

# The UK Fuel Poverty Strategy

3rd ANNUAL  
PROGRESS REPORT  
2005



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# Ministerial Foreword

We are pleased to present this, the Government's Third Annual UK Fuel Poverty Strategy Progress Report. It presents the fuel poverty figures for 2023, and we are happy to be able to report a fall in the number of households in fuel poverty in England, with 1.2 million households in total and 1.0 million of them vulnerable.

However, since we published our last update, we have seen fuel poverty issues move more sharply into focus against a backdrop of rising energy prices. There are challenges for those already in, or close to, fuel poverty and the need to provide help and reach those most in need is of fundamental importance. We have the opportunity to end the blight of fuel poverty, but need all stakeholders to work together to attain this ambitious goal.

The eradication of fuel poverty remains one of the core objectives within our wider policies on energy and social inclusion. The progress made to date could not have been achieved without the help of a wide range of Government Departments and the Devolved Administrations, whose work and progress is acknowledged here. We are encouraged by the actions of our colleagues around the UK to work with us to help create meaningful and sustainable change, which will have a real impact on the lives of the vulnerable and those on low or fixed incomes.

We are also pleased to present the Government's response to the recommendations of the Fuel Poverty Advisory Group, a Group whose determined efforts and interest are crucial in continuing to energise and take forward the fuel poverty agenda. We welcome the Group's views, and look forward to putting our shared vision into practice.

The last year saw publication of *Fuel Poverty in England: The Government's Plan for Action*, which included announcements of improvements to the Warm Front Scheme, the Government's main tool for tackling fuel poverty in the private sector in England. The Scheme has now assisted over one million households, and with an increased range of measures, improved targeting, and interaction with other programmes alongside continued action to increase incomes, the Scheme will continue to have a vital role to play in meeting our targets. We will be looking to evaluate the impact of these changes during the coming year.

We have already emphasised the importance of partnership working, and this remains the only way in which we will be able to reach our targets and help those most in need. But this partnership goes much wider than that between central Government and the Devolved Administrations. There are many important stakeholders who are themselves helping in the work to tackle fuel poverty and helping us to drive the agenda forward. energywatch, Ofgem and the Energy Retail Association (ERA) are all working in this area, and we are working closely with them to develop particular initiatives to help identify those most in need, and make sure they get the assistance to which they are entitled.

There remains much work for us all to do. For DTI and Defra:

- We will need to work closely with the Energy Retail Association and the energy suppliers in assessing the role they have to play in the eradication of fuel poverty, including the proposals for a helpline.
- We will continue to work with Ofgem, energywatch and the voluntary sector to encourage greater awareness of the potential savings from switching supplier and payment method, and encourage the take up of services such as the Priority Services Register that can make a difference to those customers most at risk.
- Action to reduce fuel bills must be twinned with a renewed focus on energy efficiency improvements. The enhanced Warm Front Scheme and expanded Energy Efficiency Commitment have the potential to make a real impact.
- We will encourage other Government Departments and Devolved Administrations to take further appropriate action in the fields of housing, health provision, benefit take up, and income improvement.
- Finally, we call upon all our partners to continue to work together with us and all of those most in need to raise awareness, stimulate action and make a real contribution towards ending fuel poverty. The task is set, and it is ours to achieve.



A handwritten signature in black ink that reads "Malcolm Wicks".

Malcolm Wicks MP  
Minister for Energy



A handwritten signature in black ink that reads "Elliot Morley".

Elliot Morley MP  
Minister of State (Climate Change & Environment)

# Executive Summary

This is the Government's Third Annual Report on progress towards the targets that were set out in the 2001 *UK Fuel Poverty Strategy*. It provides a general update on the Government policies and programmes set in place to tackle fuel poverty, as well as highlighting progress made and new developments since our last annual report was published in April 2004.

Also addressed are the recommendations of the Fuel Poverty Advisory Group for England (FPAG), made as part of their own annual report. Again, we welcome the valuable and important work that the Group, along with the other Fuel Poverty Advisory Groups in Scotland, Wales and Northern Ireland, has carried out during the year. Their work continues to play a vital role in taking the fuel poverty agenda forward, in terms of raising awareness, highlighting areas of concern and developing suggested solutions to difficult issues.

The fuel poverty figures for England for 2003 are presented, the first to be extracted from the new rolling English House Condition Survey (EHCS). These figures were derived using an improved methodological approach, which was developed in light of last year's consultation and Peer Review. The Peer Review and the Government's response to it have been published to accompany this report.

The indications are that good progress has been made in the two years since the last EHCS survey results were made available. The level of fuel poverty in England stands at 1.2 million households, with 1.0 million of those being considered vulnerable. The number of households in fuel poverty in the UK in 2003 is estimated to stand at two million, down some four and a half million from 1996.

This reduction in the number of households in fuel poverty has been achieved against a backdrop of reducing energy prices. However, this trend has recently seen a reversal which will undoubtedly have a UK-wide impact. But it is important to remember that fuel poverty status depends on more than prices: incomes and energy efficiency are equally important contributory factors. It is likely that work in these areas will have the most significant future impact on removing households from, and keeping them out of, fuel poverty.

Whilst the Devolved Administrations do not have updated figures available at this time, much has been achieved in terms of programmes and their development.

For example, Scotland has seen the virtual completion of its Central Heating Programme for social sector housing, which has now been extended to replace inefficient heating systems for those aged 80 or over in the private sector. Wales too has seen an expansion of its Home Energy Efficiency Scheme (HEES) to include Benefit Entitlement Checks, as well as pilots assessing the potential of a range of fuels for those without access to gas. November 2004 saw publication of Northern Ireland's Strategy for the eradication of fuel poverty. This has been supported by continuing investment to improve the energy efficiency of properties in both the public and social sector, with interim targets for 2006 for the Warm Homes scheme on track for achievement.

November 2004 also saw publication of *Fuel Poverty in England: The Government's Plan for Action*, which set out the scale of the challenge in England, and plans to achieve those targets. Within the Plan a number of key changes and enhancements to Warm Front were announced. These included the provision of central heating for all eligible households, with oil central heating being offered to homes off the gas network, and greater interaction between Warm Front and schemes such as the Energy Efficiency Commitment, where efforts are themselves being doubled.

Across the UK as a whole much has been achieved on the income side, with those on the lowest incomes being particular beneficiaries of a range of benefit improvements and credits. However, concern remains that there is a significant core of people outside the reach of traditional channels of assistance. The next year will see a concerted effort to work with key stakeholders to establish and evaluate ways of tackling this problem, including the proposed development of a fuel poverty helpline by industry.

Finally, this report is accompanied by a series of internet-based annexes, which provide more detail on some of the progress which has been made in tackling fuel poverty by both Government and industry. These include more detailed statistics on fuel poverty and an analysis of actions taken by energy companies right across the UK in this area.

# Chapter 1

## Targets

### UK

- 1.1 It remains the goal of the Government and the Devolved Administrations to seek an end to the problem of fuel poverty, as detailed in the *UK Fuel Poverty Strategy*<sup>1</sup> published in November 2001, a commitment reaffirmed in 2003's Energy White Paper<sup>2</sup>. In particular, England and Northern Ireland will seek an end to fuel poverty for vulnerable households by 2010, with a vulnerable household deemed to be one containing children, or those who are elderly, sick or disabled.

### England

- 1.2 The target for eradication of fuel poverty in England, restated in *Fuel Poverty in England: The Government's Plan for Action*<sup>3</sup> is, as far as reasonably practicable, to seek an end to fuel poverty for vulnerable households by 2010. Fuel poverty in other households will, as far as reasonably practicable, also be tackled as progress is made on these groups, with a target that by 22 November 2016, no person in England should have to live in fuel poverty.
- 1.3 Two definitions of fuel poverty figures are used in England – the first (which is used to calculate progress towards the Strategy's targets) includes all benefits received, whilst the second excludes Housing Benefit and Income Support for Mortgage Interest, and is used in order to enable historical comparison. Figures for the number of households in fuel poverty in England are provided on both definitions within this and previous Annual Reports.
- 1.4 In last year's Progress Report<sup>4</sup> we announced that we would carry out a consultation exercise on the methodology used to calculate the fuel poverty figures for England<sup>5</sup>. As a result, several key changes to the methodology have been agreed and used to calculate the figures presented in this report.

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1 [www.dti.gov.uk/energy/consumers/fuel\\_poverty/strategy.shtml](http://www.dti.gov.uk/energy/consumers/fuel_poverty/strategy.shtml)

2 [www.dti.gov.uk/energy/whitepaper/index.shtml](http://www.dti.gov.uk/energy/whitepaper/index.shtml)

3 [www.defra.gov.uk/environment/energy/fuelpov/pdf/fuelpov\\_actionplan.pdf](http://www.defra.gov.uk/environment/energy/fuelpov/pdf/fuelpov_actionplan.pdf)

4 [www.defra.gov.uk/environment/energy/fuelpov/pdf/fuelpov\\_2nocover.pdf](http://www.defra.gov.uk/environment/energy/fuelpov/pdf/fuelpov_2nocover.pdf)

5 [www.dti.gov.uk/energy/consumers/fuel\\_poverty/peer\\_review.shtml](http://www.dti.gov.uk/energy/consumers/fuel_poverty/peer_review.shtml)



households by 2016. In addition, no household in the social rented sector should suffer from fuel poverty by 2016. The strategy recognises that the best way to tackle fuel poverty is through a partnership approach, which entails working with organisations that have an influence on income, fuel costs, energy provision and efficiency, and with organisations from the voluntary and community sector.

- 1.10** Milestone targets to reduce the number of vulnerable households that suffer from fuel poverty are set out in the Strategy and, by 2006, the number of vulnerable households in fuel poverty should be reduced from 181,000 to 110,000.

### **UK Definition of fuel poverty**

- 1.11** Minor differences in the definition of fuel poverty remain between the countries making up the United Kingdom.

# Chapter 2

## Measures for tackling fuel poverty – actions during the past year

- 2.1** Measures for tackling fuel poverty have focussed on tackling two of the factors influencing fuel poverty status, namely improving energy efficiency and promoting social inclusion through income improvement. The main Government schemes and actions to achieve this are explored below, as are the actions of organisations such as energywatch and Ofgem. The Government has little scope for action on energy prices, although it has worked with others, including industry, to promote greater awareness of the savings that can be made.
- 2.2** Fuel poverty has a number of health implications and health related policies can, in turn, make an important impact. Accordingly, these are explored, as are developments within the gas industry to extend the gas network to those who may, at present, be paying for more costly forms of fuel.

### Energy efficiency and housing

#### Warm Front

- 2.3** From the Scheme's introduction in June 2000 to March 2005 over one million households in England received assistance, with over 205,000 of them between April 2004 and March 2005. During the same period, approximately 40,000 Benefit Entitlement Checks were offered to applicants who at the time of application were not eligible for a Warm Front grant.
- 2.4** Following an NAO report and a Public Accounts Committee hearing on Warm Front in June and October 2003 respectively, a number of changes were made to the scope of Warm Front mainly to improve targeting, eligibility and measures offered. The changes were announced in the *Fuel Poverty in England: the Government's Plan for Action* published in November 2004, and include commitments to:
- Provide central heating for all eligible households

- Increase the level of grant available from the current levels of £1,500 and £2,500 to £2,700 for all eligible households and £4,000 where oil central heating has been recommended
- Target action more on areas with a high proportion of fuel poor households
- Where possible, increase the energy efficiency of properties to a level where there is a minimal risk of fuel poverty and offer Benefit Entitlement Checks where this is not possible

2.5 Progress in each of the energy efficiency schemes for the Devolved Administrations is presented in Chapter 5.

## Energy Efficiency Commitment (EEC)

2.6 Under the Energy Efficiency Commitment (EEC), electricity and gas suppliers are required to meet targets for the promotion of improvements in household energy efficiency in Great Britain. The EEC for 2002-05 required suppliers to focus at least 50 per cent of energy savings on a Priority Group of low-income consumers. This will have resulted in the EEC making a contribution to the alleviation of fuel poverty. However, it is not possible to quantify the effect at this stage, since the EEC low-income group does not correlate with fuel poor households and the EEC is monitored on the basis of energy savings from measures installed, rather than the number of households receiving measures.

2.7 The EEC for 2002-05 ended on 31 March 2005 and Ofgem will report on the outcome to the Secretary of State for Environment, Food and Rural Affairs in July 2005. However, Ofgem's quarterly EEC Update in April 2005 indicated that suppliers would exceed their targets, including the requirement to focus 50 per cent of savings on the Priority Group. The EEC for 2005-08 commenced on 1 April 2005 and features broadly double the level of activity as that of the 2002-05 round.

## Decent Homes

2.8 The Government has a target that all social sector homes in England meet the Decent Homes Standard by 2010. This work contributes to the alleviation of fuel poverty in the social sector through the requirement that, to be classified as decent, a home has to provide a reasonable degree of thermal comfort – that is, to have both efficient heating and insulation. The guidance produced by the Office of the Deputy Prime Minister (ODPM) states that the standard is a 'minimum standard' and recommends that landlords take the opportunity to carry out further energy efficiency measures on their

properties when making those properties decent, for instance by installing insulation to a greater depth than required. These further improvements to energy efficiency also help minimise the risk of fuel poverty.

- 2.9** Since the last UK Fuel Poverty Strategy Annual Report, ODPM has continued to make progress towards the Decent Homes target. Figures from the English House Condition Survey for 2003 show that the number of social sector non-decent homes has fallen by 13 per cent since 2001. There has been a 20 per cent reduction in the number of social sector homes failing on the thermal comfort criterion, from over 1.3 million homes in 2001 to less than 1.1 million in 2003. Since 2001, over 470,000 dwellings have received work to improve their energy efficiency under the Decent Homes programme or as part of wider local authority work to update the stock. In the private sector the proportion of vulnerable households (those in receipt of means tested or disability related benefits) living in decent homes has increased by 6 percentage points to 63 per cent.

## Community Energy

- 2.10** 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 has been 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, it is estimated that over 22,750 fuel poor individuals (over 9,800 fuel poor households) have been connected to community heating projects under the Community Energy Programme.

## Energy Efficiency Partnership for Homes

- 2.11** The Energy Efficiency Partnership for Homes has a dual mission of addressing both climate change and fuel poverty. Through this group the Health, Housing & Fuel Poverty Forum has been established under the auspices of the UK Public Health Association. Other projects undertaken by the Partnership over the last year include an investigation into the prevalence and distribution of fuel poverty within system built or prefabricated homes and research into the application of heat pump technologies to hard-to-treat fuel poor households.

## Local Delivery

- 2.12** The Energy Saving Trust's Local Authority Support Programme (LASP) provides support for the development and delivery of strategies to improve the energy efficiency of housing and to promote sustainable energy use.











- 2.33** It has been recognised by the Government that many of today's pensioners are living on low incomes. Tackling pensioner poverty has become a key Government priority to ensure that the poorest pensioners also share in the country's rising prosperity.
- 2.34** Pension Credit is making a difference to the incomes of thousands of older people across the country, targeting money to today's poorest pensioners and for the first time rewarding people who have made a modest provision for retirement. It ensures that people aged 60 or over need not live on less than £109.45 a week (£167.05 for couples). These amounts may be more for people who have relevant housing costs, severe disabilities and/or caring responsibilities. Pension Credit also rewards people aged 65 and over who have made provision for their retirement. This gives people as much as an extra £16.44 a week for single pensioners (£21.51 for couples).
- 2.35** Reforms to state pensions and other measures introduced since 1997 have helped virtually all pensioners and targeted substantial resources on those most in need. Between 1996/97 and 2003/04, pensioner poverty has fallen by two thirds in absolute terms, lifting 1.9 million older people out of absolute low income (on an after housing costs basis) and around 0.7 million pensioners out of relative low income.
- 2.36** The Government has continued to provide Winter Fuel Payments (WFP) for people aged 60 or over. The WFP is £200 a year for qualifying households. Those aged 80 or over who are entitled to WFP receive an extra £100 per household. In addition, pensioners on Pension Credit will receive an automatic Cold Weather Payment of £8.50 from the Social Fund for each week of very cold weather. The Government also announced an additional one-off 70+ Payment to households with someone aged 70 or over to help with bills and other living expenses including Council Tax bills in 2004/05.
- 2.37** A payment of £200 will be made to eligible households with someone aged 65 or over who is not in receipt of the guarantee element of Pension Credit to help with Council Tax bills. A £50 payment will be made in 2005/06 to households with someone aged 70 or over who is in receipt of the guarantee element of Pension Credit to help with living expenses.

## Families and Children

- 2.38** The Government has succeeded in reversing the long-term trend of rising poverty and is broadly on track to meet its target to reduce the number of children in relative low-income households by a quarter between 1998/99 and 2004/05. The Government's overall objective is to halve child poverty by 2010 and eradicate it by 2020.

- 2.39** The Government's strategy for tackling child poverty has four basic strands:
- Ensuring decent family incomes, with work for those who can and support for those who cannot
  - Support for parents so that they in turn can support their children
  - Delivering high quality public services in all neighbourhoods, with targeted support for those with additional needs
  - Harnessing the power and expertise of the voluntary, faith and community sectors, promoting innovation and good practice
- 2.40** The most recent data available shows that between 1998/99 and 2002/03 the number of children in relative low-income households fell from 3.1 million to 2.6 million on a before housing costs basis (BHC) and from 4.1 million to 3.5 million on an after housing cost basis (AHC). The Government's reforms to the tax and benefits system since 1997 continue to benefit families with children. By October 2005 in real terms, families with children will be, on average, £1,400 a year better off. The poorest fifth will be, on average, £3,200 a year better off.
- 2.41** Families with children were able to benefit from Child Tax Credits (CTCs), launched in April 2003. By the end of 2004, estimates suggest that some 5.9 million families had their incomes boosted through CTCs. From April 2005, the child element in the Child Tax Credit rose to £1,690 a year. This is an increase of £245 since its introduction in 2003 and £65 above the 2004/05 rate demonstrating the Government's commitment to increase Child Tax Credits in line with average earnings. In addition, Child Benefit has increased from April 2005 in line with prices to £17.00 for the first child, and £11.40 for subsequent children. For the first child, this represents a 25 per cent increase in real terms since 1997.
- 2.42** The Working Tax Credit delivers in-work support to low-income households and extra support for disabled workers. In total, nearly 20 million people, including 10 million children, were benefiting from new tax credits or the increased support through Income Support/Jobseeker's Allowance as at December 2004.
- 2.43** The National Minimum Wage was introduced in 1999. It underpins the system of in-work credits for workers on low and moderate earnings, guaranteeing a fair minimum income for work. Together with the Working and Child Tax Credits, the Minimum Wage guarantees that every family with one child and one person working 35 hours a week will receive a minimum income of £257 per week.





## Gas industry

### Skills shortages

- 2.50** The problem of gas skills shortages remain a key area of concern, and one with the potential to impact upon the successful delivery of measures to tackle fuel poverty. Estimates suggest that, just to maintain current levels within the industry, some 3,000 new installers have to be trained each year.
- 2.51** Two of the key existing programmes for training installers remain British Gas' in-house training and the Ambition: Energy programme delivered in partnership with Jobcentre Plus, British Gas, training providers, and supported by the Energy and Utility Sector Skills Council (Energy & Utility Skills). The Ambition: Energy programme was a three year pilot which was completed in June 2005 although a further year's funding was recently announced. Some 1,500 people have already received training. Jobcentre Plus won a National Training Award for the scheme in October 2004 and, because of its success with provision of training for the gas industry, Energy & Utility Skills, supported by Jobcentre Plus, is now working to extend the Ambition: Energy programme into the electricity industry.

### Extension of gas network

- 2.52** Across Great Britain, around 9,000 communities of more than fifty homes lack access to a mains gas supply. During 2004/05 the Design and Demonstration Unit (DDU), a private sector-led team based in DTI and supported by the project management skills of Transco's Affordable Warmth programme, has undertaken a range of activities designed to assist deprived communities in those non-gas areas.
- 2.53** The first of these was a programme originally consisting of five pilots designed to re-evaluate the option of delivering gas to deprived communities close to the existing gas network. To date, sixteen pathfinder projects assisting 4,800 households have been completed, are under construction or have approval to proceed. The DDU is currently evaluating ten other potential projects. The projects use a model developed and refined by the DDU, which draws on a variety of funding sources, goes with the grain of the competitive market and is replicable on a larger basis. The DDU is seeking to expand the range of funding sources available for this work.

**2.54** In the last year, the DDU has also evaluated the concept of bringing renewable fuels and technology to deprived communities outside the viable range of the gas network. This work has involved an evaluation of: technology and delivery costs; available sources of funding; and, most significantly, the scope for bringing efficiencies and scale economies to the renewables market place. Between 2005 and 2007, the DDU will roll out both of these community focused models on a regional basis. Partnership projects have been developed with two Regional Development Agencies, One North East and Yorkshire Forward. These projects will be used to provide tailored energy solutions to individual communities, or to clusters of dispersed rural homes in the two designated pathfinder regions.





- 3.8** Northern Ireland's 2001 House Condition Survey estimated that there are 203,000 households in Northern Ireland suffering from fuel poverty. Of these, 181,000 are vulnerable. The methodology applied in the 2001 House Condition Survey was similar to that used in England. The 2001 House Condition Survey found that Northern Ireland's total dwelling stock had an average SAP rating of 52, compared to a figure of 41 in 1996. An interim House Condition Survey will be published in late 2005, and this should show a reduction in the numbers in fuel poverty.
- 3.9** The latest estimate for fuel poverty in Wales stands at 220,000 households. Research was commissioned to model data to produce a more reliable estimate of the extent of fuel poverty in Wales. The report for Phase 1 of this project indicates that the figure of 220,000 is an underestimate of the actual figure for 1998 and estimates that in 1998 in Wales there were 360,000 (or 31 per cent) households in fuel poverty. The report indicates that the high incidence of fuel poverty in Wales in 1998 could be attributed to a combination of low incomes, poor energy efficiency, high fuel prices (particularly for electricity), the country's relatively high levels of under-occupation and the relatively large average size of Welsh homes.
- 3.10** A more accurate, and up to date, estimate of the number of households in fuel poverty will be derived from the upcoming Living in Wales survey. The survey has been designed to collect more detailed information from households relating to income and energy efficiency, with fuel poverty information expected to be available by late 2005.



- 4.4** In addition to considering the original methodological change proposals, the Peer Review Team looked more generally at the fuel poverty methodology and have made a number of suggestions regarding future work to further refine the methodology. The Government has welcomed their proposals, although some have been accepted with qualification.
- 4.5** Based on the revised methodology, it is estimated that in 2003 some 1.2 million households were in fuel poverty in England. This represents a reduction of some 200,000 households on the estimate for 2002. When the new methodology is applied to the figures for previous years, this represents a reduction of around 3.9 million since 1996, as shown below.
- 4.6** There were estimated to be 1.0 million vulnerable fuel poor households in England in 2003, of which 800,000 were in the private sector. Table 4.1 below summarises these figures based on the new methodology, and, as in previous years presents those figures according to both definitions of fuel poverty.

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

	1996	1998 <sup>(1)</sup>	2001	2002 <sup>(1)</sup>	2003
<b>Total fuel poor<sup>(2)</sup></b>	<b>5.1</b> (5.5)	<b>3.4</b> (4.0)	<b>1.7</b> (2.3)	<b>1.4</b> (2.0)	<b>1.2</b> (1.5)
Vulnerable	<b>4.0</b> (4.3)	<b>2.8</b> (3.2)	<b>1.4</b> (1.9)	<b>1.2</b> (1.6)	<b>1.0</b> (1.2)
Non-Vulnerable	<b>1.1</b> (1.2)	<b>0.6</b> (0.8)	<b>0.2</b> (0.4)	<b>0.2</b> (0.4)	<b>0.2</b> (0.3)
Social housing	<b>not available</b>	<b>not available</b>	<b>not available</b>	<b>0.3</b> (0.7)	<b>0.2</b> (0.5)
Private housing	<b>not available</b>	<b>not available</b>	<b>not available</b>	<b>1.1</b> (1.3)	<b>1.0</b> (1.0)

- (1) Based on estimated modelled data  
 (2) Figures may not sum due to rounding

- 4.7** Figures for earlier years are higher than those previously published. This is due to two main factors:
- Use of DTI gas and electricity bill data for 1996, whereas previously lower estimates had been used
  - Subtraction of Council Tax amount from all income



## Comments on recommendations

### Resources

- 1 It was disappointing that the Government's Plan for Action did not estimate the resources required, and did not review the adequacy of existing policies. FPAG will now update its own earlier work on resource requirements, and we hope very much that Government will give its views in the Annual Fuel Poverty Report.**

*The Government is working to produce a detailed paper on the measures required to tackle fuel poverty, which will be presented to FPAG later in the year.*

- 2 Because of the price increases, more resources than previously anticipated will be needed. As the upstream producers have secured windfall revenues from the price increases, some of this revenue should be taxed and recycled into the Fuel Poverty programmes.**

*The Trade and Industry Select Committee rejected the proposal for a Windfall Tax on the basis that further evidence of its impact would be required. Producers were encouraged to provide a voluntary contribution which could be used to tackle fuel poverty.*

- 3 It is essential now – with only about 5 years remaining to meet the 2010 target – that the Government faces up to the difficult areas, especially hard to heat homes and the private rented sector, and provides action plans for dealing with fuel poverty in these areas.**

*DTI and Defra are committed to addressing the problem of fuel poverty within the Hard to Treat sector. DTI's Design and Demonstration Unit has already made significant progress in connecting some sixteen communities to the mains gas network, as outlined in Chapter 2. DDU are also exploring the possible options in those communities where mains gas connection is not feasible.*

*Defra's Warm Front Programme will also provide assistance to those for whom mains gas is not an option in a new development announced last November.*

*ODPM have already agreed that local authorities should be informed if a landlord or owner refuses Warm Front grant or a Priority Group EEC measure. The authorities can then choose to treat this as an indication that a Housing Health and Safety Rating System inspection may be necessary to establish whether the occupant or tenants may be at risk from a cold, damp or mould hazard within the property. ODPM also promotes EEC and Warm Front funding in its Decent Homes guidance, and Home Improvement Agencies help many others access this and other assistance.*

## Reaching the Vulnerable

- 4 Low income households tend to pay more than high income households for each unit of energy. There are a variety of reasons for this, but much more creativity, especially from Ofgem, is needed to secure the best possible prices and offers for low income customers.**

*Ofgem's Chairman, Sir John Mogg, has written to the Chairmen and Chief Executives of the major energy companies calling on them to make renewed efforts, at this time of rising prices, to protect the vulnerable in society. Several of the companies have already introduced special packages, designed to remove or reduce the impact of price increases on those most in need. These packages include discounts on bills and help with improving energy efficiency. Ofgem has commissioned external consultants to carry out an assessment and ranking of companies' corporate social responsibility activities. A report on the results, including examples of best practice, was published on 30 June 2005. Ofgem expects this report to stimulate more new ideas, and that additional packages will come forward.*

- 5 The Government and Ofgem should do everything possible to encourage low income customers to take advantage of low prices/ better value offers from suppliers.**

*The Government is working with energy suppliers in their development of a fuel poverty helpline. DTI and Defra Ministers have been engaged with suppliers throughout. This proposed GB-wide initiative would encourage customers to take advantage of assistance available to them. We are also working closely with the voluntary sector to ensure that they can act as intermediaries, directing their clients to the most appropriate sources of help.*

*Together with energywatch, Ofgem launched a new campaign in November 2004, under the "EnergySmart" banner. "EnergySmart" has three key messages for consumers: switch supplier and save money; switch payment method and save money; and become more energy efficient and save money. A particular focus of the campaign is encouragement for lower income customers to take advantage of low prices and better value offers from suppliers and the help available to improve energy efficiency.*

- 6 DTI, with support from Ofgem, should vigorously promote the development of a scheme similar to that in the Republic of Ireland which enables direct payments of energy and other bills to be deducted from benefits via the Post Office. The administrative costs are low and so it should be possible to offer a favourable tariff.**

*DTI and Ofgem have held discussions with the Post Office and DWP to try and establish whether this kind of scheme would be feasible in a UK context. This involves consideration of how the most vulnerable customers in society can obtain the best tariffs and payment methods to suit their particular requirements and circumstances, in line with the promotion of financial inclusion.*

- 7 Ofgem should give much more serious consideration to the provision of incentives/obligation/facilitation for tariffs for low income customers. Ofgem has provided very useful guidance on the Competition Act which, in broad terms, suggests that companies have considerable scope for introducing social tariffs. Ofgem has indicated that the energy companies are in the best position to develop such tariffs. Ofgem will need to do more if such tariffs do not emerge soon as part of the normal operation of the market.**

*Ofgem is pleased with the positive response from suppliers to its document "Supplying Low Income and Vulnerable Customer Groups", which was issued in December 2004. This document makes clear Ofgem's view that neither conditions in the supply licences, competition law or other consumer protection law prevents suppliers from developing special tariffs for different groups of low income and vulnerable customers. Ofgem will monitor the development of special tariffs, but does not consider it appropriate or necessary to consider the use of regulatory intervention to make such tariffs a mandatory requirement.*

- 8 Government and Ofgem should work seriously to secure the modernisation of meters and meter reading, and specifically to reduce the costs of prepayment meters.**

*Ofgem has regular discussions with suppliers about the modernisation of meters and meter reading, including ways of reducing the costs of prepayment meters. Ofgem has facilitated competition in metering which allows suppliers to source meters and metering services from providers other than the host distribution business or Transco where this is more cost effective. Ofgem's conclusion from its latest discussions with suppliers is that they are well placed to introduce more innovative and cost effective metering.*

*Ofgem has consulted on how it should use new powers it has under the Energy Act 2004, to extend the range of payments that can be collected through prepayment meters. This may provide an opportunity to reduce costs for prepayment meter customers.*

*Whilst Government and Ofgem recognise that many customers prefer to use the prepayment option, and that the installation of a prepayment meter is a valuable alternative to disconnection of supply, they also believe that many customers*

could use a cheaper payment method, particularly direct debit. One element of the Ofgem/Energywatch “Energy Smart” campaign, launched in November 2004, was the promotion of other payment methods, particularly direct debit.

## Fuel Poverty Programmes

- 9 It is still more important that there should be effective integration of EEC and Warm Front.**

*In Fuel Poverty in England – the Government’s Plan for Action, we stated that we would encourage Warm Front Scheme Managers to work more closely in partnership with other energy efficiency schemes such as EEC. With the new phase of the Warm Front Scheme now underway interaction between schemes will have a key role to play in ensuring that low-income households receive the maximum benefits available and the best customer service.*

## Hard to Treat Homes

- 10 There has been no money for gas network extensions and no assessment by Defra/DTI of the best solutions in different circumstances to address fuel poverty outside the gas supply areas.**

*Both Defra and DTI are committed to ensuring that the full range of solutions is considered for those households and communities off the gas network. The recent changes to Warm Front will enable scheme managers to install oil based central heating systems once other lower carbon options have been considered. The DDU is actively working to evaluate the potential of renewable energy in deprived communities outside the gas network, utilising funding from DTI’s renewables budget. The first community-based models will be rolled out during 2005/06.*

## Other Government Departments

- 11 It is important that other parts of government become more actively engaged on fuel poverty – to refer households to the schemes – so that as many of the available resources as possible can be devoted to energy efficiency measures rather than to marketing.**

*The responses to the recommendations relating to other Government Departments address this point.*

## ODPM

- 12** It will now be important that LAs are given the necessary guidance, training and resources, so that the HHSRS powers can be used.
- 13** More broadly ODPM should give very positive guidance and should provide resources to encourage LAs proactively to use their HHSRS and HMO (houses in multiple occupation) powers, in order to increase energy efficiency in the private rented sector. The barriers to energy efficiency in the private rented sector are so great, that clear-cut regulation is likely to be the only solution – unless the HHSRS and HMO powers can be made effective on energy efficiency.

*ODPM will work hard to ensure that local authorities are given the necessary guidance training and resources to implement the Housing Health and Safety Rating System (HHSRS) and to use HMO powers. The importance of considering energy efficiency in implementation strategies for these parts of the Housing Act 2004 is fully recognised.*

*ODPM have already agreed that local authorities should be informed if a landlord or owner refuses Warm Front or EEC assistance. The authorities can then choose to use this information to trigger an HHSRS inspection of the property. This was done at the request of the Fuel Poverty Advisory Group.*

- 14** The energy companies have money and measures for energy efficiency. LAs have links via their staff to many customers who could benefit hugely from these measures. ODPM should be more proactive in bringing LAs and the energy companies together, so as to enable more LA vulnerable customers to tap into the money available.

*ODPM is working with suppliers and their trade bodies to identify ways in which we can promote their programmes within the housing sector. Decent Homes research currently being carried out should provide further information on how well local authorities and Registered Social Landlords are accessing EEC funding. EST are developing some promotional resources that can be used to help promote better links.*

- 15** ODPM should ensure that there is adequate focus on fuel poverty in renewal/regeneration programmes.

*ODPM have provided FPAG with contacts in renewal and regeneration and hope that new working relationships can be set up on this basis, and link up well with work on the fuel poverty helpline and with Warm Front.*



*Where Eaga identify potential entitlement to Pension Credit, the pensioner's details are passed, with the pensioner's consent, to The Pension Service. The pensioner is then contacted by The Pension Service and where entitlement to Pension Credit is confirmed, benefit is put into payment. The Pension Service, with customer consent informs Eaga of this and Eaga are able to provide the help available under the Warm Front Scheme. The Pension Service is also working with Eaga and Defra in the marketing of the Warm Front Scheme through DWP channels, for example providing leaflets in local outlets, giving information on home visits.*

*The Pension Service is also supporting the campaign by energywatch to raise awareness of the Priority Services Register. Pensions Service staff distribute energywatch leaflets when they visit pensioners and, where appropriate, will signpost people to energywatch. These initiatives tie in well with DWP's Link-Age work, a drive to provide easy access for older people to information about the full range of services (e.g. one stop shops, single telephone numbers, etc).*

**18 We look to DWP to work positively on the proposals discussed for a direct payment scheme similar to that in the Republic of Ireland.**

*DWP intend to focus efforts on promoting the use of direct debit as the method of paying utility bills most advantageous to our customers, and will explore ways of addressing and allaying misgivings about the direct debit process.*

**19 DWP have told us that they will amend the Social Fund guidance, so as to increase the numbers of customers buying new energy efficient fridges rather than inefficient, costly to run, second-hand fridges. We will be discussing the details with them shortly.**

*An amendment to the Social Fund Guide containing the new paragraph DWP undertook to insert has been issued. It makes two specific references to the advantage in overall energy expenditure terms of buying white goods, and is prominently sited in a part of the Secretary of State's community care guidance to which decision makers constantly refer.*

# Chapter 5

## Progress in the Devolved Administrations

### Scotland

#### Figures

- 5.1** The *Fuel Poverty in Scotland Report* was published in April 2004. It provides a detailed analysis of the information available on fuel poverty in the Scottish House Condition Survey 2002. The report uses the definition of fuel poverty set out in the Scottish Fuel Poverty Statement 2002, except where otherwise stated. This definition is similar to that used in England and shows that the number of households in fuel poverty in 2002 was 286,000 (13 per cent). Due to the development of a new system of continuous data collection, these figures will next be updated in 2007.
- 5.2** The Fuel Poverty in Scotland report referred to above concludes that half of the change in fuel poverty since 1996 can be attributed to increases in household incomes; 35 per cent was due to decreasing fuel prices and 15 per cent to improvements in the energy efficiency of the home.

#### Current Programmes

- 5.3** The Central Heating Programme was set up to ensure that all social sector housing and vulnerable private sector households receive free central heating by 2006. The programme for local authority properties was completed at the end of March 2004, and that for Housing Association properties at the end of December 2004. The exception is Glasgow Housing Association which will complete the Programme for their properties by March 2007. In addition, by 2006 all pensioners in the private sector with no central heating will also have benefited from the Programme.
- 5.4** From 10 May 2004, the Programme was extended to replace or upgrade partial or inefficient heating systems for people aged 80 or over in the private sector. So far, over 2,200 systems have been installed and it is anticipated that this part of the Programme will be complete by March 2006.

- 5.5** The Central Heating Programme has to date installed central heating systems to over 52,000 homes. Along with the installation of heating systems, the Programme provides Warm Deal insulation measures, energy efficiency advice and a Benefit Entitlement Check. The latest available information shows a predicted reduction in average annual fuel bills of £356. Research on the first year of the Central Heating Programme has shown an increase in the average NHER of properties surveyed from 3.5 to 6.8 and showed that of the people who were fuel poor, nearly 9 out of 10 of them were lifted out of fuel poverty after receiving measures under the Programme.
- 5.6** The Warm Deal Programme has so far insulated over 200,000 homes, nearly 10 per cent of Scotland's housing stock. The latest information available shows average reductions in annual fuel bills ranging from £99 for tenants of private landlords to £26 for tenants of housing associations.
- 5.7** A theoretical modelling exercise undertaken to look at the impact of fuel price changes indicated that, assuming domestic energy efficiency and household incomes remained static, for every 5 per cent increase in average annual fuel prices an estimated 30,000 more households would become fuel poor. The recent rise in fuel prices means this factor will require careful consideration.

## The Future

- 5.8** The present fuel poverty programmes come to an end in 2006. The trends and indicators emerging from the *Fuel Poverty in Scotland Report* are currently being studied to determine what further steps should be taken to work towards the 2016 target of eradicating fuel poverty. The Scottish Executive Fuel Poverty Forum, whose members come from local authorities, housing associations, energy companies and the voluntary sector, will contribute their expertise to the discussions on the future programmes.

## Wales

### Fuel Poverty Advisory Group for Wales

- 5.9** The Fuel Poverty Advisory Group for Wales convened its first meeting in February 2004. The Welsh Local Government Association chairs the group, which includes representatives from the energy industry, social housing providers, Energy Saving Trust, NEA, Eaga Partnership, energywatch and Help the Aged. The Group is now developing its role to support the delivery and monitoring of the Fuel Poverty Commitment for Wales.

## Current Measures

- 5.10** The Interim Review of the Home Energy Efficiency Scheme (HEES) has been designed to advise on the appropriateness of basing HEES eligibility criteria on receipt of the specified series of benefits and the effectiveness of HEES in removing recipients from fuel poverty. Households who had received HEES heating and insulation measures were surveyed. Analysis of responses suggests that 31 per cent of HEES households were fuel poor before receiving a grant and indications are that approximately half of these households were moved out of fuel poverty after the intervention of HEES.
- 5.11** Benefit Entitlement Checks were introduced into HEES in October 2004. All applicants receive an opportunity to identify whether they are claiming all benefits to which they are entitled. Where applicants are not claiming all benefits, such checks will help them increase their income, and may also help them gain access to HEES.
- 5.12** The contract to manage the Home Energy Efficiency Scheme is currently out to re-tender. The specification for management of the scheme takes forward a number of the technical recommendations of the evaluation of HEES to improve the targeting and management of the Scheme.

## HEES pilots

- 5.13** During the winter season 2003/04 an oil pilot programme was carried out as part of the HEES programme. The aim of the pilot was to determine if this form of heating was an effective and economical alternative for those homes off the gas network. Oil central heating was installed in 52 properties, with reported savings averaging over £25 per month. However, some difficulties were experienced with oil central heating installation, mostly a result of the types and locations of houses encountered. The Assembly Government is currently considering whether oil central heating will be introduced into the Scheme as a main measure.
- 5.14** A solid fuel pilot is also being undertaken under HEES, with up to 50 HEES eligible properties receiving coal fired central heating. The pilot is targeted at areas where no mains gas is available, and all applicants are made aware of the range of heating options that may be available to them under HEES. The pilot programme is intended to ascertain costs, technical and user issues prior to a decision being taken to include these options within the main scheme.

## Piloting of Renewables

- 5.15** The Assembly Government is also committed under its Sustainable Development Action Plan to establish, by 2006, pilot projects that explore the potential of using renewable energy solutions. These pilots will target low income vulnerable households, particularly those unable to benefit from traditional improvement solutions.

## Extending the gas network in Wales

- 5.16** In partnership with Pembroke County Council, and building on the success of the Llay mains gas extension project, Transco Affordable Warmth has developed a programme to extend the gas network into the Mount Estate, Milford Haven. The estate comprises around 500 homes, of which around 400 are owned by the Council, and also two roads of private bungalows. With support from the Welsh Assembly Government, through its HEES programme, new gas central heating will be installed to all occupied council properties, and also owner occupied households which are HEES eligible. HEES funding is expected to lead to gas central heating being installed in up to 225 properties, with over half of these already complete.

## Northern Ireland

### Estimated Number of Fuel Poor Households

- 5.17** The 2001 Northern Ireland House Condition Survey (HCS) found that there are 203,000 fuel poor households in Northern Ireland (33 per cent of all households). These are the first reliable figures for fuel poverty in Northern Ireland. 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 has carried out an interim HCS in 2004, which will provide an update on the baseline Fuel Poverty figures provided from the 2001 HCS. The results from the interim 2004 HCS should be available in late 2005.
- 5.18** The interim target for Northern Ireland is to have assisted at least 40,000 households in fuel poverty by 2006, mainly through the Warm Homes Scheme, and this is on track for achievement.



systems. Outside the gas area, these will be oil-fired systems. In each of the last four years, approximately 9,000 heating systems a year have been replaced or improved. Most Housing Executive properties are insulated to modern standards and, where necessary, insulation levels are upgraded in ongoing maintenance programmes.

- 5.24** The Warm Homes Scheme, introduced in April 2001 to replace the Domestic Energy Efficiency Scheme, has now provided insulation and heating measures to approximately 22,000 homes in the private sector. DSD funding for the current year stands at £11.8 million, with £1.5 million a year coming from the Northern Ireland Energy Efficiency Levy.
- 5.25** In the past year NIHE invested in excess of £35 million, sourced from DSD, in its own stock on energy efficiency improvements. It also invested substantially in private sector grants (some of which included energy efficiency measures) and worked with a range of other organizations such as Bryson House, NIE and the Northern Health Board, to alleviate fuel poverty through partnership projects. DSD will continue to provide this funding, as well as reviewing how effectively resources are being targeted overall.





- 6.9** Basic estimates produced by ODPM suggested that for the entire housing stock there might be 500,000 dwellings not fully addressed by the fitness standard with individual cold, damp and mould hazards arising from poor energy efficiency. Actual figures may be higher or lower than this estimate but will become apparent over time as inspections take place. The risk based system will allow local housing authorities to prioritise work based on those properties in the worst condition, and we expect interventions on this basis to produce health gains for tenants and residents.
- 6.10** The 2004 Act provides for statutory guidance to local authorities on the use of their HHSRS powers. In this guidance, which will be introduced, subject to Parliamentary approval, later in 2005, ODPM will recommend that authorities are informed (1) when a landlord or owner refuses a Warm Front grant or declines to reply to enquiries from a Warm Front Scheme Managers and (2) where the landlord has refused free measures for Priority Group customers under the Energy Efficiency Commitment. This information can then be taken into account by authorities in considering whether the property should be inspected in order to establish whether action is needed to protect the tenant from a cold, damp or mould hazard affecting the property.

## **EU Directive on the Energy Performance of Buildings**

- 6.11** The Government is required to phase in implementation of the EU Directive on the Energy Performance of Buildings from January 2006. The Directive will require the certification of all residential dwellings at the point of sale and rental. Certification will also apply in the commercial sector and in addition, there will be minimum requirements on the energy performance of new buildings, and of large buildings undergoing major renovation within the European Community. The Government is currently considering arrangements for phasing in the Directive.
- 6.12** Energy Performance Certificates will include a variety of information on the energy efficiency of the property and on the fuel costs for heating the building. It is hoped that the certificates will help inform the choices of prospective tenants or buyers, and encourage owners or landlords to carry out energy efficiency work on their properties. For marketed sales the energy performance certificates will form part of the Home Information Pack that sellers will be required to provide to potential buyers under the Housing Act 2004.



- 6.17** The potential impact of these price increases on progress towards meeting the targets set out in the UK Fuel Poverty Strategy means that efforts will have to be focused on finding the most sustainable or “future proof” ways of tackling fuel poverty. It is not Government policy to intervene in the market itself or to act to influence prices. There is thus a continuing need for action to improve both energy efficiency and incomes for those who are most susceptible to fuel poverty and its impacts. Close partnership with the energy industry, and initiatives to educate and reach the most vulnerable consumers will also come into sharper focus.

### **Home Energy Conservation Act Review (England)**

- 6.18** Since 2000 we have asked energy conservation authorities to report on their policies, strategies and achievements in tackling fuel poverty as part of their statutory reporting requirement to complete annual returns under the Home Energy Conservation Act 1995. Fulfilling an Energy White Paper commitment, we will be carrying out a review of the guidance issued to energy conservation authorities.

# Glossary

Defra	Department for Environment, Food and Rural Affairs
DDU	Design and Demonstration Unit
DSD	Department for Social Development (Northern Ireland)
DTI	Department of Trade & Industry
DWP	Department for Work & Pensions
EEC	Energy Efficiency Commitment
EHCS	English House Condition Survey
ERA	Energy Retail Association
EST	Energy Saving Trust
FPAG	Fuel Poverty Advisory Group for England
HCS	House Condition Survey (Northern Ireland)
HEES	Home Energy Efficiency Scheme (Wales)
HHSRS	Housing Health & Safety Rating System
HMO	Houses in multiple occupation
ISMI	Income Support for Mortgage Interest
LA	Local Authority
LASP	Local Authority Support Programme
NEA	National Energy Action
NHER	National Home Energy Rating
NIFPAG	Northern Ireland Fuel Poverty Advisory Group
ODPM	Office of the Deputy Prime Minister
Ofgem	Gas & Electricity Markets Authority
PSR	Priority Services Register
SAP	Standard Assessment Procedure
WFP	Winter Fuel Payment



