

**BERR**

Department for Business  
Enterprise & Regulatory Reform

**FUEL POVERTY STATISTICS**

Updates to the fuel poverty  
methodology for 2006

ANNEX TO FUEL POVERTY STRATEGY  
REPORT, 2008



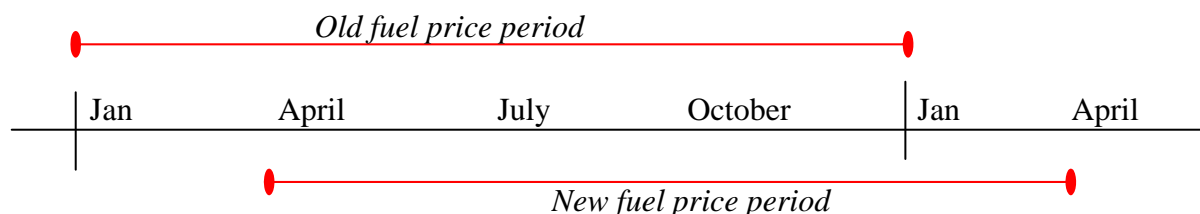
## Updates and modifications to fuel poverty methodology for the 2006 fuel poverty analysis.

The modelling of fuel poverty has been updated, modified and improved for the 2006 analysis. The changes affect both the modelling of fuel costs and income.

The modifications listed below support and amend the full fuel poverty methodology documentation which has been published on the BERR website as an annex to the fourth annual progress report (see <http://www.berr.gov.uk/files/file29694.pdf>), and the additional methodology update (to the 2005 figures) published alongside the fifth annual progress report (see <http://www.berr.gov.uk/files/file42706.pdf>). This note is a continuation of this earlier documentation. The changes listed below have only been applied to the portion of the two-year dataset corresponding to the financial year 2006. The changes listed in any previous methodological updates have been applied across the whole 2006 (combined) EHCS dataset.

### Modifications to the modelling of fuel costs:

*Metered Fuel Prices:* The prices of gas and electricity used in the fuel poverty modelling are average annual prices, as collected by BERR's quarterly domestic fuel inquiry. The beginning and end points of this annual average have been changed for this year's analysis. The prices previously applied within the fuel poverty modelling used a (bills paid) average for the period January to December of any particular year. The latest modelling has adjusted this period forward one quarter to coincide with the period April – March to align with the EHCS data collection. This change is shown in the diagram below:



The effect of this change is a rise in the number of fuel poor in this period (more than 100,000 additional fuel poor households). This is because during this period fuel prices were rising sharply. Should prices fall in the future, however, this change of period will produce a lower estimate of fuel poor households relative to the old methodology.

### Modifications to the modelling of incomes:

*Low income imputation:* The imputation procedure for low income households has been changed following a full review of this methodology. Under the old methodology, if a household's income was calculated to be below basic income support and the household was in receipt of one or more of the main benefits, then their income would be replaced or imputed to that basic income support level. If the household did not report receiving one of these benefits, their income was imputed to a group average for households of their type.

In the latest modelling, low incomes are now imputed for just two groups; elderly and lone parent households. Where the incomes of elderly households (HRP or partner over pension age) are

below basic state pension they are imputed to the basic state pension level. Where they are above this level but below the level of the guarantee element of pension credit, they are imputed to an average calculated for a group of households that share similar characteristics. Lone parent households will have their incomes imputed to the theoretical minimum amount if their income is found to be below that amount (income support plus child premiums). For 2006, this change in imputation method has no overall effect on the level of fuel poverty, but did result in an increase in the severity of fuel poverty among low-income groups, especially those with very low or zero incomes – households that would have had their income imputed to a higher level through the previous methodology. In 2005 and earlier years, the change to the low income imputation procedure acted to both increase fuel poverty severity and increase the overall level of fuel poverty in England.

*Pension Credit:* Questions were added to the 2006 interview survey that for the first time explicitly asked about receipt of pension credit. This enabled a change to the method for deriving the incomes of pensioner groups. It is not possible to assess the impact on the fuel poverty figures, because we cannot perform 'before and after' calculations for a new question.