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dti

The UK Fuel Poverty Strategy

**1st ANNUAL
PROGRESS REPORT**

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DSD

Department for
Social Development



SCOTTISH EXECUTIVE



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

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Available on the Internet

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Ministerial Foreword

We are pleased to present this, the first in a series of annual reports on the progress of the Government's Fuel Poverty Strategy. Tackling fuel poverty is one of the core objectives of the Government's wider policies on energy and social inclusion.

We remain committed to the targets for reducing fuel poverty set out in our UK Strategy. We have – together with a number of key players – made progress since its publication. Working towards these targets draws together several Government Departments, energy suppliers, local authorities, scheme managers, the health sector, and voluntary and charitable bodies to ensure help to those households in need.

This factual update gives an indication of where we are now. The headline figures are encouraging, with the overall number of households in fuel poverty, based on 2001 data, down significantly to under 2 million in England, and in the region of 3 million in the UK. Since these figures were collected the major fuel poverty programmes such as Warm Front and Warm Deal, and the new Energy Efficiency Commitment on energy suppliers, have all increased their activity. So the signs are positive.

This is the first progress report, providing information to better inform public concern about fuel poverty and the development of Government policies and programmes aimed at tackling the problem. The English House Condition Survey, which provides the underpinning data on the majority of homes affected by fuel poverty, will now report annually, so we can provide a regular and accurate measure of progress.

We know we have a long way to go. We know that we don't have all the answers. But we are making progress, and increasingly getting a better sense of what the real questions are. The Strategy is not set in stone: better understanding will ensure that the scope of programmes and the level of resources can be tailored to meeting the needs of households in fuel poverty. There are some difficult problems to tackle, and we look forward to working with the Fuel Poverty Advisory Group and others to find solutions.

During the last year we established the Fuel Poverty Advisory Group for England. Their report to Ministers is being published at the same time as this one. We are grateful to the members of the Group for their work, focussing on the delivery of measures to combat fuel poverty, to produce innovative ideas and an outcome-oriented view of Government priorities. We welcome the recommendations in their report and will be working with the Group to take them forward.



A handwritten signature in black ink, appearing to read 'Brian Wilson'.

BRIAN WILSON MP,
MINISTER OF STATE FOR ENERGY AND CONSTRUCTION



A handwritten signature in black ink, appearing to read 'John Whitty'.

LORD WHITTY OF CAMBERWELL,
PARLIAMENTARY UNDER SECRETARY (LORDS)

This is the Government's first report on progress under the UK Fuel Poverty Strategy. The report provides an update on actions since the publication of the UK Fuel Poverty Strategy in November 2001 and highlights some key areas for attention during the coming year. More detailed supporting information is available in the internet edition of this publication.

The Strategy has continued to develop over the past year. A consultation on a clarification of the Strategy in relation to non-vulnerable households has been carried out and responses are currently being considered. Progress has been made in the Devolved Administrations with the Scottish Executive having issued its Fuel Poverty Statement for Scotland and reported on progress with its Central Heating programme. The National Assembly for Wales has also consulted on its fuel poverty commitment. Some progress has also been made towards ensuring a more consistent definition of fuel poverty in the four countries of the UK.

Progress on dealing with fuel poverty has been encouraging. There has been a considerable reduction in the number of

households in fuel poverty. It is estimated that in the UK the number of households in fuel poverty has fallen by about 2½ million since 1996, down to about 3 million in 2001. Much of this reduction is thought to be due to changes in incomes and energy prices.

Whilst energy prices are not expected to reduce fuel poverty to the same extent in the next few years, a number of changes have been made to the benefits system, which will have helped improve the incomes of vulnerable households. Further measures, such as the Pension Credit, are to be implemented in the coming year.

We also expect to see a greater improvement to the energy efficiency of the homes of the poor. During the year the Energy Efficiency Commitment replaced the Energy Efficiency Standards of Performance – leading to a significant increase in the estimated energy savings to be achieved through electricity and gas suppliers' delivery of energy efficiency measures. Energy suppliers have continued to deliver schemes aimed at low income groups to tackle fuel poverty, and new schemes have been developed, which will help suppliers to meet their target

that 50 per cent of the benefits from EEC should go to low income customers. The Warm Front scheme, and its equivalents in the Devolved Administrations, are now operating, resulting in improvements to the energy efficiency of the housing of the poor.

It is obviously important to keep schemes and initiatives under review so that we ensure maximum effectiveness and impact. A review of Warm Front is currently under way, and a report of its findings will be available in 2003. An evaluation of the health impacts of Warm Front is also being carried out, with reporting expected later in 2003. An evaluation of the five pilot Warm Zones launched in 2001 is currently under way, with an interim report expected in 2003. The Decent Home standard has been refined following consultation, and the impact of the Decent Home standard will be monitored.

The Fuel Poverty Advisory Group (FPAG) for England has an important role to play in ensuring that progress is made and targets are met. The Group was set up early in 2002, and has considered various issues at its meetings through the year including the Decent Homes Standard, hard to treat homes, those without access

to mains gas, energy efficiency advice, energy company fuel poverty schemes, Warm Front, EEC, and links with other Government programmes. The Group has reported to Ministers, and their first annual report has now been published.

The Government remains committed to tackling fuel poverty. Key areas that will need to be considered in the coming year include the results of the various evaluations and reviews that are under way, future budget requirements, further work on tackling hard to treat homes, skills shortages, and rural fuel poverty issues. We will work with the Group in response to their recommendations during the year.

Many programmes across Government have an important role to play. Ensuring that these are co-ordinated effectively to achieve our targets is a critical part of our strategy. A number of Departments are involved and play key roles in taking forward the Fuel Poverty Strategy. We will continue to work together, along with the Fuel Poverty Advisory Group, to achieve our goal of ending fuel poverty as far as practicable. We will continue to review and revise policies in the light of practical experience.

Chapter 1

Targets

- 1.1 When the UK Fuel Poverty Strategy was published in November 2001 the stated goal of the Government and the Devolved Administrations was to seek an end to the problem of fuel poverty, and in particular to seek an end to the blight of fuel poverty for vulnerable households by 2010. Fuel poverty in other households was to be tackled once progress had been made on the priority vulnerable groups.
- 1.2 A consultation was carried out towards the end of 2002 on a clarification of the Strategy in relation to non-vulnerable households. It was proposed that the strategy be amended as follows:

The goal of the Government and the Devolved Administrations is to seek an end to the problem of fuel poverty. In particular they will seek an end to the blight of fuel poverty for vulnerable households by 2010. In England the Government will seek an end to fuel poverty for vulnerable households and non-vulnerable households living in social housing as far as reasonably practicable by 2010. Fuel poverty in other 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.

Responses are currently being considered.

- 1.3 The Scottish Executive has stated, in The Scottish Fuel Poverty Statement, August 2002 www.scotland.gov.uk/library5/environment/sfps-00.asp that their overall objective is:-

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

- 1.4 The Welsh Assembly Government have stated, in their consultation on A fuel poverty commitment for Wales, October 2002 www.wales.gov.uk/subihousing/content/consultationpapers/energy-conservation-e.doc, that:-

While it is our intention and first priority to end fuel poverty in vulnerable households by 2010, we recognise that other less vulnerable groups may also suffer fuel poverty. Accordingly we will seek an end to fuel poverty amongst non-vulnerable households in social housing by 2012, and intend to work further in partnership with other interested groups in order that as far as reasonably practical no households in Wales should live in fuel poverty beyond 2018.

- 1.5 The Department for Social Development in Northern Ireland has yet to publish their consultation document, and so their targets remain as set out in the UK Fuel Poverty Strategy of November 2001.

1.6 Individual interim targets have been set for the individual countries of the UK to provide milestones against which our progress can be tracked. These are currently as follows:-

1.7 England

Within the overall target for 2010, the interim target for England is that, by 2004, 800,000 vulnerable households will be assisted through the Warm Front programme, and the number of non-decent social sector properties will be reduced by one third (although not all of these will require energy efficiency improvements nor be occupied by fuel-poor households).

1.8 Scotland

OUTCOME MILESTONES

These are subject to review in 2003 in the light of data from the 2002 Scottish House Condition Survey (SHCS), and milestone years will be reviewed if the data collection cycle changes.

- By 2006 – to have achieved a 30 per cent reduction in the total numbers of people in fuel poverty in Scotland as shown in the 2002 Scottish House Condition Survey.

- By 2010 – to have achieved a further reduction in the total numbers of people in fuel poverty in Scotland between 2006 and 2010 – target to be quantified once 2002 SHCS data become available.

PROCESS MILESTONES

- By April 2004 – through the Scottish Executive's Central Heating Programme, all council houses in Scotland outside Glasgow will have central heating (to be complete in Glasgow within 5 years after transfer of local authority housing stock).
- During 2004 – through the Scottish Executive's Central Heating Programme, all Housing Association tenants to have central heating.
- By March 2006 – through the Scottish Executive's Central Heating Programme, all private sector elderly households to have central heating.

1.9 Wales

- By March 2004 to have assisted 38,000 vulnerable households, mostly in the private sector, through the Home Energy Efficiency Scheme (HEES).
- By March 2007 to have assisted 95,000 households through HEES.

- Between September 2002 and the end of 2006 (at the latest), local authorities and Registered Social Landlords must assess the condition of their stock, finalise and implement a programme for the repair and improvement of the stock to meet the Welsh Housing Quality Standard by 2012.
- A target will be set, which will not exceed March 2018, for helping non-vulnerable people living in fuel poverty, once information has been received from the Welsh Household and Dwelling Survey in 2004.

1.10 Northern Ireland

By 2006 to have assisted at least 40,000 households in fuel poverty, mainly through the new Warm Homes Scheme.

UK definition of fuel poverty

- 1.11 At the time of publication of the UK Fuel Poverty Strategy, there were differences in the definitions of fuel poverty used by the four countries of the UK, and the Government gave a commitment to working towards a consistent definition across the UK. Whilst some progress has been made, there is not yet uniformity.
- 1.12 The definitions used for England in the UK Strategy were based on households being defined as fuel poor if, in order to maintain a satisfactory heating regime, they were required to spend more than

10 per cent of their income on all household fuel use. This assumes that a satisfactory heating regime is one where the main living area is at 21°C, with 18°C in other occupied rooms. It is assumed that heating is available for 16 hours per day for households likely to be at home all day, and 9 hours per day for households in work or full time education. It is assumed that the whole house is heated except where the household is underoccupied, when it is assumed that half of the house is heated.

- 1.13 Following consultation two definitions of “income” were given in the Strategy document – the first (used for calculating the Strategy’s targets) included all benefits received, while the second (included to facilitate historic comparisons) excluded Housing Benefit and Income Support for Mortgage Interest from “income”. Figures on the number of households in fuel poverty will be provided on both bases.
- 1.14 Following a consultation on their fuel poverty statement, Scotland has now set their definition to be broadly in line with that agreed for England, with “income” defined to include Housing Benefit or Income Support for Mortgage Interest. One difference that remains is that, in Scotland, the satisfactory heating regime for elderly and infirm households is set at 23°C in the main living area and 18°C in other rooms. It is estimated that the use

of this temperature definition in England might result in an increase in the number of households defined as fuel poor of around 0.1 million. Previously two definitions were used in Scotland, one based on all fuel use, and the other on fuel used for heating only. Additionally the income was formerly based on the income of the head of the household and their partner only. This has now been amended so that the income is based on that of all members of the household, as in the definition for England.

- 1.15 The Welsh Assembly is still considering the position with respect to the definitions of income, and plans on exploring this further, once reliable data becomes available, in order to assess the impacts of the different definitions. However, in order to contribute to monitoring progress against the UK Strategy, the Welsh Assembly will monitor the number of households in fuel poverty using the same definition as in England. Previously figures for households eligible for the Home Energy Efficiency Scheme have been used as a proxy for the numbers in fuel poverty.
- 1.16 Northern Ireland's definition of fuel poverty will be subject to consultation.

Chapter 2

Measures for tackling fuel poverty – actions over the past year

ENERGY EFFICIENCY

Warm Front

- 2.1 The Government's main programme for tackling fuel poverty in the private sector in England is the Home Energy Efficiency Scheme, now marketed as Warm Front. The scheme is funded by the Department for Environment, Food and Rural Affairs (Defra) and was launched in June 2000. The scheme provides packages of insulation and heating measures worth up to £2,500 to private sector households, in receipt of certain benefits.
- 2.2 Since its launch, the Scheme has assisted in excess of 500,000 households, helping to improve the comfort levels and living conditions of some of the most vulnerable members of society.
- 2.3 Defra is currently undertaking a review of the Scheme to assess the effectiveness of its delivery, the issues faced, solutions found, examples of best practice, and future priorities. The review will be completed during 2002-03, and a report of its findings will be produced. The National Audit Office (NAO) are also carrying out a review of Warm Front.
- 2.4 Also under way is a 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. The study will also investigate the impact of Warm Front on

the utilisation of health care services.

The study is running over two winters with a report expected in late 2003.

For more details see www.est.org.uk/est/documents/warm_front.pdf.

Energy Efficiency Commitment

- 2.5 The Energy Efficiency Commitment (EEC) for 2002-05 was introduced in April 2002. Under the EEC, electricity and gas suppliers must meet targets for the promotion of improvements in domestic energy efficiency. They do this by encouraging and assisting consumers to take up energy efficiency measures, such as insulation and heating measures, and energy efficient appliances and light bulbs.
- 2.6 The EEC will contribute to the alleviation of fuel poverty since suppliers must focus at least 50 per cent of energy savings on a priority group of low-income consumers. Expenditure on EEC has been estimated at about £150 million a year over the three year period. That is significantly more than under Energy Efficiency Standards of Performance, the scheme which EEC replaced. Defra and Ofgem are planning to undertake monitoring and evaluation of the energy and carbon savings for the EEC. This will involve field measurements of EEC measures installed in homes to assess the assumptions on which the estimated savings are calculated.

Warm Zones

- 2.7 Warm Zones is a Government-supported trial to systematically address fuel poverty within five specified geographical areas across England. The trial zones, established to run over a three year period from April 2001, have two key objectives for their area: to reduce fuel poverty by 50 per cent and to eliminate severe fuel poverty (where a household needs to spend more than 20 per cent of their income on fuel) by the end of the pilot. www.warmzones.co.uk.
- 2.8 To achieve this, a range of approaches is used. Effective co-ordination of activity by local authorities, energy utilities and voluntary groups to identify fuel poor households is considered a key factor in their success. The zones are based in Stockton on Tees, Newham, Sandwell, Northumberland and Kingston upon Hull; each is supported by an energy supplier and the relevant local authorities.
- 2.9 The aim is to provide a comprehensive package of energy efficiency measures, by drawing on funding from existing programmes such as Warm Front, Energy Efficiency Commitment and by negotiating funds from new sources. The approach of installing measures is complemented by 'soft' measures such as energy efficiency and financial advice. The scheme aims to secure cost efficiency by using concentrated and co-ordinated

activity. An independent evaluation of the pilots is currently under way, with an interim report expected later in 2003. www.est.org.uk/est/documents/warm_zones_evaluation_1_summary.pdf

Decent Homes

- 2.10 The Government has a target to ensure that all social housing is in decent condition by 2010. Classification of a decent home is determined by four criteria, one of which is that it provides a reasonable degree of thermal comfort.

Change to thermal comfort criterion

- 2.11 In November 2001, the Office of the Deputy Prime Minister (ODPM) consulted on a change to the detail of the thermal comfort criterion. This followed concerns expressed by some social landlords over the previous definition, which had required a household to be free from fuel poverty. It was accepted that it was unreasonable to ask social landlords to measure the level of fuel poverty as a component of the decent home target, as it had already been accepted that this measurement was too difficult to implement for the Government's own fuel poverty strategy.
- 2.12 Following the consultation, in February 2002, ODPM refined the detail of this measure requiring homes to have effective

insulation and efficient heating – gas or oil central or programmable heating, or electric storage heaters.

www.housing.odpm.gov.uk/information/consult/decenthome/index.htm

Revised guidance on the Decent Home standard

2.13 Revised guidance on the Decent Home standard and its implementation was issued in March 2002. This emphasised the fact that the standard was the minimum which all social housing must achieve by 2010, and should be seen as a trigger for action by landlords rather than as a benchmark standard for landlords to improve dwellings to. The guidance also makes it clear that, where landlords are carrying out works to a dwelling, they should carry out an appropriate package of work, which may go further than dealing with the minimum required to bring the dwelling up to the Decent Home standard. For example, where they are carrying out works to a dwelling that had failed on heating, they should consider other energy efficiency issues at the same time, for example to maximise insulation, even though the dwelling might already have more than the minimum loft insulation set out in the definition. Where roof work is undertaken, a landlord should also consider upgrading insulation. We therefore expect that dwellings that receive work will not just be brought up

to the minimum Decent Home standard, but will be improved beyond the standard.

www.housing.odpm.gov.uk/information/dhg/definition/index.htm

ENERGY MARKETS

Energy prices

- 2.14 The Strategy recognised the important role that energy prices play in fuel poverty, with about half of the fall in fuel poverty since 1996 being due to energy price reductions. Between 2001 and 2002 the prices paid by households for gas have risen in real terms by around 3½ per cent, however at the same time electricity prices have fallen by about 2 per cent in real terms. This, in isolation, may have increased the numbers in fuel poverty slightly; but, when changes in incomes and energy efficiency are taken into account it is likely that these will offset the increase in fuel costs, so the net effect will not be an increase in fuel poverty.
- 2.15 Domestic consumers can still make significant savings on their fuel bills by switching supplier, and by changing to the cheapest payment method (usually direct debit). For example, in 2002 a gas customer, paying by standard credit, with average sized consumption levels could save, on average £53 (16 per cent) on a years bill by switching from their home supplier. For electricity comparable savings are £23 (9 per cent). If they

switched to paying by direct debit at the same time the savings would have been greater – £68 (21 per cent) for gas and £33 (13 per cent) for electricity.

Switching to cheaper suppliers has the potential to help the fuel poor.

- 2.16 In November 2001 the DTI undertook a consultation exercise regarding concerns about gas prices and possible improvements to market efficiency. The response to this consultation was published by DTI on 14 November 2002 www.dti.gov.uk/energy/domestic_markets/gas_market/gasresponse.shtml. This concluded that the fundamental reason for movements in gas prices has been the influence of trade with continental Europe across the interconnector pipeline which is essential for the UK's winter gas requirements and future security of supply. To address the increases in gas prices the Government is continuing to press for liberalisation and competition in energy markets both here and on the continent.

The Regulator's Social Action Plan

- 2.17 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.

- 2.18 During 2002 Ofgem has concentrated on a number of priority areas. These included publishing the results of 'mystery shopper' research into the quality of energy efficiency advice provided by energy suppliers, and considering further steps needed to promote good quality advice. Having discussed the research findings with individual suppliers, Ofgem is consulting on the next steps to ensure performance is improved. This includes working with the Energy Efficiency Partnership for Homes on a new quality standard for energy efficiency advice – see www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/404_31oct02.pdf.

- 2.19 Together with energywatch, Ofgem established an advisory group, including representation from consumer groups and fuel companies, to help identify good practice in debt prevention and management. The group's work fed into a report recommending a series of guidelines for energy suppliers to adopt. In consideration of views on these issues, Ofgem and energywatch will continue to work with suppliers on the development of effective strategies to implement the guidelines – see www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/1693_finalsep02.pdf.

- 2.20 Under the Social Action Plan, Ofgem has continued to work with suppliers to achieve reforms in the practice of 'debt blocking', to enable customers in debt to

transfer suppliers. Following a trial, which was supported by Ofgem, the major domestic retail suppliers developed proposals for a debt assignment protocol. This would enable many prepayment meter customers, whose transfer to another supplier would normally be blocked, to switch, taking their debt with them when they move to a new company. At the end of the year, Ofgem was consulting on making the protocol a regulatory requirement for all domestic suppliers – see www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/399_31oct02.pdf.

- 2.21 In October 2002, Ofgem launched a joint campaign with Age Concern and energywatch, primarily focussing on encouraging more older people to switch suppliers in order to save money. A specially designed leaflet, available through local Age Concern offices, contains advice for older people on how to go about changing their supplier and how to deal with doorstep sales tactics. The leaflet also contains useful information about how customers can access additional services from their supplier by joining the Priority Service Register, and receive advice about energy efficiency and claiming winter fuel payments.
- 2.22 During the year, Ofgem published the results of several research projects – see www.ofgem.gov.uk/temp/ofgem/cache/

cmsattach/265_5march02c.pdf.

These included research into the potential for a ‘Factor Four’ service model designed to integrate four key areas: energy advice; budgeting and money advice; take up of energy efficiency measures; and bill payment. Ofgem have continued to work with suppliers and the Department for Work and Pensions on improvements to the operation of the fuel direct scheme.

Company schemes

- 2.23 Energy companies have continued to maintain and expand existing schemes aimed at the fuel poor, and have developed some new ones over the past year.
- 2.24 In the past year the DTI has carried out a survey obtaining information on the fuel poverty related schemes that the energy companies are operating. It appears from this that companies are using their Energy Efficiency Standards of Performance (EESoP – now replaced by the Energy Efficiency Commitment, EEC) funds to help finance these schemes. More detailed analyses of the impact of these schemes on households is available at www.dti.gov.uk/energy/consumers/fuel_poverty/companyschemes.pdf. Overall, based on the information received, company schemes have assisted around 1 million households in 2001, saving customers, on average around £40 on their annual fuel bills. There is a great

variation in the measures available under the schemes; some can result in savings for a household of a few pounds each year, whilst others can lead to savings of a few hundred pounds each year.

Energywatch

- 2.25 Energywatch is the statutory body responsible for representing the interests of gas and electricity consumers and has a specific duty to have regard for low-income and vulnerable consumers, many of whom will be living in fuel poverty. Since publication of the Fuel Poverty Strategy in November 2001, energywatch has been lobbying to raise the profile of the problems that low-income consumers face when paying for their energy. Energywatch has campaigned to tackle inequalities in tariffs and payment methods, and structural barriers such as debt blocking that combine to penalise those who do not, or cannot, benefit from the competitive market.
- 2.26 Tackling fuel poverty has also been the principal objective of energywatch's outreach programme. Consumer advisors have set out to actively target consumers who would be unlikely to seek out help and advice. Additionally energywatch has conducted a number of presentations and talks, briefing third party advice-givers on the main issues that affect low-income and vulnerable consumers in relation to their energy supply.

- 2.27 Energywatch have co-developed a Good Practice Guide, with Ofgem, aimed at reducing the high levels of debt among energy consumers. Many other activities have also benefited fuel poor consumers, such as work to stamp out mis-selling, and a campaign to increase the levels of consumers who switch supplier.

SOCIAL INCLUSION

- 2.28 Poverty and social exclusion are complex and multi-dimensional problems that have built up over many years. The Government is determined to tackle the causes of poverty and social exclusion, not just the symptoms. The Government has already introduced a number of measures to improve the incomes of vulnerable people, with further changes to come in 2003.

Pensioners

- 2.29 The Government wants all pensioners to have a decent and secure income in retirement and to share fairly in the rising prosperity of the country. The Government's first priority has been to help the poorest pensioners. From April 2002 the Government is spending £6 billion extra in real terms on pensioners as a result of new policies since 1997: £2.5 billion of this is going to the poorest third of pensioners. The Minimum Income Guarantee (MIG) introduced in April 1999 has boosted the income of the poorest pensioners, and from April 2002,

no pensioner has to live on less than £98.15 a week: for couples, the MIG is worth £149.80 a week. In April 2002, the Basic State Pension rose by £3 a week for single pensioners to £75.50, and by £4.80 for couples to £120.70, building on the previous year's increases.

- 2.30 The Government has also introduced Winter Fuel Payments (WFP) for older people. The WFP was doubled to £200 a year in winter 2000/2001 for qualifying households. The Government has also introduced free TV licences for the over 75s, worth £112 in 2002. Both the WFP and TV licences are tax free and not means-tested.

Families and children

- 2.31 The Government is ensuring all children get the best start in life through far-reaching reform of the tax and benefits system to improve family incomes and by helping parents into work and targeting help to those most in need.
- 2.32 As a result of tax and benefit changes announced by this Government, all families with children will be, on average, £1,200 a year better off in real terms by 2003, compared with 1997. Families with children in the poorest fifth of the population will be on average £2,400 better off. Child Benefit for the first child has been increased by 25 per cent in real terms since 1997. Child Benefit increased

to £15.75 from April 2002 for the first child and £10.55 for all other children. There is also extra support for the poorest children – allowances for the under-11s in Income Support and the other income-related benefits almost doubled in real terms by October 2002, and increased by a further £3.50 per week in that month. The disabled child premium in the income-related benefits increased by £7.40 a week more than the normal uprating in April 2001, and again in April 2002 by another £5 more than inflation, to £35.50 a week. This is benefiting the families of around 80,000 children with disabilities. Sure Start Maternity Grants (SSMG) are now worth up to five times as much as the Maternity Payments they replaced, and provide more help to the most needy families. The capital limit applying to SSMGs was removed from October 2001, and the amount increased to £500 from April 2002, in respect of children due, born, adopted or the subject of a parental order on or after 16 June 2002.

- 2.33 Working Families' Tax Credit (WFTC) gives UK families with one child and one person in full time work on National Minimum Wage a minimum income guarantee of £231 per week. This is boosting family incomes – over 1.3 million families looking after over 2.6 million children are getting an average of £85.83 per week WFTC. Children's Tax Credit is worth up to £520

since April 2001. It has been raised by a further £10 to £20 a week in the year of a child's birth from April 2002.

THE ROLE OF THE HEALTH SECTOR

- 2.34 The links between cold, damp homes and poor health have long been recognised. As such the health sector has an important role to play in tackling fuel poverty. The UK Fuel Poverty Strategy has been widely promoted amongst health professionals and carers. They are encouraged to identify vulnerable households, to advise how assistance might be sought to alleviate fuel poverty and to work in partnership with other local services, the benefits and voluntary agencies to develop appropriate referral procedures.

Promoting Fuel Poverty awareness in the health sector

- 2.35 The Government recognises the key role of external and voluntary organisations in combating fuel poverty and improving energy efficiency. The Public Health Minister has keenly supported a series of regional seminars organised by the charity National Energy Action and supported by Defra, DTI, and DoH through the active participation of the Regional Directors of Public Health. The seminars are aimed at increasing awareness of the health benefits of

combating fuel poverty amongst senior health professionals, local authorities and voluntary sector groups and provide a valuable forum for sharing good practice and exchanging ideas. The seminars have already provided encouraging examples of how local partnerships and referral networks are being successfully developed to co-ordinate and target action to alleviate fuel poverty.

Health Inequalities

- 2.36 In July 2002, the Government completed its Cross-Cutting Spending Review on Health Inequalities ('the Review'), part of the most recent spending round which determined spending priorities from 2003-04. The Review provided an opportunity for the whole Government to focus on health inequalities and establish priority areas for action to deliver the national targets. A summary of the Review was published in November 2002 and is available at www.doh.gov.uk/healthinequalities/ccsrsummaryreport.htm.
- 2.37 The Review set out the long-term strategy to reduce health inequalities and identified ending fuel poverty as a targeted intervention, aimed particularly at vulnerable households.
- 2.38 The results of a public consultation conducted in Autumn 2001, the priorities agreed in the Review, and delivery plans from Government departments (including

the Department of Health) will feed into a cross-Government Delivery Plan for tackling health inequalities that will be published early in 2003. This will set out the priorities for action across Government, including local government and in the NHS, in partnership with the community, voluntary and business sectors.

Shifting the Balance of Power

- 2.39 Work is continuing on Shifting the Balance of Power to introduce reforms driving a more locally focused delivery of public health services, where Primary Care Trusts play a central role. As local organisations, Primary Care Trusts are best placed to tackle health inequalities at a 'grassroots' level by working in partnership with other organisations such as NHS Trusts, Local Authorities, the voluntary sector, independent sector and local communities. The actual process used for engagement of partners varies and is dependent on the variety of stakeholders in the health system. Through this process, health partnerships are developing comprehensive local programmes with shared ownership from all stakeholders in the health community to improve health and tackle inequalities such as fuel poverty.

Health Action Zones

- 2.40 Health Action Zones (HAZs) were established in 1998-99 in some of the most deprived areas of England and tasked with finding new and innovative ways of tackling health inequalities and reducing levels of deprivation in their local communities through partnership working. HAZs are well placed to share their knowledge and ways of working with Primary Care Trusts and Local Strategic Partnerships.
www.dti.gov.uk/energy/consumers/fuel_poverty/casestudies.pdf

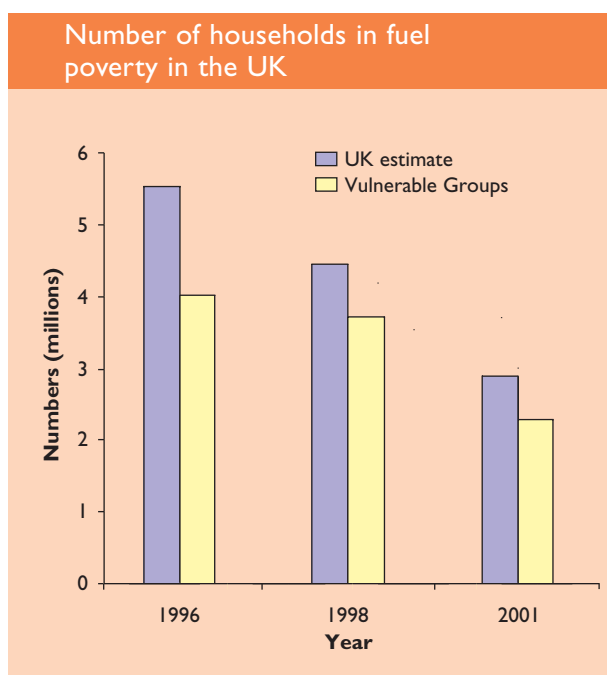
Keep Warm, Keep Well Campaign

- 2.41 Each winter the Department of Health in conjunction with several voluntary organisations operates a 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 giving advice on maximising energy efficiency, heating and insulation and obtaining assistance for grants to heat and insulate the home are produced in several languages for wide distribution.
www.doh.gov.uk/kwkw

Chapter 3

Progress on tackling fuel poverty in the UK

3.1 In 1996 there were thought to be around 5½ million fuel poor¹ households in the UK (about 4 million of which were deemed to be vulnerable). Latest estimates, on a comparable basis, suggest that this figure fell to around 3 million in 2001 (about 2 million of which were deemed to be vulnerable). This represents considerable progress, much of which is thought to be due to changes in incomes and energy prices (in roughly equal shares). Good progress has also been made in improving the energy efficiency of housing. However, much work remains to be done to make further significant reductions in the numbers living in fuel poverty.



¹ Fuel poverty defined as occurring when a household needs to spend more than 10 per cent of its income to achieve an adequate standard of warmth. Income defined to include Housing Benefit and Income Support for Mortgage Interest.

3.2 Many of the energy efficiency schemes that have been developed with the specific aim of tackling fuel poverty have only really begun to impact upon significant numbers of households during 2001 and 2002, so we can expect that in future years a greater reduction in fuel poverty will be a result of energy efficiency measures.

3.3 There remain difficulties with tracking progress on a UK wide basis – The figures for fuel poverty are only produced on a country by country basis, using different surveys, and in the past, varying definitions and methodologies. At the time of writing figures for 2001 for England are only just becoming available, the latest figures for Scotland relate to 1996, for Wales 1997/8, and for Northern Ireland 1995-1998. However, this should improve in the future as countries are looking to produce updated figures on more consistent definitions, and in some cases on a more frequent basis.

3.4 The Fuel Poverty Monitoring and Technical Group, chaired by DTI, has continued to take forward the monitoring of fuel poverty. The suite of indicators that this group developed, as set out in the UK Fuel Poverty Strategy of November 2001, has been updated and is available at www.dti.gov.uk/energy/consumers/fuel_poverty/monitoringindicators.shtml. In addition, the monitoring of energy

company schemes has been developed www.dti.gov.uk/energy/consumers/fuel_poverty/companyschemes.shtml.pdf.

This group will continue to take forward the monitoring of fuel poverty.

In particular the group has identified appropriate analyses of fuel poverty that will be produced from the English House Condition Survey, including analyses relevant to the Decent Home standard and eligibility for Warm Front grants. These will be made available as soon as possible at www.dti.gov.uk/energy/consumers/fuel_poverty/england2001analysis.pdf.

efficiency measures and targets, the private rented sector, and industry-led fuel poverty schemes.

The Government's response to the Committee's Report was published by the Committee on 13 December 2002 (Fuel Poverty Government Reply' HC152. Hard copy of all the papers can be obtained from the Stationery Office, and can be viewed on the Committee's website www.parliament.uk/parliamentary_committees/trade_and_industry/trade_and_industry_reports_and_publications.cfm.

Trade and Industry Committee

- 3.5 The Committee announced in a Press Notice on 15 March 2002 that it would *“undertake a short inquiry to examine the causes of fuel poverty and how it might be eliminated in the light of the launch of the Government's Fuel Poverty Strategy... and the Committee's recent findings in its inquiry into Security of Supply...”*.
- 3.6 The Committee's Report (HC 814) was published on 10 September 2002. It contained 13 conclusions/recommendations on a range of issues, including measuring the reduction in fuel poverty, reaching “non-vulnerable” households, extension of the gas network, Winter Fuel Payments, prepayment meters, avoidance of debt, energy

Chapter 4

Progress towards meeting the target for England

Overview

- 4.1 Based on data from the 2001 English House Condition Survey – on a comparable basis to earlier figures – it is estimated² that there were 1.8 million fuel poor households in England (based on income including Housing Benefit and ISMI). This represents a significant reduction from 4.3 million households in 1996 (the last full EHCS) and 3.3 million in 1998 (from the Energy Follow Up Survey). In terms of vulnerable fuel poor, in 2001 there were estimated to be 1.5 million fuel poor households compared to 3 million in 1996 and 2.7 million in 1998. The table below summarises these figures, and presents figures based on incomes when Housing Benefit and ISMI are not included.
- 4.2 The 2001 EHCS collected more comprehensive information on household incomes than the previous EHCS surveys. Previously the EHCS only collected information on the income of the head of household and their partner, and as a result the income due to other members of the household had to be estimated using other data sources. The 2001 survey collected information on the incomes of other members of the household, thus

² Previously published estimates for 1999 and 2000 were based on income and energy price changes since 1998. They did not take account of energy efficiency improvements as the data was not available to do so. The estimates presented here for 2001 are based on data that has been collected, and therefore these do reflect the reduction in fuel poverty due to energy efficiency improvements since 1998.

making it possible to produce estimates of fuel poverty that took account of actual incomes reported by all members of the household. Using this more complete data set in conjunction with the updated 2001 BREDEM methodology has provisionally produced an estimate of fuel poverty of 1.7 million households. This figure for 2001 does not yet take account of Council Tax Benefit as these figures are currently being worked on by BRE. The Building Research Establishment, who produce the figures for fuel poverty on behalf of Defra and DTI, have advised that this is the more appropriate method to use. We therefore need to consider moving over to using this method when producing figures for fuel poverty in the future. The methodology is set out in more detail, along with proposals for taking this forward, in www.dti.gov.uk/energy/consumers/fuel_poverty/england2001method.pdf.

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

	1996	1998	2001 ⁽¹⁾	2001 ⁽²⁾
Total Fuel Poor	4.3 (5.3)	3.3 (4.5)	1.8 (2.4)	1.7 (2.3)
Vulnerable	3.0 (3.7)	2.7 (3.7)	1.5 (2.0)	1.4 (2.0)
Non-Vulnerable	1.3 (1.5)	0.5 (0.8)	0.3 (0.4)	0.3 (0.3)
Social housing	1.4 (2.2)	1.0 (1.7)	0.3 (0.8)	0.3 (0.8)
Private housing	2.9 (3.1)	2.3 (2.7)	1.4 (1.6)	1.3 (1.5)

(1) Estimates based on previous method for estimating income of total household and non-heating use of fuels (1996 BREDEM).

(2) Provisional estimates based on actual data collected in EHCS for total household income, and updated method for non-heating use of fuels (2001 BREDEM). These do not yet take account of Council Tax Benefit.

- 4.3 More detailed analyses of the figures for 2001 will be made available as soon as possible at www.dti.gov.uk/energy/consumers/fuel_poverty/england2001analysis.pdf.
- 4.4 Changes in energy prices since 2001 are unlikely to have reduced fuel poverty significantly, and, in the near term it is unlikely that energy prices will lead to further reductions in fuel poverty. However, it is expected that the changes in incomes resulting from the changes made to the benefits system in 2002 and 2003, will have helped to reduce the number of households in fuel poverty. In addition increased activity in energy efficiency (such as that resulting from the Energy Efficiency Commitment, Warm Front, and Local Authority investment) can be expected to have helped.
- 4.5 The key schemes for helping reduce fuel poverty amongst the vulnerable households are Warm Front (for those in private housing), social landlords' investment in their stock (including the Decent Homes standard), and Energy Efficiency Commitment for those in social housing. For other fuel poor households the key schemes are those available under the Energy Efficiency Commitment. The latest information on the progress being made under these schemes is set out below.

Warm Front

- 4.6 Warm Front has a PSA target 'To reduce fuel poverty among vulnerable households by improving the energy efficiency of 600,000 homes between 2001 and 2004'. Between April 2001 and December 2002, some 470,000 households had received assistance through the scheme. This takes account of a slow start to the Scheme in the year 2000, leading to additional resources being made available in 2001-02 and so a higher number of homes assisted. Based on current levels of activity, the Government expects that the target of 600,000 homes will be achieved by 2004.
- 4.7 Additionally a target of assisting 800,000 households by 2004 was set as part of the fuel poverty strategy. It is thought that this additional target will also be met.
- 4.8 The impact of Warm Front on those assisted is being considered as part of Defra's review of the scheme alongside the NAO study into Warm Front, which is currently under way.

Energy Efficiency Commitment

- 4.9 Ofgem approves suppliers' schemes, estimates the energy savings achieved, and enforces achievement of the targets. Suppliers are required to make quarterly progress reports to Ofgem, and Ofgem must report annually to the Secretary

of State. The first report to the Secretary of State is due by 31 July 2003, and will include information on how the requirement to focus 50 per cent of energy savings on the low-income priority group is being met.

Decent Homes

- 4.10 As part of the Government's 2002 Spending Review, the Public Service Agreement target on decent homes was expanded to cover the private sector, and now reads: *'By 2010, to bring all social housing into decent condition with most of the improvements taking place in deprived areas, and to increase the proportion of private housing in decent condition occupied by vulnerable groups.'*
- 4.11 In 2001, nearly 1.2 million private sector homes occupied by vulnerable groups were non-decent. Of these, 925,000 failed on grounds of thermal comfort, with 625,000 of these failing on grounds of thermal comfort alone. Changes in this will be measured through the continuous English House Condition Survey, which will in future be updated annually

Social housing

- 4.12 The target for social housing was set in SR2000. Significant progress had already been made by then through increased capital investment on improving social housing. This had led to a reduction in the numbers of non-decent homes in the social sector from almost 2.3 million (52 per cent) in 1996 to a baseline of 1.6 million (38 per cent) in 2001.
- 4.13 Local authorities and housing associations, in conjunction with their stakeholders, produce strategies for investment in their housing stock and delivering improved services to tenants. These plans should set out how investment will reduce the number of homes failing the minimum decent home standard.
- 4.14 Local authority business plans and best estimates made for the housing association sector show that we are on track to meet the target of one third reduction in non-decent social sector homes by 2004. The recent PSA Plus Review of the delivery plan for the target looked at how we can ensure all social landlords (local authorities and housing associations) eliminate their non-decent stock by 2010. This included reviewing the effectiveness of measures in place for delivering improvement. The outcome of the Review was set out in the

comprehensive long-term programme of action aimed at creating sustainable communities (Sustainable Communities: Building for the Future) announced by the Deputy Prime Minister on 5 February. This document can be found on the Office of the Deputy Prime Minister (ODPM) website at: www.odpm.gov.uk/communities/plan/index.htm.

Fuel Poverty Advisory Group

4.15 The Fuel Poverty Advisory Group (FPAG) was set up following the publication of the Strategy, to advise Government about delivery of its target of eradicating fuel poverty in England.

4.16 FPAG is an Advisory Non-Departmental Public Body jointly sponsored by Defra and DTI. The Group is chaired by Peter Lehmann and has a range of representatives from bodies in the energy sector, local government, the health sector, and NGOs. The Group convened its first meeting on 12 March 2002, and agreed its terms of reference and future work programme.

4.17 The Group's work programme covers all existing policies and programmes and the Group will develop a view as to their relevance and effectiveness, focusing particularly on gaps in provision. So far the Group has considered issues such as the Decent Homes Standard, hard to treat homes, the fuel poor without access to mains gas, energy efficiency advice, energy company fuel poverty schemes, Warm Front, EEC, and links with other Government programmes. Further details of the Groups' membership, terms of reference, and work programme are available at www.dti.gov.uk/energy/consumers/fuel_poverty/fuel_adv_grp.shtml.

4.18 The Group reports to Ministers annually and Group's first annual report, published in February 2003, is available at www.dti.gov.uk/energy/consumers/fuel_poverty/fuel_adv_grp/report1.pdf.

Chapter 5

Progress in the Devolved Administrations

SCOTLAND

- 5.1 Section 88 of the Housing (Scotland) Act 2001 stated that the Scottish Ministers must prepare and publish a statement setting out the measures which they and local authorities have taken, are taking, and intend to take for the purposes of ensuring, so far as reasonably practicable, that persons do not live in fuel poverty. The Scottish Executive published the Scottish Fuel Poverty Statement on 22 August (copies of the report can be downloaded from the Scottish Executive's website (www.scotland.gov.uk/library5/environment/sfps-00.asp)).
- 5.2 The Statement has a target of ensuring, so far as reasonably practicable, that people are not living in fuel poverty in Scotland by November 2016. As an interim target, the number of people living in fuel poverty will be reduced by 30 per cent by 2006. The Executive adopted the English definition of fuel poverty, with a modification that the definition of a 'satisfactory heating regime' for elderly and infirm households would be 23°C in the living room and 18°C in other rooms, to be achieved for 16 hours in every 24. Additionally the Scottish Executive has published a target to reduce the number of houses with poor energy efficiency by 20 per cent by 2006.
- 5.3 As in England, there is a Government programme – Warm Deal – to improve home energy efficiency of fuel poor households by providing packages of insulation and heat-saving measures. Since 1999 more than 128,000 homes have been improved under the Warm Deal.
- 5.4 The Scottish Executive's Central Heating Programme is unique in the UK. It offers free central heating to pensioners who have no central heating system, or who have one that no longer works. Since 2001 almost 10,000 central heating systems have been installed under this programme, which will run until 2006. Starting in 2004, partial central heating systems for local authority tenants and pensioners over 80 years of age will be replaced or upgraded, regardless of where they live. The Scottish Executive will consult on extending the Central Heating Programme to elderly and disabled households in local authority stock who have partial central heating, and to over-80 years of age households regardless of what housing sector they live in.
- 5.5 An example of the innovative work under way in Scotland is the Dundee Community Energy Partnership, in which Dundee City Council, Transco, the Scottish Executive, and Scottish and Southern Energy are working together to tackle fuel poverty. The partnership was formed in response to the Scottish Executive's, Central Heating for Local Authority Housing Programme and is aimed at identifying areas of good practice and

establishing a working model. Partnership workers go door to door throughout Dundee to determine if the household is in fuel poverty, what measures are needed, and then consider the best use of Warm Deal, Central Heating Programme, EEC and other funding to help lift that household out of fuel poverty.

The Scottish Executive has funded an evaluation of the project to determine if it is meeting its objectives, and if this model could be rolled out across Scotland.

- 5.6 These and other programmes aimed at reducing fuel poverty are under review to ensure that resources are being used efficiently and effectively.
- 5.7 The Scottish Executive has recently published the first annual report on the Central Heating Programme and results from local authorities and Eaga show that over 8,500 central heating systems and insulation have been installed, annual average savings on fuel bills are over £290 for pensioners and over £350 for local authority and housing association tenants. Furthermore, the Warm Deal has now improved over 128,000 homes, surpassing the Executive's target of 100,000 homes.
- 5.8 The Scottish Executive is keen to improve domestic energy efficiency. The Spending Review 2002 document Building a Better Scotland (www.scotland.gov.uk/library5/government/babs-10.asp) states in the second target in the section on Social

Justice that the Executive will "by 2006 reduce the number of houses with poor energy efficiency by 20 per cent".

This commitment is binding, and will be measured through the Scottish House Condition Survey.

- 5.9 The Scottish Executive will report on progress in 2005.

WALES

- 5.10 On 1 April 2002 the Welsh Assembly Government commenced the Warm Homes and Energy Conservation Act in Wales. This committed the Assembly Government to publishing a comprehensive strategy aimed at eradicating fuel poverty in Wales within one year of commencement. It also provides an opportunity to consolidate work to date, take stock, and ensure that, in partnership with others working in the field, the Assembly Government have a comprehensive strategy for tackling fuel poverty in Wales.
- 5.11 To this end proposals for a strategy – A Fuel Poverty Commitment for Wales, which built on the Welsh Chapter of the UK Fuel Poverty Strategy, was published during October 2002. The consultation closed on 21 January 2003, the intention is to publish the final strategy before 31 March 2003. www.housing.wales.gov.uk/consultation.asp?a=40
- 5.12 As in England the main public sector vehicle for the alleviation of fuel poverty

is a grant to improve energy efficiency among disadvantaged groups – the Home Energy Efficiency Scheme. HEES is now in its third year of Assembly funding with funding rising from just over £6m in its first year; to £9.6m last year; and £11.1m this year.

5.13 From the outset the Assembly Government wanted to develop a scheme which reflected and tackled Welsh problems. And they continue to evolve the scheme, making a number of changes over the course of the scheme’s operation, including:

- providing for coal to gas heating conversions where mains gas is available;
- making security measures under the scheme widely available to the over 60s in deprived areas;
- as an incentive to investment, whilst retaining the priority of combating fuel poverty in the private sector, the agreement for 30 per cent of the available programme to be earmarked for social housing tenants on a match funded basis; and
- to extend HEES funding to cover the repair of heating systems in addition to boilers.
- Introduce, as part of the HEES application process, a Benefits Health Check for clients.

5.14 However, to ensure the continued effectiveness of the scheme in Wales, the Assembly has also committed, during the

forthcoming year to:

- pilot alternative heating sources (oil, wood pellet, ground source heat pump and communal LPG) as an eligible measure for areas not currently connected to the gas network; and
- conduct an interim evaluation of HEES, its delivery mechanisms, appropriateness to meet its fuel poverty objectives and the actual benefits of the scheme to recipients.

5.15 In addition, in line with the priority in the Labour/Liberal Assembly Government Partnership agreement, the Assembly Government are exploring the interaction and link between HEES and the utilities’ fuel poverty/energy efficiency funding streams, to see how, by working in partnership, their effectiveness can be maximised.

5.16 The importance of partnerships is a central theme to the Fuel Poverty Commitment Consultation document. Central to the theme of working in partnership are the Assembly Government’s proposals to establish a Wales Fuel Poverty Advisory Group to support and monitor progress in achieving its fuel poverty objectives and meeting targets arising out of the consultation and the subsequent Strategy. Membership will be drawn from the Assembly Government, Health Promotion and Protection bodies, organisations representing the interests of the fuel poor, representatives of local government and

RSL housing sectors, the private energy sector, and the voluntary sector.

- 5.17 The Group, chaired by one of the representatives from the independent non-Assembly Government organisations will have as its proposed terms of reference, the responsibility for:
- monitoring fuel poverty and the Assembly Government's Strategy under the Warm Homes & Energy Conservation Act 2000;
 - 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;
 - examining additional policies and initiatives needed to deliver the Assembly's targets; and
 - co-ordinating strategies to enthuse and encourage key players to tackle fuel poverty.
- 5.18 The Warm Homes and Energy Conservation Act commits the Welsh Assembly Government to setting 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.
- 5.19 The Welsh Assembly Government is committed to the UK Fuel Poverty

Strategy target of eradicating fuel poverty amongst vulnerable households, as far as is practicable by 2010. Details of the targets and milestones are in paragraphs 1.4 and 1.9 above.

NORTHERN IRELAND

Estimated Number of Fuel Poor Households

- 5.20 Estimates of the number of fuel poor households in Northern Ireland are currently based on three years' data (1995-1998) from the Northern Ireland Family Expenditure Survey. Results from the 2001 Northern Ireland House Condition Survey should be available in Spring 2003, and will facilitate a more reliable estimate of the extent of fuel poverty in Northern Ireland.

Current Measures

- 5.21 The Northern Ireland Housing Executive (NIHE), which is the Home Energy Conservation Authority for Northern Ireland, published its sixth annual progress report in November 2002, and found that the energy efficiency of the occupied housing stock, excluding vacant dwellings, had improved by 18 per cent since 1996. It is estimated that households in Northern Ireland have saved £82 million on their fuel bills over this period. The average SAP rating of homes in Northern Ireland is now 54.

- 5.22 As Regional Housing Authority for Northern Ireland, the Northern Ireland Housing Executive is now in the third 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, these will instead be oil-fired systems. In 2000/01, there were 9,500 oil or gas conversions, and 8,680 in 2001/02. The NIHE continues to prioritise the replacement of solid fuel room heaters and Economy 7 electric heating systems, and in 2002 secured an additional £6m for this purpose.
- 5.23 The Department for Social Development is currently considering how to tackle fuel poverty in Registered Housing Association stock.
- 5.24 Two fuel poverty pilot studies in urban and rural areas have been completed, and have helped to shape the Warm Homes Scheme. The Department for Social Development has continued to take lessons from these projects that will inform its forthcoming Fuel Poverty Strategy for Northern Ireland. The Strategy will be issued shortly for public consultation.
- 5.25 The Warm Homes Scheme, introduced in April 2001 to replace the Domestic Energy Efficiency Scheme, has now provided insulation and heating measures to nearly 10,000 homes in the private

sector. The Scheme is currently being evaluated on behalf of the Department for Social Development by NEA (NI).

Energy Efficiency Levy

- 5.26 Following a motion in the Northern Ireland Assembly in September 2001, the Northern Ireland Energy Efficiency Levy has been set at £5 for each Northern Ireland Electricity customer. The majority of the £3.6 million revenue raised through the levy each year will be directed at alleviating fuel poverty. The Energy Saving Trust is currently drawing up, on the instructions of the Northern Ireland Regulator, a new framework for expenditure by energy suppliers from the increased levy.

Targets

- 5.27 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.

Chapter 6

The way forward

- 6.1 The work on fuel poverty is continuing to evolve, and much is ongoing. We will report on further progress in the next annual progress report. Reaching and assisting the fuel poor presents many challenges. Some of them will become greater in the years ahead as the needs of households with greater problems are tackled. Particular areas where it is recognised further work remains to be done include helping the healthy adult fuel poor, tackling hard to treat homes and dealing with fuel poverty in under-occupying households. In addition we will be looking further at the impact of those schemes already in place in helping to take households out of fuel poverty. We will continue to work to ensure that adequate budgets and programmes are in place to carry forward the Fuel Poverty Strategy.
- 6.2 The Fuel Poverty Advisory Group for England has now reported to Ministers with recommendations. www.dti.gov.uk/energy/consumers/fuel_poverty/fuel_adv_grp/report1.pdf. We will work with the Fuel Poverty Advisory Group over the coming year, taking forward these and other issues.
- 6.3 Following the Performance and Innovation Unit's report on energy which was published in February 2002, the Government issued a consultation on the key issues for energy policy in May 2002, found here: www.dti.gov.uk/energy/developed/energyconsreport.pdf. A White Paper on energy policy, setting out a new framework for the future, was published recently and can be found here: www.dti.gov.uk/energy/whitepaper/index.shtml.
- #### Co-ordination
- 6.4 The co-ordination of activities on the ground is a vital part of the delivery of the fuel poverty strategy. The synergies that can be achieved are significant. For example health authorities, primary care trusts, and the public health and social care functions within local authorities can contribute to achieving the UK Fuel Poverty Strategy by referring eligible households to the various fuel poverty schemes for assistance, helping them achieve improved health and comfort levels.

6.5 There is also a clear role for local and regional Government in achieving the UK's fuel poverty targets. Many local authorities play a key role – they have local knowledge and, in some cases, resources they can devote to the fuel poverty issue. Government Offices for the Regions can also play an important part, particularly now they are responsible for certain elements of the health sector, and are developing “Communities” action plans.

6.6 The co-ordination of measures can play a significant part in ensuring that households benefit from as much assistance as possible. The Warm Zones are an example of this in practice, where schemes that use different sources of funding are used to complement each other e.g. Warm Front and EEC schemes can be combined to ensure that eligible households receive as many of the measures they need as possible, including “soft measures” such as benefits health checks.

Warm Front

6.7 The findings of the evaluations and reviews of Warm Front, including that being carried out by the NAO, will be considered and taken forward during the coming year. We will particularly look further at the targeting of the schemes and impact on those households that receive assistance.

Warm Zones Evaluation

6.8 A independent evaluation is being carried out by the Energy Saving Trust, to assess the effectiveness of Warm Zones during its first year. It is too early to say whether the Warm Zone approach is more cost effective than the standard referral approach. The final evaluation results are to be produced in Summer 2005, with an interim report on the first year of the pilot available in 2003.

Fuel Poverty in Rural Areas

6.9 Figures from the 1998 Energy Follow Up Survey suggest that fuel poverty is more prevalent in rural areas. The incidence of fuel poverty in rural areas may be affected by a number of factors. These include the disproportionate number of households which are off the mains gas network, properties which are considered hard to treat and difficulties associated with the targeting of the rural fuel poor.

6.10 We are making every effort to rural-proof our policies. To this end, a working group was set up to investigate extension of the gas network, (please see below) and a scoping study was commissioned to look at the potential of using alternative technologies to help tackle rural fuel poverty. Work is progressing on addressing the national shortage of

qualified gas installers, which is often felt most keenly in less concentrated, scattered rural communities. These developments are explained at paragraph 6.19.

Extension of gas network

- 6.11 A working group was set up to examine the issues around the possible extension of the gas network, including the impacts that this might have on fuel poverty. The working group concluded that a pilot scheme to test the practicalities of extending the network should be developed. It considered that a £50 million programme could remove 60,000 to 100,000 households from fuel poverty.
- 6.12 The Government welcomed the report and its recommendations, whilst accepting that it would be difficult to provide funding at the level proposed by the group. Since the report was published, work has continued to improve understanding of non-gas areas and the fuel poor households within them. DTI has worked with Transco to develop a list of clusters of 50 or more households that do not have mains gas. This information has been overlaid with data on the distance from the nearest pipeline, the number of households in the cluster, and the index of Multiple

Deprivation for the area in which the cluster lies. This information can be used to try to identify likely areas where the costs of extending the network may be justified. Initial analysis suggests that it may be economic to connect a number of these communities, particularly as part of an integrated approach between transporters, local authorities, suppliers and other interested parties. It appears that many communities can be connected at an average cost of less than £2,000 per household. There are also signs of increased interest amongst independent gas transporters in carrying out infill projects in non-gas areas, and DTI, Ofgem and Transco are encouraging this development.

Incomes

- 6.13 The Government's general anti-poverty programmes will also contribute to the achievement of the fuel poverty target. However, the fuel poverty target may not be met if households do not claim the benefits or tax credits to which they are entitled. This is critical as benefit take-up increases a household's income, and also because benefits/tax credits are, and are likely to remain at least in part, a passport to the Government's energy efficiency measures for those in fuel poverty. Since April 2002, the DWP has established

Jobcentre Plus and the Pension Service to meet the needs of people of working age and pensioners. DWP is undertaking trials and working in partnership with many organisations in order to help ensure that people claim the benefits to which they are entitled.

- 6.14 A number of measures are to be implemented as part of the reform of the benefits system, which will help to improve the incomes of the worst off households.

Pensioners

- 6.15 In April 2003, the full Basic State Pension will increase further above inflation to £77.45 a week for single people and £123.80 for couples. In future years the Basic State Pension will increase by 2.5% or the level of the September RPI, whichever is higher. Also from April 2003, the Minimum Income Guarantee will rise in line with earnings to £102.10 for single people and £155.80 for couples.
- 6.16 October 2003 sees the introduction of the new Pension Credit which will replace the Minimum Income Guarantee and provide at least the same minimum income for people aged 60 and over. However, for pensioners aged 65 and over, Pension Credit will also provide a reward for those who have modest savings or additional income for retirement, provided for example, through an occupational

pension scheme. Single pensioners with weekly incomes of up to around £139 will be rewarded by up to £14.79.

Couples with incomes of up to around £203 will be rewarded by up to £19.20. Following the introduction of Pension Credit, pensioner households will, on average, be over £1,150 a year (around £22.50 a week) better off in real terms compared with 1997 as a result of the Government's measures.

- 6.17 The Pension Service will be using media advertising, direct mailing and partner organisations, to encourage take up.

Families and children

- 6.18 In 2003 the standard rate of Statutory Maternity Pay and Maternity Allowance will be increased further to £100 a week or 90 per cent of the woman's average weekly earnings if this figure is less than the standard rate. In addition the payment period will be extended from 18 weeks to 26 weeks. In comparison with the rate in 2001 most pregnant working women will get £1200 more when on maternity leave. Child Benefit will be increased to £16.05 from April 2003 for first child and £10.75 for all other children. The personal allowances for children in the income-related benefits will increase from £37.00 a week to £38.50 from April 2003. The disabled child premium in the income-related benefits will increase again in April 2003 by £5 more

than inflation, from the current rate of £35.50 a week to £41.30. This will be the third year running that the Government has increased the premium by substantially more than inflation.

6.19 Child Tax Credit (CTC) – to be introduced from 2003 – will bring together the various strands of income related support for families with children into a single, payable tax credit. It will replace the child element in Income Support (IS), income-based Jobseeker's Allowance (JAIB), Working Families Tax Credit (WFTC), Disabled Person's Tax Credit (DPTC), and the existing Children's Tax Credit. CTC will be paid to the main carer, in addition to Child Benefit, creating a portable system of support spanning both welfare and work.

Skills shortages

6.20 There is currently a significant shortfall in the supply of gas installers, at a time when demand – not least from Government fuel poverty schemes – is rising. One industry estimate suggests a deficit of 34,000 by 2004 (equivalent to over a third of current manpower), and the age profile in the sector is heavily skewed towards people of 40+ and 50+. There are also shortages in the insulation sector because uneven workflows have led to trained staff being laid off and moving on to find more settled work.

6.21 There have been a number of developments, which will help to increase the supply of gas installers:

- In September 2002, the Government announced the alignment of the assessments of safety (ACS) and of occupational competence (NVQ) for gas installation and maintenance. The change means that achievement of the NVQ is deemed to satisfy the initial ACS qualification, so that people do not have to take two tests at the same time. This will ease the entry of new trainees into the job market;
- The Learning and Skills Council has backed a programme to deliver gas training and qualifications at a much greater number of further education colleges and other training centres. As at 2001/02, 22 colleges and other LSC-funded training providers were offering gas NVQs: it is hoped that this number will double year-on-year until perhaps 75 per cent of them offer this training by about 2005;
- Centrica has announced plans to train 5,000 new gas engineers over the period to 2007, many of them in new in-house facilities, to work on the Home Servicing and Installation side of the business;

- DWP's Ambition Energy programme is a 3-year, £22 million (of which half is New Deal funding) programme aimed at getting 4,500 unemployed and disadvantaged people into good jobs in the gas and engineering construction sectors. Just under half of those trained and placed (2,000) will be central heating installers;
- Defra, with the Eaga Partnership and the Employment Service, have developed a programme to train central heating installers to ensure delivery in its Warm Front Programme. This programme will produce 400 qualified installers;
- Transco has developed a programme of retraining skilled staff laid off from other industries, which has already trained about 300 new gas installers;
- The industry's training organisation (GWINTO) is soon to be expanded into a Utilities Sector Skills Council, with a remit to actively address widespread shortages in all relevant skills, from technician to degree-level engineering. The SSCs are supported by Department for Education and Skills (DfES), but are intended to be primarily industry-driven (on the basis that the best judge of what skills are needed is the industry itself). One of the major tasks will be to resuscitate the idea that technician skills (including gas) provide an

interesting and financially rewarding career, and to dispel the old-fashioned, dull, blue-collar image which clings to them at present.

Pilot schemes

- 6.22 We announced in the Strategy our intention to examine the potential of alternative technologies to alleviate fuel poverty, particularly in rural areas and for hard to treat properties. Defra has funded a scoping study to consider potential technologies to trial and locations for the pilot projects. That report is currently being considered by Defra and DTI, with the renewables element of projects to be funded from DTI's renewables programme. Further information on this will be made available via the Departments' websites.
- 6.23 The planned trials to assess the potential impact of micro CHP in tackling fuel poverty are still under consideration, in the wider context of the contribution of micro CHP technology.

Co-ordination of policies

- 6.24 Fuel poverty cuts across the responsibilities of a number of Government Departments, and effective co-ordination of policy is essential if the Government is to achieve its fuel poverty targets. Departmental responsibility for

fuel poverty is shared between the Department for Environment, Food and Rural Affairs (Defra) and the Department of Trade and Industry (DTI).

Other Government Departments where there are synergies between their objectives and the fuel poverty targets include the Department for Work and Pensions (DWP) on the issue of Benefit take up, the Office of the Deputy Prime Minister (ODPM) on housing policy and the Department of Health (DoH) where there is strong evidence that there is an increased likelihood of ill health for those living in cold, damp homes.

- 6.25 Close working relationships are already in place between these Departments on fuel poverty. For example a series of nine regional seminars, jointly sponsored by Defra, DTI and DoH are taking place to emphasise the health benefits of eradicating fuel poverty and to demonstrate practical ways in which health authorities, primary care trusts and the public health and social care functions within local authorities can contribute to achieving the UK Fuel Poverty Strategy.
- 6.26 We will continue to work together, with input from others such as those active in the fuel poverty and health sectors, towards the goal of ending fuel poverty.

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