administrations

SCOTLAND

Central Heating Programme and Warm Deal

- 5.1 The Central Heating Programme has three components. Firstly, all local authority households without central heating have now had central heating and insulation measures installed. All housing association tenants will have received these measures by the end of 2004. In addition, by 2006 all pensioners in the private sector with no central heating will also receive these measures. All of the above are reliant on individuals accepting these measures.
- 5.2 The Central Heating Programme has installed nearly 32,000 central heating systems in addition to insulation measures. Warm Deal has insulated over 180,000 homes, from 1999 to February 2004. Benefit Health Checks were included in the Central Heating Programme from the outset in 2001.
- 5.3 For 2003/4 local authorities could use their Warm Deal allocation for insulation measures, upgrading partial central heating systems to whole house central heating systems for their tenants, or on other measures that the Scottish Executive agree will help to eradicate fuel poverty in their local authority area.
- 5.4 The Central Heating Programme will be extended from April 2004 to replace or upgrade inefficient or partial central

heating systems for people 80 years of age or older in the private sector.

Figures

- 5.5 The 2002 Scottish House Condition Survey national report was released on 14 November 2003 (www.shcs.gov.uk) and the fuel poverty estimates were revised on 9 March 2004. It shows that according to the 1996 definition of fuel poverty³, numbers have dropped from 738,000 households (35 per cent) to 201,000 households (9 per cent). According to the 2002 definition (common with England) 286,000 households (13 per cent) remain in fuel poverty.

Future

- 5.6 The latter figure and definition, in common with England, will be used to move forward. The Scottish Executive Fuel Poverty Forum has been working in sub groups to discuss income maximisation, the future of EEC and better analysis of fuel poverty. Work will continue on the House Condition Survey with Communities Scotland (an Executive agency), and members of the Scottish Executive Fuel Poverty Forum to consider possible programmes to further tackle fuel poverty after the programmes end in March 2006.

³ Under this definition 'income' means the income of the head of household and partner net of tax plus any benefit payments and income from other sources, such as non-state pensions, alimony and maintenance payments.

WALES

Fuel Poverty Advisory Group

- 5.7 The Welsh Assembly has established a Wales Fuel Poverty Advisory Group to support and monitor progress in achieving the objectives and targets arising from the Fuel Poverty Commitment for Wales.
- 5.8 The Group is responsible for monitoring fuel poverty and the Assembly Government's Strategy under the Warm Homes and Energy Conservation Act by examining the effectiveness of current policies in delivering reductions in fuel poverty, examining barriers to the delivery of reductions in fuel poverty and providing solutions by developing partnerships.

Sustainable Energy Act 2003

- 5.9 The Sustainable Energy Act 2003 places an obligation on the Assembly to designate an energy efficiency aim for residential accommodation, when commenced by order of the Assembly.

The Welsh Housing Quality Standard (WHQS)

- 5.10 The Assembly Government will expect social housing landlords to achieve the Welsh Housing Quality Standard for all their dwellings by 2012. This Standard provides for homes to be adequately

heated, fuel efficient and well insulated. The standard also provides for the annual energy consumption for space and water heating to be estimated using the Standard Assessment Procedure (SAP) method and specifies the minimum ratings to be achieved.

Estimating Fuel Poverty

- 5.11 The Assembly has stated that currently there is no data available in Wales to make accurate estimations as to the level of fuel poverty. To this end, they have used the proxy of eligibility for the Home Energy Efficiency Scheme (HEES). In advance of the Welsh Household and Dwelling Survey in 2005, the Assembly commissioned the Centre for Sustainable Energy to undertake some small scale modelling, using the existing Welsh House Condition, census and deprivation data together with dwelling performance and household expenditure data from England.
- 5.12 To assist in checking progress against the overall target, a number of milestones and interim targets have been set. The Assembly's Strategic Plan 'Plan for Wales 2001' has set a target of assisting 38,000 vulnerable households, mostly in the private sector, through HEES by March 2004. This target has been met.

The Assembly Government expects HEES to have assisted a total of 95,000 households by March 2007.

- 5.13 Between September 2002 and the end of 2006 (at the latest), local authorities and registered social landlords must assess the condition of their stock, finalising and implementing a programme for the repair and improvement of that stock

HEES review and amendments

- 5.14 The main public sector vehicle for the alleviation of fuel poverty is a grant to improve energy efficiency amongst disadvantaged groups – the HEES. HEES is now in its fourth year with Assembly funding rising from just over £6 million in its first year to £13.3 million in 2003/4. The Assembly has committed, during the current and next year to pilot alternative heating sources (oil and coal) as an eligible measure for areas not currently connected to the gas network, and conduct an interim evaluation of HEES, its suitability to meet its fuel poverty objectives and actual benefits of the scheme to recipients.

Extending the Gas Network in Wales

- 5.15 There are 396 settlements of 150 dwellings or more in Wales not connected to the gas supply network. One of these, Llay, near Wrexham, has recently become the first area in the UK to benefit from a partnership solution to extend the gas network in an area that previously would not have been commercially viable. HEES

funding has been crucial in enabling the project to move forward by delivering over 70 heating installations in the area, of which 56 were installed to local authority properties. The local authority expects to install heating systems in an additional 150 properties by the end of 2004. Another 200 private sector households will also have gas mains laid to their front door.

- 5.16 Feasibility work has also been carried out to apply the funding model to The Mount Estate, a similar sized estate in Milford Haven, Pembrokeshire. It is expected that installation of the gas supply network and installation of heating installations will commence during 2004.

NORTHERN IRELAND

Estimated Number of Fuel Poor Households

- 5.17 The 2001 Northern Ireland House Condition Survey found that there are 203,000 fuel poor households in Northern Ireland (33 per cent of the total). This survey found that 87 per cent of households in fuel poverty had an annual income of less than £10,000, indicating the importance of income as a factor in fuel poverty. The Northern Ireland Housing Executive will carry out an interim house condition survey in 2004, concentrating on progress in terms of policies, programmes and projects.

- 5.18 The targeting of the Warm Homes Scheme and other fuel poverty projects are constantly being reviewed to ensure they are reaching the fuel poor. The qualifying criteria have been changed to reflect recent tax credit changes.
- 5.19 The interim target for Northern Ireland, to have assisted at least 40,000 households in fuel poverty by 2006, mainly through the Warm Homes Scheme, is on track for achievement.

Current Measures

- 5.20 As Regional Housing Authority for Northern Ireland, the Northern Ireland Housing Executive is now in the fourth year of its revised heating policy. The policy is that within the natural gas network area, all heating installations or replacements in its stock will be fully controlled, high efficiency gas systems. Outside the gas area, oil-fired systems will be used. Over the last three years, approximately 9,300 heating systems a year have been replaced or improved.
- 5.21 The Warm Homes Scheme, introduced in April 2001 to replace the Domestic Energy Efficiency Scheme, has now provided insulation and heating measures to nearly 15,000 homes in the private sector. The Scheme was evaluated on behalf of the Department for Social Development by National Energy Action Charity (NI) (NEA). NEA found that the scheme is reaching the fuel poor and is

lifting the majority of recipients out of fuel poverty.

Energy Efficiency Levy

- 5.22 The Northern Ireland Energy Efficiency Levy continues to provide resources for tackling fuel poverty. During 2003/4, 80 per cent of the £3.8 million revenue raised through the levy has been directed at alleviating fuel poverty. The Energy Saving Trust, on the instructions of the Northern Ireland Regulator, drew up a framework for expenditure by energy suppliers from the increased levy. This framework demands a whole house approach, targeting homes with no central heating or electric heating.

Resources

- 5.23 DSD funding for the Warm Homes Scheme per year until 2006/7 stands at £11.8 million and in addition £1.5 million goes to the Scheme each year from the Energy Efficiency Levy. The Northern Ireland Housing Executive receives £8.4 million and £5.5 million Reinvestment and Reform Initiative annually to target fuel poverty. The Northern Ireland Housing Executive also receives £24.1 million to adapt homes to meet special needs, including heating adaptations. DSD will continue to provide this funding.
- 5.24 DSD will be able to assess how well resources are being targeted following the interim Northern Ireland House Condition Survey in 2004.

Chapter 6

The way forward

Warm Front

- 6.1 Detailed discussion on the future of Warm Front will be set out in the Fuel Poverty Implementation Plan. This will consider options for better targeting, eligibility and the effectiveness of these measures in response to the Public Accounts Committee and National Audit Office reports. The final version of this plan will now be issued after the Spending Review this Summer.

Health Impact Evaluation of Warm Front

- 6.2 The review to assess the impact of the Warm Front scheme on householders' quality of life, mental and physical health and the risk of cold related death is now nearing completion. The study commenced in November 2001, with fieldwork being undertaken in the winters of 2001 and 2002. Analysis of the data will become available through professional journals during the course of 2004/5.

Energy Efficiency Commitment

- 6.3 The current EEC finishes in March 2005. In the Energy White Paper, the Government said that it would consult on an expansion of the EEC to run from 2005 until at least 2008, at possibly twice its current level of activity. It is expected that this consultation will be issued in May 2004.

Decent Homes

- 6.4 As detailed in Chapter 2, we are committed to the delivery of our target to ensure all social housing meets set standards of decency by 2010. This is one of the primary vehicles for delivering energy efficiency improvements to homes in the social sector. Delivery will entail improvements to the heating and/or insulation of 1.3 million social homes.

Housing Health and Safety Rating System

- 6.5 Proposals for a new Housing Health and Safety Rating System (HHSRS) to replace the current housing fitness standard are in the Housing Bill currently before Parliament. This will help local authorities target the worst-condition properties, often housing some of the most vulnerable people. The system specifically includes hazards from cold, damp and mould. Although HHSRS deals with health and safety hazards, the most effective way to remove a cold hazard will be to make the property more energy efficient.
- 6.6 Authorities will have a duty to act in severe cases, and a discretionary power in lesser cases. They will also be able to take account of the vulnerability of the current occupiers when deciding on appropriate action. The HHSRS may therefore be a useful tool for tackling hard to heat homes.

New Build Housing

- 6.7 The Government is working on the next major revision of the building regulations, which it aims to bring into effect in 2005. Amendments to Part L of the Building Regulations will include building work carried out to properties.
- 6.8 The Building Regulations set minimum standards which all new developments must meet. New developments which are publicly funded through the Housing Corporation must also achieve a BRE EcoHomes environmental assessment rating of 'Pass' as a minimum essential condition of grant. They are encouraged to aim for the higher 'good' rating and receive an increase of 1-2 per cent in their Total Cost Indicator (TCI) where such certification is obtained in conjunction with 'Secured by Design' certification. From April 2005 an EcoHomes rating of 'good' will be the minimum requirement, with 'very good' becoming the recommended item.

Home Information Pack

- 6.9 The Housing Bill currently before Parliament contains proposals for Home Information Packs to improve the home buying and selling process in England and Wales. These would include a Home Condition Report, part of which will be an energy survey for prospective buyers which will specify the energy efficiency

of the property. The survey will also provide information on potential energy efficiency improvements together with a potential SAP rating that the property could achieve if those measures were carried out.

Energy Prices

- 6.10 While it is unlikely that reductions in energy prices will lead to a further drop in fuel poverty in the near future, improvements to incomes from changes to the benefits system are likely to have reduced fuel poverty in 2003. Future fuel prices are an important element in the achievement of our fuel poverty objectives. We expect prices to rise in the period to 2010, but energy will still be cheaper in real terms than 10 years ago, level of expenditure on it representing a smaller proportion of consumers incomes. Changes in prices will highlight the importance of sustained improvements on energy efficiency.

Annex A

Glossary

BRE	Building Research Establishment
CEP	Community Energy Programme
CTC	Child Tax Credit
DDU	Design and Demonstration Unit
Defra	Department for Environment, Food and Rural Affairs
DH	Department of Health
DSD	(Northern Ireland) Department for Social Development
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
EEC	Energy Efficiency Commitment
EFUS	Energy Follow Up Survey
EHCS	English House Conditions Survey
FPAG	Fuel Poverty Advisory Group
FPMTG	Fuel Poverty Monitoring and Technical Group
GB	Great Britain
HAZ	Health Action Zones
HECA	Home Energy Conservation Act
HEES	Home Energy Efficiency Scheme
HHSRS	Housing, Health and Safety Ratings System
HIA	Home Improvement Agencies
ISMI	Income Support for Mortgage Interest
LPSA	Local Public Service Agreement
LSP	Local Strategic Partnerships
MIG	Minimum Income Guarantee

NAO	National Audit Office
NDLP	New Deal for Lone Parents
NEA	National Energy Action
NHS	National Health Service
NI	Northern Ireland
NIE	Northern Ireland Electricity
NIHE	Northern Ireland Housing Executive
ODPM	Office of the Deputy Prime Minister
Ofgem	The Office of Gas and Electricity Markets
PAC	Public Accounts Committee
PCT	Primary Care Trusts
PSA	Public Service Agreement
PSR	Priority Service Register
RSL	Registered Social Landlord
SAP	Standard Assessment Procedure
SEPN	Sustainable Energy Policy Network
SSMG	Sure Start Maternity Grant
UK	United Kingdom
WFP	Winter Fuel Payments
WHQS	Welsh Housing Quality Standard
WTC	Working Tax Credit