

The UK Fuel Poverty Strategy

7th ANNUAL PROGRESS REPORT
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The Scottish
Government



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

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Ministerial Foreword

The Government is committed to tackling fuel poverty and doing everything reasonably practicable to achieve our targets. As we publish our Seventh Annual Progress Report on the UK Fuel Poverty Strategy, it provides us all with an opportunity to reflect on what we have achieved to date and the significant challenges that lie ahead.

When appointed as Parliamentary Under Secretary of State, with responsibility for leading on the fuel poverty strategy, I recognised the importance of a strong package of measures across Government Departments to tackle the root causes of fuel poverty – household energy efficiency, fuel prices and household income. At the outset this package included Warm Front, the Carbon Emissions Reduction Target and the Decent Homes Programme primarily addressing the energy efficiency of households, a robust system of regulation aiming to protect all consumers, and Winter Fuel and Cold Weather Payments alongside the wider tax and benefit system to increase household incomes.

Since our last report the Government has:

- introduced major improvements to the delivery of the Warm Front contract, opening the Scheme up to greater competition, providing better value for money and improved customer service;
- announced increases to the grant limits for eligible households under the Warm Front Scheme of £3,500 (or £6,000 where oil or a new low carbon technology is recommended) meaning the vast majority of households will not have to contribute payment towards their measures;
- expanded the Warm Front Scheme to pilot the installation of low carbon technologies;
- launched the £350 million Community Energy Saving Programme in September 2009 to improve household energy efficiency and permanently lower fuel bills in areas of low income, where households are likely to have a greater than average propensity to be in fuel poverty;
- made changes to the Carbon Emissions Reduction Target so that from August 2009, an estimated £1.9 billion will be directed at energy savings amongst a priority group of low income and elderly households up to 2011. The Government will be exploring how best to provide help to more of the most vulnerable households within the Priority Group;
- announced that we will bring forward new legislation at the earliest opportunity with the aim of placing social price support for householders on a statutory footing when the current voluntary agreement with energy suppliers ends in March 2011, giving energy suppliers greater guidance and direction on the types of households eligible for future support; and
- provided an additional payment alongside the Winter Fuel Payment worth £50 for pensioners aged 60-79 and £100 for those aged 80 and over for the winters of 2008/09 and 2009/10. 12.3 million payments were made to around 9 million pensioner households for winter 2008/09. Cold Weather Payments were increased from £8.50 to £25.00 per week for winter 2008/09. This increase has been retained for winter 2009/10. £210 million was paid out to 8.4 million households in winter 2008/09.

Warm Front remains the Government's flagship scheme, assisting over 2 million households since its inception in June 2000. This includes half a million households in the last two years alone. Funding for the Scheme has increased to over £950 million for the current spending period. The Government estimates that without Warm Front and the wider package of measures aimed at tackling fuel poverty the number of fuel poor households would have been around 400,000-800,000 higher in England in 2008. However, as energy prices rise, more people will be

vulnerable to higher energy bills, so improving the energy efficiency of our home is vital in tackling fuel poverty. By reducing people's demand for energy we can save them around £300 a year on their energy bills, as well as improving their comfort in their homes.

Our fuel poverty strategy was launched in 2001 when our policies and stable energy prices meant that good progress was made in reducing the number of households in fuel poverty. However, significant price rises since 2004 have seen the downward trend in fuel poverty numbers reverse in recent years. The number of households in fuel poverty in the UK in 2007 is 4 million and of those 3.25 million fall into the vulnerable category; that is the elderly, those that contain children and the long term sick and disabled. This is a rise of 2 million and 1.75 million respectively since 2004 when numbers were at their lowest.

The increase in the number of fuel poor households does not mean less has been done. Significant steps have been taken since the publication of our Sixth Annual Progress Report in October 2008, but we cannot escape the fact that rising energy prices and the current economic climate have made the challenge much more difficult. However, I stress that tackling fuel poverty continues to be a priority for Government.

With the creation of the Department of Energy and Climate Change last year, and the bringing together of energy and climate change policies in a single department, it was a timely opportunity to review progress towards our fuel poverty goals. A fuel poverty review was announced, to examine whether existing measures to tackle fuel poverty could be made more effective, and whether new policies should be introduced to help us make further progress towards our goals. The initial findings of the review were announced in the UK Low Carbon Transition Plan published on 15th July this year, but work will continue to see what more can be done to make our policies more effective. I am looking forward to a continuing engagement with all those who can help us tackle fuel poverty.

Strengthening the existing package of programmes and introducing new measures to address the concern of rising fuel bills will help pensioner households, and households on the lowest incomes. But challenges still face us as we all work to ensure that additional resources provided by Government and extra supplier investment reach their targets and help those who need help.

I recognise this is not something we are tackling alone and I look forward to working closely with key stakeholders including the Fuel Poverty Advisory Group in England and the Devolved Administrations in the coming year to build on our achievements.



A handwritten signature in black ink that reads "David Kidney". The signature is written in a cursive, slightly slanted style.

David Kidney
Parliamentary Under-Secretary,
Department for Energy and Climate Change

Executive Summary

This is the Seventh Annual Progress Report on the UK Fuel Poverty Strategy, published in November 2001. It presents an update on existing government policies and programmes to tackle fuel poverty alongside new developments that have been introduced since our last annual report 12 months ago. It also looks at the impact of energy prices and the action government is taking to develop regulation where necessary in the retail energy markets.

The Government has a range of programmes and measures in place to help address the three factors that have an effect on the number of people in fuel poverty. These factors are:

- household energy efficiency;
- energy prices; and
- household incomes.

Household Energy Efficiency

Our homes need to become much more energy efficient through measures such as better insulation and heating systems. This in turn will reduce fuel bills and remove households from fuel poverty as well as reducing carbon emissions. The Government is committed to tackling fuel poverty and does so primarily through its flagship Warm Front Scheme in England. Over 2 million households have been assisted since the scheme's inception in 2000 with almost 235,000 assisted in the 2008/09 year alone. Over £950 million is committed in the current spending round following a further additional £100million being made available through the pre-budget report. To protect the most vulnerable consumers further, the government announced increases to the grant limits from £2700 to £3500 for gas central heating systems and from £4000 to £6000 where oil or alternative heating systems are required. This year the scheme has piloted the installation of 125 solar thermal heating systems and begun the installation of 200 air source heat pumps; suitable for hard to treat properties. The Devolved Administrations continue to operate similar schemes, committing considerable resources to help tackle fuel poverty in the most vulnerable households.

Additionally, suppliers have continued to install energy efficiency measures to meet their priority group target under the Carbon Emissions Reduction Target (CERT). The obligation on suppliers has been increased by 20% meaning that a further £600 million is likely to be invested by suppliers in providing energy efficiency measures bringing the total support to an estimated £3.2 billion by 2011 of which £1.9 billion will be directed at vulnerable households in the Priority Group.

The Community Energy Saving Programme (CESP) commenced on 1 September 2009 and placed a new obligation on suppliers and generators to deliver £350 million worth of energy efficiency measures in the poorest communities. Approximately 100 area based schemes will be created assisting around 90,000 households.

Energy Retail Markets

Energy prices are a key driver of fuel poverty. Increases in gas and electricity prices have been the largest factors in the rise in fuel poverty numbers in recent years.

This context makes it all the more essential that markets work effectively and that energy suppliers treat consumers fairly. Following concern from Government and the public about

prices and other issues, the regulator Ofgem carried out a retail markets probe in 2008. Subsequently Ofgem has developed a number of remedies to address problems identified by the probe. These remedies include licence conditions to prevent unfair discrimination between customer groups, and improvements in customer protection relating to direct selling. The introduction of better information on bills and annual statements will also help consumers make the right decisions, particularly when switching supplier. In addition, to ensure that falls in wholesale costs feed through to consumers, the Government asked Ofgem to produce quarterly reports on wholesale and retail price movements and has found also that supplier's margins are in line with historical averages.

Suppliers continue with their voluntary agreement on programmes of social assistance for vulnerable customers. Ofgem recently reported that in the first year of the agreement, 2008/09, suppliers have collectively spent £157million against a target of £100million and that over one million customer accounts are currently benefiting from a social tariff. The Government announced it intends to build on this success by bringing forward new legislation at the earliest opportunity, with the aim of placing social price support on a statutory footing when the current voluntary agreement ends in March 2011.

Household Incomes

A low household income is the third contributor to fuel poverty. The global economic crisis has meant that unemployment has risen impacting further on the number of households in fuel poverty.

Over 12.3 million people across the UK, aged 60 and over received Winter Fuel Payments last winter. Those households with someone aged 60 – 79 received a payment of £200 as well as an additional payment of £50 and those with someone aged 80 or over received £300 and an additional payment of £100. The additional payment of £50 for households with someone aged 60 – 79 and £100 for households with someone aged 80 or over will be retained for this coming winter. Cold Weather Payments for last winter totalled £210 million helping 8.4 million households. The increase from £8.50 to £25.00 per week for very cold weather has been retained for winter 2009/10. This report also covers Government's wider action to increase the incomes of vulnerable households.

Fuel Poverty Statistics

Since 2000 over £20 billion has been spent on fuel poverty benefits and programmes. Our 2007 figures¹ show that approximately 4 million households are in fuel poverty across the UK. This is an increase of 2 million households since 2004 due to the impact of rising energy prices. 3.25 million of these are vulnerable households.

The detailed statistical annex previously published with this report has been further developed and is now a separate report.

The Government's Fuel Poverty Advisory Group

This report also responds to the recommendations of the Fuel Poverty Advisory Group for England (FPAG), whose continued efforts and commitment help to take forward the fuel poverty agenda.

¹ Fuel poverty is an official statistic and this year, for the first time, the detailed statistics will be published separately from this report.

1. Our Commitments

The United Kingdom

- 1.1 The aim of the UK Government and the Devolved Administrations remains the eradication of fuel poverty, as detailed in the 'UK Fuel Poverty Strategy'² published in November 2001; a commitment reaffirmed through measures set out in the 2003 and 2007 Energy White Papers. Separate targets exist in England and each of the Devolved Administrations, with the overall aim being that by 2018 no household in the UK should live in fuel poverty.

England

- 1.2 The aim in England, restated in 'Fuel Poverty in England: The Government's Plan for Action'³ is, that the Government, as far as reasonably practicable, will seek an end to fuel poverty in vulnerable households by 2010, with a vulnerable household deemed to be one containing children, or those who are elderly, sick or disabled. Fuel poverty in other households will also be tackled as progress is made on these groups, with a target that by 22 November 2016, as far as is reasonably practicable, no person in England should have to live in fuel poverty. The Government is currently undertaking a review of its fuel poverty policies to see how we can make further progress towards our goals.

Scotland

- 1.3 The Scottish Government has a target to eliminate fuel poverty as far as is reasonably practicable by November 2016. This was set out in the Scottish Fuel Poverty Statement⁴ published in 2002 to meet the requirements of section 88(1) of the Housing (Scotland) Act 2001.

The Cabinet Secretary for Health and Wellbeing re-affirmed the Scottish Government's commitment to this target in a speech to the Scottish Parliament on 22 May 2008.

Wales

- 1.4 As set out in the 'Fuel Poverty Commitment for Wales'⁵ the Welsh Assembly Government's target is that as far as reasonably practicable, no vulnerable household in Wales should be living in fuel poverty by 2010, no non-vulnerable household in social housing should be living in fuel poverty by 2012, and no household should be living in fuel poverty by 2018.
- 1.5 The Welsh Assembly Government is currently reviewing its Fuel Poverty Strategy and is planning to consult on a revised Strategy during Autumn 2009.

Northern Ireland

- 1.6 "Ending Fuel Poverty: A Strategy for Northern Ireland"⁶ sets out the aim, subject to necessary resources, to eliminate fuel poverty in vulnerable households by 2010, and in non-vulnerable households by 2016. This strategy is due to be reviewed by March 2010.

² http://www.decc.gov.uk/en/content/cms/what_we_do/consumers/fuel_poverty/strategy/strategy.aspx

³ http://www.decc.gov.uk/media/viewfile.ashx?filepath=what%20we%20do/supporting%20consumers/addressing%20fuel%20poverty/strategy/1_20091020122528_e_@_fuelpovertyactionplan.pdf&filetype=4

⁴ <http://www.scotland.gov.uk/Publications/2002/08/15258/9951>

⁵ <http://wales.gov.uk/topics/housingandcommunity/housing/publications/fuelpovcommit?lang=en>

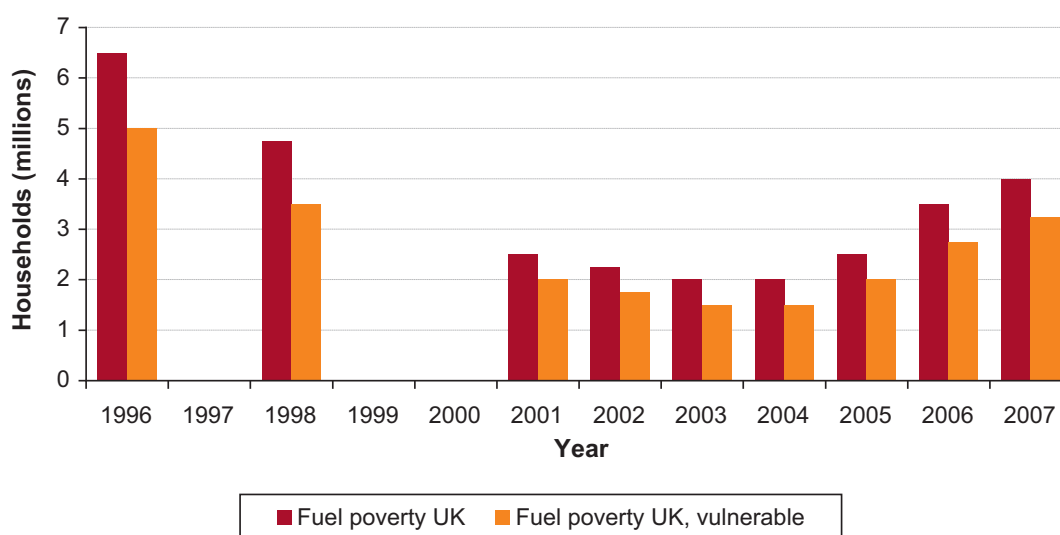
⁶ www.dsdni.gov.uk/ending_fuel_poverty_-_a_strategy_for_ni.pdf

2. Progress to Date

2.1 Measuring fuel poverty on a UK wide basis is complex as figures are estimated on a country by country basis to different timescales and slightly different definitions. Nonetheless, the latest estimates indicate that in 2007, there were approximately 4 million households in fuel poverty in the UK. This

represents an increase of around 2 million households since 2004, or half a million since 2006. Around 3.25 million of these were vulnerable households, an increase of around half a million since 2006. The increase reflects the impact of energy price rises in recent years on the number of households in fuel poverty.

Chart – Fuel poverty in the UK, all and vulnerable households, 1996-2007



NB: Fuel poverty was not calculated for 1997, 1999 and 2000.

Progress in England

2.2 Based on the results of the 2007 English House Condition Survey, the overall number of households in fuel poverty in England in 2007 was estimated to be 2.8 million (around 13% of all households) of

which 2.3 million were vulnerable. This represents a rise of 0.4 million households since 2006 and a rise of around 0.3 million vulnerable households over the same period.

Table: Fuel poverty in England, 1996-2007

Fuel poverty England (households, millions)	1996	1998	2001	2002	2003	2004	2005	2006	2007
All households	5.1	3.4	1.7	1.4	1.2	1.2	1.5	2.4	2.8
Vulnerable	4	2.8	1.4	1.2	1.0	1.0	1.2	1.9	2.3
Social	-- Not available --			0.3	0.2	0.2	0.2	0.4	0.5
Private	-- Not available --			1.1	1.0	1.0	1.3	2.0	2.3

Further details explaining reasons behind the change in fuel poverty between 1996 and 2007 are included in the detailed statistics report published separately to this document at: http://www.decc.gov.uk/en/content/cms/statistics/fuelpov_stats/fuelpov_stats.aspx.

2.3 Rising energy prices have made the challenge of tackling fuel poverty more difficult. Projections of fuel poverty in England (as shown in the detailed statistics report) suggest that up to a further 0.8 million households are likely to be pushed into fuel poverty in 2008. For 2009, the full effect of prices rises in 2008 indicate that a further increase in fuel poverty of up to 1 million households is likely in England. Our package of measures underlines the Government's commitment to doing all that is reasonably practicable to ensure that households do not live in fuel poverty.

Progress in Scotland

2.4 The table below shows levels of fuel poverty in Scotland between 1996 and 2007. The "Fuel Poverty in Scotland Report" 2004⁷, concluded that half of the change in fuel poverty between 1996 and 2002 could 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. Rising fuel prices since 2003 have been pushing fuel poverty numbers steadily upwards again.

Fuel Poverty 1996-2007 in Scotland (000s and %)

Year	Fuel poverty (000s of households)	% of households
1996	756	35.6
2002	293	13.4
2003/4	350	15.4
2004/5	419	18.2
2005/6	543	23.5
2007	586	25.3

2.5 Following publication of the Scottish Government's review of Fuel Poverty in May last year Scottish Ministers re-convened the Scottish Fuel Poverty Forum to examine fuel poverty programmes and make recommendations for taking them forward in a way that tackles fuel poverty more effectively and makes better use of available resources. The Forum published its report on 10 October 2008.

2.7 The new package provides a more holistic approach to tackling fuel poverty, taking account of the needs of the household and the energy efficiency levels of the home, and may include energy efficiency and tariff advice, benefits and tax credit checks, standard insulation measures and a package of enhanced measures for those most vulnerable to fuel poverty.

2.6 The report was received positively by the Scottish Government and its main recommendation to replace existing fuel poverty programmes with a new Energy Assistance Package (EAP) was implemented on 6 April 2009.

Progress in Wales

2.8 The 2004 Living in Wales survey estimated that there were 130,000 households in Wales in fuel poverty. Modelling to produce projections from the 2004 data for the number of households in fuel poverty in Wales in 2005 and 2006 has also been carried out. This modelling

⁷ <http://www.scotland.gov.uk/Resource/Doc/155541/0041758.pdf>

estimates that there were 166,000 households in fuel poverty in Wales in 2005 and 243,000 in 2006, and took into account increases in gas and electricity prices since 2004.

- 2.9 As with the 2004 survey, the 2008 Living in Wales survey included a property survey which will enable the number of households in fuel poverty in Wales to be calculated. The results of the fuel poverty analysis of the 2008 survey are expected to be available in early 2010.

Progress in Northern Ireland

- 2.10 The Northern Ireland House Condition Survey 2006, reported that 34% of all households in Northern Ireland were defined as being fuel poor. The Warm Homes Scheme continues to be Northern Ireland Executive's main tool in the alleviation of fuel poverty. In response to the ever increasing cost of fuel, Margaret Ritchie, the Northern Ireland Minister for Social Development established a Fuel Poverty Task Force in May 2008, which brought together representatives from Government departments and the wider energy sector. The main outcome from the taskforce was a recommendation to make a one-off payment of £150 to vulnerable households to assist with the rise in fuel costs. This £150 Household Fuel Payment was made to almost 170,000 households in April 2009.

Fuel Poverty Statistics and Winter Fuel Payments

- 2.11 For the purposes of the Government's fuel poverty statistics, and consistency with other statistics, Winter Fuel Payments are classified as an addition to recipients' incomes. They make an important contribution to tackling fuel poverty and were responsible for taking around 100,000 households out of fuel poverty in England in 2007 (and around 200,000 in the UK as a whole). This (and subsequent) calculation uses the level of the payments that applied during the 2006/7 and 2007/8 winters, of £200 for 60-79 year olds and £300 for those over 80.
- 2.12 However, whilst it remains appropriate to consider Winter Fuel Payments in this way for statistical purposes, to gain a full picture of the impact of Winter Fuel Payments on the situation of fuel poor households, it is also useful to consider what effect they would have if used to meet energy bills directly.
- 2.13 Taking this approach, around 600,000 fewer households in England (and around 1.1 million fewer households in the UK as a whole) are shown to need to spend more than 10% of their income in order to meet the remaining costs of heating their home adequately.

3. Energy efficiency and heating – national programmes

- 3.1 On 15 July this year, the Government published a White Paper, the “UK Low Carbon Transition Plan⁸”, setting out how the UK will make the transition to becoming a low carbon country: cutting emissions, maintaining secure energy supplies, maximising economic opportunities, and protecting the most vulnerable.
- 3.2 The Transition Plan builds on a commitment announced by the Prime Minister in September 2008 to insulate 6 million households by the end of 2011. This commitment is being delivered through a number of schemes, primarily Warm Front, the Carbon Emissions Reduction Target (CERT) and Decent Homes Programme, and the commitment brings a new insulation focus to this suite of initiatives: by April 2009 1.5 million households had received insulation measures under a full range of schemes. The commitment also means that the 21 month successor to CERT (from April 2011 to December 2012) will have a defined insulation element which will contribute to the final number. Also feeding into this activity to the 6 million will be the new Social Housing Energy Saving Programme (SHESP). Funding for SHESP was announced in the Budget in 2009. It will help social landlords in England to insulate hard to treat cavity walls that would not otherwise be filled under the Decent Homes Programme.
- Warm Front – England**
- 3.3 Warm Front has continued to be a key tool tackling fuel poverty in the private household sector in England. Over 2 million households have received assistance with a range of heating, insulation and other energy efficiency measures since the Scheme’s inception in June 2000.
- 3.4 Warm Front received two separate rounds of additional Government funding in 2008/09. On 11 September 2008 as part of the Home Energy Saving Programme (HESP), the Government announced that an additional £74 million would be made available; this was followed by the announcement in the Pre-Budget Report in November 2008 of an additional £100 million for the scheme. Taken together, this additional funding has increased the Warm Front budget for the 2008-2011 spending period to £959 million.
- 3.5 The National Audit Office reported earlier this year⁹ that the Scheme delivered value for money and that customer satisfaction was high, with almost 90% of customers happy with the work provided and upheld complaint rates remaining relatively static at 0.5% of all jobs completed.
- 3.6 In 2008/9, Warm Front received £359 million funding, allowing the Scheme to assist 233,594 households. Of those receiving assistance during this period:
- over 14,000 households received a new gas central heating system;
 - over 80,000 households received a boiler replacement;
 - cavity wall insulation was provided to over 27,000 households; and
 - loft insulation was provided to over 57,000 households.
- 3.7 Warm Front has continued to make a significant positive impact on those households which it assists. The average energy efficiency (Standard Assessment Procedure (SAP)) rating improvement for a house receiving Warm Front assistance in the last year has been 24 points, from 38 to 62. Although primarily a fuel poverty

⁸ http://www.decc.gov.uk/en/content/cms/publications/lc_trans_plan/lc_trans_plan.aspx

⁹ www.nao.org.uk/publications/0809/the_warm_front_scheme.aspx

scheme, Warm Front has also reduced CO₂ emissions by an estimated total annual saving of 1.4 tonnes for the average household improved each and every year for the next 20 years.

3.8 Despite strong demand, Warm Front has been able to keep waiting times to a minimum for most applicants. On average:

- surveys were completed 7 days after the client's application (against a target of 21 days);
- insulation measures were installed 31 days after a survey (against a target of 40 days); and
- heating measures were installed 65 days after survey (against a target of 120 days).

3.9 Warm Front has continued to make significant efforts in reaching the most vulnerable, and on delivering help to the worst standards of housing, as detailed below:

- 30% of households helped with initial SAP rating under 20;
- 133,277 households helped with a resident over the age of 60;
- 63,297 households helped with children under the age of 16;
- 101,814 households helped where house holder has a disability; and
- 15% of households helped in black and minority ethnic communities.

3.10 Warm Front continues to seek out cost effective, established alternative technologies, with a particular emphasis on low carbon and renewable measures suitable for 'hard to treat' properties. This year has seen the installation of 125

solar thermal heating systems across the country. The cost effectiveness and user accessibility of this technology is being reviewed in partnership with National Energy Action to understand its viability as a potential measure on the Scheme. In addition the Scheme has also begun a piloting exercise to install 200 air source heat pump systems which is due for completion in early 2010.

3.11 On 23 April 2009 we announced our intention to increase the maximum grant available under Warm Front from £2,700 to £3,500 for applicants where gas central heating is required; and from £4,000 to £6,000 for applicants off the main gas grid where oil central heating or low carbon alternative heating is required. These increases will remove the need for the vast majority of households to make a contribution to the cost of work.

3.12 A number of other changes have been made to the Scheme to improve the quality of customer service and to further drive value for money. The key changes include:

- increased competition in the supply chain and for work between installers;
- introduction of a new computerised surveying process which will provide a much clearer picture of the system to be installed in the applicant's house;
- an improved inspection process with workforce trained to an advanced level of technical qualification;
- improvements in customer service with tighter quality controls on installers' performance; and
- an extension of eaga's contract to manage the scheme through to March 2011 to improve and strengthen the Scheme.

Home Energy Efficiency Scheme – Wales

3.13 The Assembly Government's main vehicle for helping improve energy efficiency for vulnerable householders in Wales is the Home Energy Efficiency Scheme (HEES). Since the Welsh Assembly Government became responsible for the Scheme in 2000 it has assisted over 100,000 households at a cost of over £100 million.

3.14 The current Scheme offers energy efficiency advice and cavity wall insulation, loft insulation, draught proofing, central heating, energy saving light bulbs, smoke alarms and security measures. The main groups eligible for assistance are pensioners, the sick and disabled and low income families in receipt of specified benefits.

3.15 The Welsh Assembly Government has undertaken a review of the HEES as part of a review of its Fuel Poverty Strategy. Significant changes are proposed to the existing Scheme which is subject to consultation. The Fuel Poverty Strategy will go out to consultation during autumn 2009, with consultation on amendments to the existing HEES Regulations also planned for the autumn.

Energy Assistance Package Scotland

3.16 On 6 April 2009 the Scottish Government introduced the Energy Assistance Package. This replaces the Warm Deal and Central Heating Programme which had run since 1999 and 2001 respectively and had together installed a total of 114,453 central heating systems and insulated nearly 400,000 homes. In its last year the Central Heating Programme installed a record 14,430 systems to private sector pensioner households.

3.17 The Scottish Government had completed a review of fuel poverty in Scotland in May 2008 which showed that, while the Warm

Deal and Central Heating Programme had achieved much, a refocusing of these programmes would be essential to achieve the 2016 target. The Scottish Fuel Poverty Forum was re-convened to advise Ministers on the way forward for fuel poverty in Scotland. They published their report on 10 October 2008, their main recommendation being to set up a new Energy Assistance Package offering a different set of measures and focussing more directly on the fuel poor.

3.18 The Energy Assistance Package has four stages which in practice may run concurrently:

- stage one offers free expert energy advice to all applicants;
- stage two provides benefits and tax credit checks and advice on low cost energy tariffs to those at risk of fuel poverty;
- stage three provides a package of standard insulation measures (cavity wall and loft insulation) to older households and those on one of a range of qualifying benefits; and
- stage four offers a package of enhanced energy efficiency measures to those who are most vulnerable to fuel poverty.

Warm Homes and the Warm Homes Plus Schemes – Northern Ireland

3.19 The Warm Homes and the Warm Homes Plus Schemes continue to be the main programme for tackling fuel poverty in Northern Ireland, through the provision of energy efficiency measures to owner occupied and private sector homes.

3.20 Since its inception in 2001 the Warm Homes Scheme has assisted over 70,000 households. The Northern Ireland Audit Office and subsequent Public Accounts Committee review of the scheme resulted

in changes which were subject to public consultation. The main changes to the scheme were:

- maintaining the division of the Scheme between insulation (Warm Homes) and heating (Warm Homes Plus) but removing the restriction which limits Warm Homes Plus to over 60s only;
- opening the Scheme, including the Warm Homes Plus heating element, to the working fuel poor who are receiving Working Tax Credit, (with Warm Homes offering insulation measures as the single entry point for all applicants);
- all applicants to the Scheme receive a Benefit Entitlement Check to ensure that they are claiming their full benefit entitlement;
- applicants in receipt of a disability benefit only qualify for the heating element of the scheme if the Benefit Entitlement Check results in a successful claim to a means tested benefit;
- targeting the heating element of the Scheme on those fuel poor households with:
 - no central heating;
 - solid fuel systems; and
 - Economy 7 or Liquid Petroleum Gas.
- removing some measures deemed not particularly effective, such as draught-proofing, energy saving light bulbs and repairs and upgrades to existing heating systems;
- changes to the grant limit to allow flexibility for work on 'hard to treat' properties, particularly in isolated rural areas, where fuel poverty has been shown to be more acute;
- inclusion of some renewable technologies for hard to treat homes

where there is currently no alternative to oil heating; and

- all applicants receive energy advice covering the following areas:
 - additional energy efficiency measures which could be taken, such as better use of current appliances;
 - how to better manage current heating systems;
 - how to budget for fuel; and
 - signpost applicants to services which can provide further support and information.

3.21 The new Warm Homes Scheme became operational on 1 July 2009.

Carbon Emission Reduction Target – Great Britain

3.22 The Carbon Emission Reduction Target (CERT) commenced on 1 April 2008 and this phase is due to end on 31 March 2011. It is the third three-year cycle of the UK's household energy supplier obligation, previously called the Energy Efficiency Commitment (EEC). The scheme applies across Great Britain.

3.23 CERT's primary aim is the reduction of carbon emissions in the domestic sector. CERT requires energy suppliers to meet 40% of their energy reduction target through a priority group of low income and elderly (aged 70 and over) households and provides particular help to vulnerable consumers which will contribute to the alleviation of fuel poverty.

3.24 Through CERT and its predecessor EEC, some 6 million households have benefited from subsidised or free insulation since 2002, 1 million of these in the first year of CERT alone. In order to help the most vulnerable in society, and

to help meet our security of supply and climate change goals we have increased the CERT obligation on energy suppliers by 20% from 154 million lifetime tonnes of CO₂ to 185 million tonnes, meaning annual savings of over 5.6MtCO₂ by 2011.

3.25 The effect of this increase will be that an extra £600million is likely to be invested by energy suppliers in helping households install energy efficiency measures, bringing total support under the programme between 2008 and 2011 to an estimated £3.2 billion. Of this, we estimate around £1.9 billion will be directed at vulnerable households in the Priority Group.

3.26 In the 'UK Low Carbon Transition Plan' published in July this year, we announced that we will be extending the supplier obligation by 21 months to the end of 2012, with a target at least as ambitious as the current scheme. Within this we will explore how best to provide help to those most vulnerable, including those in or at risk of fuel poverty. We will be consulting on the key design principles of this extension by the end of 2009.

Improving social housing: Decent Homes Standard, Scottish Housing Quality Standard and Welsh Housing Quality Standard

3.27 Since 2001 the Government has been committed to ensuring that all social rented housing in England meets the Decent Homes Standard. The Standard has a thermal comfort element that requires the presence of efficient heating and effective insulation in homes. In England the Decent Homes Standard is a minimum standard below which homes should not fall. It is a trigger for action and not a level that remedial work should be completed to. Indeed the majority of local authorities and registered social landlords are carrying out work well in excess of the thermal comfort standard,

with 90% planning to install both cavity wall insulation and loft insulation even where the standard only requires one.

3.28 The Decent Homes Programme has made great improvements to the energy efficiency of social sector homes. Since 2001 there has been a 36% reduction in the number of social sector homes failing on the thermal comfort criterion. The number of social dwellings with a SAP of 30 or less has been substantially reduced since 1996, from over 14% of the stock to less than 4% in 2007. In 2007 the social sector housing stock had an average SAP rating of 58, compared to only 48 in the private sector. The social sector has improved more than the private sector since 1996, rising 11 points up the index compared to seven points in the private sector over the same period.

3.29 In the local authority sector landlords report that between 2000/01 and 2007/08 over 1 million council houses have had new doubled glazed windows, at a cost of over £2.5 billion; over 1 million have had new central heating at a cost of over £2.7 billion and over 820,000 have had improvements to their insulation at cost of almost £375 million.

3.30 The Decent Homes Programme has already resulted in an estimated average reduction in tenant's fuel bills of £152 a year (2008 prices) between 1996 and 2006. In the 2009 Budget the Government allocated £84 million to help social landlords in England to insulate hard to treat cavity walls that would not otherwise be filled under the Decent Homes Programme. The Social Housing Energy Saving Programme will fund the insulation of up to 130,000 wall cavities in social rented homes; enabling savings of £120 per year on bills and 800 Kg CO₂ a year on emissions for each house treated; and will support 2,500 jobs.

- 3.31 Private Sector Renewable funding has been driven by the Public Service Agreement (PSA) 7 target (Decent Homes) to increase the proportion of vulnerable households living in decent homes in the private sector to 70% by 2010. Progress towards meeting this target has been good. The target percentage figure nationally has increased from 42.9% in 1996 to 68% in 2006. This was the last year the old data was collected and the first year that data was collected on the new standard incorporating the Housing Health and Safety Rating System (HHSRS). Progress against the old standard can still be measured against the updated standard as this runs in parallel; this shows that had the old standard still been in existence the target would have been achieved as numbers of vulnerable people in private sector Decent Homes has increased by a further 2% since that time.
- 3.32 PSA7 Private Sector Decent Homes is now a legacy target against which Communities and Local Government (CLG) have made a public commitment to continue to monitor progress through CLG Departmental Strategic Objective 2. For this purpose the updated definition of decent homes, following the introduction of the HHSRS, will be used with a statistical baseline for 2006.
- 3.33 In Scotland, and in parallel to the setting of housing standards in the rest of the UK, the Scottish Housing Quality Standard (SHQS) was established in 2004. It is the principal yardstick for measuring housing quality in Scotland.
- 3.34 The SHQS includes five criteria which a house must fulfil before it passes the standard. Among these criteria is that the property must be energy efficient i.e. have effective insulation (cavity wall, tank, pipe and loft) and a full, efficient central heating system.
- 3.35 The Scottish Government's objective is that all social housing (comprising 600,000 properties) in Scotland should meet the SHQS by 2015.
- 3.36 The Scottish Government will be working with local authorities and housing associations to ensure that their investment programmes have the maximum possible impact on further progress towards meeting the SHQS by 2015.
- 3.37 In Wales the Welsh Housing Quality Standard (WHQS) introduced in May 2002, provides a common target standard for the physical condition of all existing social housing within Wales to be achieved by 2012.
- 3.38 The Standard requires the annual energy consumption for space and water heating to be estimated using SAP2005 and specifies the minimum ratings to be achieved. This means that WHQS will now contain a single target standard of a SAP rating 65 out of a possible 100 for a perfectly energy efficient dwelling.
- 3.39 In 2004 the Living in Wales Survey assessed 15% of local authority stock and 57% of housing association stock to see if they complied with the energy efficiency standards of WHQS. An update of the Living in Wales Survey is due to be published in early 2010.
- 3.40 In Northern Ireland in 2006, 84% of Housing Executive stock and 99% of Housing Association stock met the thermal comfort element of the Decent Homes Standard.

4. Energy efficiency and heating – area based programmes

Community Energy Saving Programme – Great Britain

- 4.1 In September 2008 the Government outlined proposals for a new community-based programme to install energy efficiency measures, targeted at the country's poorest communities. One year on, following a very positive response to the public consultation, the programme commenced on 1 September 2009. The Community Energy Saving Programme (CESP) places a new obligation on energy suppliers and generators to deliver approximately £350 million worth of energy efficiency measures, targeted at the country's poorest communities. It is envisaged that around 100 new schemes might be created, with community partnerships between local authorities, energy companies and community groups helping to deliver measures to around 90,000 households, using a street by street approach.

Community Energy Efficiency Fund – England

- 4.2 The Community Energy Efficiency Fund (CEEF) launched in June 2007, invited applicants to apply for support for projects working to develop cost effective options for the delivery of Warm Front and CERT (previously EEC).
- 4.3 49 projects, most running until 2011, were funded totalling over £6 million. These area-based initiatives understand the needs of their community and can produce targeted, tailor-made advice and get immediate results at the doorsteps of those who really need them. The fund's original aim was to reach 300,000 of the most vulnerable households, but the successful projects are now predicted to reach 450,000 vulnerable households across England during the 3 year

programme. This is lower than the 600,000 expectation reported in the last report as it takes account of what projects have been able to deliver to date.

Low Carbon Buildings Programme – England and Wales

- 4.4 In 2008, the Government announced the establishment of a £3 million pilot fuel poverty workstream within the Low Carbon Buildings Programme. This will build upon the earlier Community Energy Solutions (CES) pilots by testing the scope for this main Government programme to assist deprived communities.
- 4.5 Work under the pilot, which should lead to installation of microgeneration technologies and associated energy efficiency measures in 2-3,000 homes, is now underway in North East England and will begin shortly in Yorkshire and Humberside and the East of England and Wales.

Warm Zones – England

- 4.6 Warm Zones¹⁰ community interest company (WZcic) is a not-for-profit company, and a wholly owned subsidiary of National Energy Action (NEA), the national fuel poverty charity. While concentrating on the delivery of affordable warmth to low-income and other vulnerable households, Warm Zones also provide energy efficiency measures for the able-to-pay.
- 4.7 The Warm Zones approach involves the proactive, systematic door step assessment of every household in the Zone area to identify the energy efficiency of the dwelling and the benefit status and income of the household. The initial assessment is followed by the coordinated delivery of a range of

¹⁰ www.warmzones.co.uk

customer focused energy efficiency and related services to meet the needs identified. Within this general approach the detailed delivery of each Zone varies to meet local needs and the resources and other assistance available. The Zones utilise CERT and local authority capital funding to deliver the majority of the measures. In addition, where appropriate, referrals are made to the Warm Front Scheme. Income maximisation, including individual claim support for households that require it, is another key component of what is offered. Other services can include energy and debt advice, water saving and security measures, smoke alarms and carbon monoxide detectors. The Zones also provide employment opportunities for local people both directly and with local insulation and heating installers as a result of the increased delivery of energy efficiency measures in the area.

- 4.8 During 2008/09 Warm Zones delivered energy efficiency improvements to more than 65,000 households across the 15 operational Zones. It is estimated that, in addition to the considerable social benefits of this work, these measures have saved an estimated total of 1.2 million tonnes of lifetime CO₂ emissions.
- 4.9 Since the establishment of the company in 2001, Warm Zones have assessed more than 805,000 properties and delivered over £70 million of major energy efficiency improvements in almost 194,000 homes. In addition it has made referrals to Warm Front for grants totalling more than £31 million.

Local Authority Indicators – England and Wales

- 4.10 In England, National Indicator (NI) 187 measures progress in tackling fuel poverty through the improved energy efficiency of households. It has been designed to measure the proportion of households on income related benefits for whom an energy assessment of their housing has been carried out and have a SAP of below 35 or greater than 65. This is ensuring energy efficiency is tackled in the most energy inefficient households and also measures progress towards achieving a SAP of 65.
- 4.11 Forty Local Area Agreements (LAA) have included NI 187 as one of the 35 local improvement targets and have set challenging but achievable targets in negotiation with the Government Office (GO). Additionally, a number have adopted NI187 as a local indicator. Local authorities report on an annual basis and the Department of Energy and Climate Change (DECC) will analyse these results in due course.
- 4.12 In February, the Welsh Assembly Government published a series of small area fuel poverty maps. The maps show the number and percentage of households in fuel poverty in Wales by Lower Layer Super Output Area. The main data sources used to produce the maps were the 2001 Census and the 2004 Living in Wales Survey. The 2004 survey identified the characteristics of households most likely to be in fuel poverty. The 2001 Census was used to match these fuel poor households to geographic areas. While the maps are unlikely to accurately reflect the level of fuel poverty in Wales today, the relative concentration of fuel poor households between different areas is unlikely to have changed significantly.

Helping households off the gas grid – Great Britain

- 4.13 As part of the 2008-13 Gas Distribution Price Control, Ofgem incentivised the large gas networks to provide connections to deprived households off the existing gas network. The networks have now put in place arrangements to deliver such connections. Ofgem and the Government expect up to 360 communities across Great Britain to benefit from the incentivisation that is being offered.
- 4.14 The Ofgem arrangements built on pilots overseen by the Government, in partnership with National Grid. These involved designing, developing and delivering gas connection projects in deprived communities. These pilots were also instrumental in developing a new pilot project for delivering gas and renewables projects to communities on a regional basis.
- 4.15 This pilot was delivered by a community interest company, Community Energy Solutions (CES), which was established to undertake pilots in North East England and Yorkshire and Humberside, using £4 million in core funding from the Government and the local Regional Development Agencies. By 2009, CES had assisted around 5000 households in 36 communities through gas network extensions and the installation of renewable technologies, particularly air source heat pumps, in work that demonstrated that the latter could be installed on an economically viable basis at a price comparable with that of mainstream fuels.
- 4.16 In September 2007, CES established a subsidiary, Go Warm, to target 300,000 homes in deprived communities throughout North East England. This project applies an updated, more highly targeted version of the Warm Zone model on a regional basis. It was intended to give benefits and energy efficiency assessments to 180,000 homes and to provide measures to 130,000 vulnerable households, but is now likely to reach more households than originally envisaged.

5. Energy Markets

Energy Prices

- 5.1 Energy prices are a key driver of fuel poverty. The overall cost of energy to domestic consumers rose by 9% in real terms between the second quarter of 2008 and the second quarter of 2009, with gas prices rising by 22% and electricity prices rising by 6% in this period. This means that overall energy prices in the second quarter 2009 were 77% higher in real terms than at their very low point six years ago in 2003, with gas prices doubling and electricity prices up by around 60% compared to 2003 levels.
- 5.2 During 2008, retail energy prices increased significantly as a result of sustained increases in wholesale gas and electricity prices, driven by high oil prices. The six major household energy suppliers then announced reductions in retail tariffs in the first or second quarters of 2009 as a result of falling wholesale gas and electricity prices over the previous six to nine months, affected by the global recession and the resulting fall in oil prices. Wholesale gas year-forward prices have fallen by over half and wholesale forward electricity prices have fallen by over 45% since their peaks in July and August 2008 respectively.
- 5.3 Some parties expressed concern that falls in the wholesale price might not be passed on to consumers through falls in retail prices. The Government considers that it is important that falls in wholesale costs feed through to consumers, and so asked Ofgem to produce quarterly reports on wholesale and retail price movements. These are available on the Ofgem¹¹ website.
- 5.4 The third of these reports, published in September 2009, found that supplier margins were relatively higher than their historical averages as wholesale costs continue to fall. The Government continues to impress on energy suppliers the need for retail prices to fall further should wholesale costs continue to fall. However, costs of environmental commitments (such as the EU Emissions Trading Scheme, the Renewables Obligation and the Carbon Emissions Reduction Target), and network charges have also risen significantly over the last year. In addition, the report highlighted that wholesale costs are expected to rise again by the middle of next year and that suppliers also face rising costs of bad debt and social tariffs.
- ### Regulation of the household retail energy markets
- 5.5 In 2008, following concern from the Government and the public about prices and other issues, Ofgem launched a detailed probe into retail energy markets. In its initial findings Ofgem reported that it had found no evidence of anti-competitive practices, but it did find evidence of unjustified pricing differences and other problems, including obstacles to consumers fully understanding their energy use and making the best decisions about it.
- 5.6 In response to Government and Ofgem concern at these findings, energy suppliers moved to address some unjustified price differentials between customer groups.
- 5.7 Following the report, Ofgem has developed a number of proposals to improve market functioning, to promote competition, and to protect and enable consumers. In August 2009 Ofgem published modifications to supplier licences, prohibiting undue price discrimination and requiring cost-reflectivity between payment methods.

¹¹ <http://www.ofgem.gov.uk/Pages/OfgemHome.aspx>

Ofgem has stated that it will pay particular attention to any unjustified discrimination which affects vulnerable groups. These licence obligations came into force on 1st September 2009.

5.8 Ofgem has developed supplier licence conditions on a range of issues including:

- standards of conduct for suppliers in the retail market;
- promoting more effective consumer engagement by:
 - improving customer information;
 - notice period for unilateral contract variations;
 - reforming debt blocking arrangements;
 - addressing tariff confusion;
 - simplifying the switching process;
 - promoting confidence in price comparison and switching;
- helping consumers make well informed choices – strengthening sales and marketing rules.

5.9 The Government has supported Ofgem's work to improve consumer protection, following the probe. It is important that consumers are able to access the information they need to allow them to make the right decisions, particularly when switching supplier. The introduction of better information on bills, annual statements and a "peace of mind" guarantee by suppliers provide valuable steps in the right direction.

5.10 The Government continues to believe that effective competition remains the central means by which consumers' interests can be protected in the energy retail markets. However, there are contexts in which the promotion of competition may not be sufficient, and when other action by the

regulator is necessary to protect consumers effectively. The Government has proposed to legislate to clarify this, building on the existing legislation. These changes will not undermine the central role that competition plays in the operation of the energy sector and the Government will engage with the sector before making them.

5.11 The Government has also proposed to strengthen consumer protection, by legislating to:

- enable Ofgem to impose financial penalties for breaches of licence conditions which occurred earlier than in the previous twelve months (the current limit);
- give the regulator the ability to address cases of undue exploitation of market power in the generation market, in circumstances when demand on the transmission network is above capacity; and
- enable the Secretary of State to outlaw certain types of cross subsidy between gas and electricity supply businesses when these impact unfairly on groups of consumers, particularly electricity-only customers.

5.12 The Government believes that these measures will improve the regulation of the household supply markets, and deliver increased protection for consumers.

Debt and disconnection protection for consumers

5.13 This year Ofgem and Consumer Focus are carrying out two joint reviews on energy supplier practice to investigate how effectively they are protecting vulnerable consumers and helping customers with debt problems. The report on vulnerable customers was published in October 2009 and the broader report on debt to be

published by the end of 2009. Both reviews focus on 'live' debt – where prepayment/debt blocking options can be used for debt recovery. They will look at best practice already identified amongst suppliers and their performance in this area.

- 5.14 In the current economic climate, it is important to ensure customers, particularly vulnerable customers, have adequate assistance to help them manage their energy bills. Suppliers need therefore, to retain a strong focus on debt management and continue to make improvements in implementing good practice to prevent debt and disconnection.

Energy supplier social programmes

- 5.15 Energy suppliers have a key role to play in helping Government to tackle fuel poverty and also a responsibility inherent in supplying an essential commodity to vulnerable customers. Suppliers' social programmes can include social and discounted tariffs for vulnerable customers, trust funds and debt write-off schemes, rebates, partnership agreements and benefit entitlement checks. Suppliers also offer free or discounted energy efficiency measures under the Carbon Emissions Reduction Target (CERT).
- 5.16 Following an announcement in Budget 2008, the major six energy suppliers agreed to increase their collective annual spend on social assistance to £100 million last year, £125 million this year, rising to £150 million in 2010/11. Ofgem's most recent report on suppliers' spend showed that during 2008/09, the first year of the voluntary agreement, they collectively spent £157.3million during 2008/09, exceeding their agreed spend with Government during this period by

around £57 million. In addition, Ofgem reported that as at 31 March 2009, over one million customer accounts were benefiting from a social tariff. Ofgem will continue to report annually on suppliers' social spend for the duration of the voluntary agreement.

- 5.17 The social price support available under the current voluntary agreement with energy suppliers has already made a real difference to the lives of a large number of vulnerable households. But the agreement comes to an end in March 2011. The Government has decided to build on the success of the voluntary agreement and will therefore bring forward new legislation at the earliest opportunity with the aim of placing social price support on a statutory footing when the current voluntary agreement ends in March 2011. As part of this new statutory framework, the Government will ensure there is an increase in the resources available and give suppliers greater guidance and direction on the types of households eligible for future support.
- 5.18 The Government will continue to develop this policy over the coming months, engaging with interested parties and would expect to consult on the detailed arrangements of the scheme in 2010. Subject to further policy development, the Government is minded to focus a large part of the additional resources on those older pensioner households on the lowest incomes as they are at greatest risk of excess winter death and tend to have a high incidence of fuel poverty.

6. Action on Incomes

6.1 Low income is the third contributor to fuel poverty. A wide range of action has been taken across Government to tackle poverty through improved incomes. Significant progress has been made in tackling pensioner poverty and child poverty, and the Government has redoubled efforts to address these challenges.

Incomes for vulnerable households

6.2 The UK Government has put in place a range of measures to tackle poverty and increase the incomes of vulnerable households.

6.3 Significant progress has been made in tackling pensioner poverty. Pensioners are defined as in relative poverty if they have an income below a certain threshold. This threshold is identified by ordering the incomes (after having deducted housing costs) for all people for a particular year, identifying the “median” income (the income that the person in the middle has), and then setting the threshold at 60% of this income. Compared with 1998, 900,000 fewer pensioners have incomes below this relative poverty threshold. For context, in 2007/08 (the latest year for which figures are available) 60% of median income (after housing costs) was equivalent to £115 a week for a single person and £199 a week for a couple.

6.4 Pension Credit is a key part of the strategy to tackle pensioner poverty and is making a difference to the incomes of thousands of older people. Pension Credit means that people aged 60 or over need not live on an income of less than £130 a week for a single person and £198.45 for couples. Pensioners with severe disabilities, caring responsibilities and certain housing costs may receive more. Pension Credit also rewards people aged

65 or over who have made modest provision for their retirement.

6.5 The Government has also invested in helping disabled people remain independent, by supporting the diverse needs of disabled people and carers. In 2009/10, over £18 billion of benefit payments will be administered by the Disability and Carers Service. There has also been progress in empowering more disabled people into work, with 47.5% of disabled people in 2009 in work compared to 42.0% in 1999.

6.6 Disability benefits paid to help with the extra costs associated with disability, principally disability living allowance (paid to people who qualify and claim before age 65) and attendance allowance (paid to people who qualify and who claim from age 65) are not means tested and are not considered in calculating income related benefits. They are paid to people in work as well as those who cannot work, at different rates according to the effect of disability on recipients’ lives.

6.7 Those with low incomes may qualify for help with rent and council tax through Housing Benefit and Council Tax Benefit. They may also qualify for a top-up from income support. For example, they might receive a top-up to bring them to £91.80 a week if they qualify for the disability premium of £27.50, or £144.70 a week if they also qualify for the severe disability premium (£52.85). The premiums paid to disabled people who have low incomes and qualify for income related benefits are intended to contribute towards the extra living costs they may incur.

6.8 Government is committed to the sustainable eradication of child poverty by 2020 and is taking a Bill through Parliament to entrench this goal in law.

- 6.9 The approach is based on getting more parents into work that pays, support for families that is responsive to their situation, improving children's life chances so poverty is not transmitted down the generations and strengthening communities so they help children thrive.
- 6.10 Since 1998/99 (the baseline year) government action has helped to reduce the number of children in relative low income poverty by 500,000 (2007/08). Significant investment announced in recent budgets and yet to have its full effect will increase this figure by a further 500,000.
- 6.11 Between 1997 and 2008 the number of children in workless households has fallen by around 445,000. Tax credits benefit around 10 million children in 6 million families. Families with children in the poorest fifth of the population are on average £4,750 a year better off in real terms than in 1997.
- 6.12 The Government has invested well over £25 billion on early years and childcare in England since 1997. The stock of registered childcare places has more than doubled to around 1.3 million. Over 3,000 Sure Start Children's Centres are now open, providing integrated early years services (including childcare) to over 2.3 million young children under 5 and their families.
- 6.13 Government aims for all schools in England to become extended schools by 2010, offering a range of services (including childcare and study support) from 8am to 6pm on weekdays throughout the year. Over 17,000 schools – 79% of the total are now offering the core extended services.
- 6.14 The Child Poverty Bill will bring new impetus to eradicating child poverty by 2020. It will provide a framework to guarantee Government and partners at all levels, make a clear and vital contribution towards ending child poverty.
- Winter Fuel Payments**
- 6.15 In addition to the Government's wider action to increase the incomes of vulnerable households, over 12.3 million people across the UK aged 60 and over received Winter Fuel Payments in the 2008/09 winter. The current value of the Winter Fuel Payment is £200 for households with someone aged 60 to 79 and £300 for households with someone aged 80 or over. An additional payment was made alongside the Winter Fuel Payment in 2008-09, worth £50 for households with someone aged 60 to 79 and £100 for households with someone aged 80 or over. If Winter Fuel Payments were counted directly against average fuel bills in 2007/08 we estimate they could have removed up to a further 1.1 million households from fuel poverty in the UK.
- 6.16 The Chancellor, in his Budget 2009 speech, announced the retention of the additional payment for winter 2009/10.
- Cold Weather Payments**
- 6.17 Cold Weather Payments are payable by the Government to poorer pensioner and other eligible households in weeks of extremely cold weather. For the 5 years up to 2007/08 the number of annual payments made averaged around 500,000 and the payment was £8.50. For the winter of 2008/09 the amount of the payment was increased to £25.00 for each 7 day period of very cold weather. This increase has been retained for winter 2009/10. Due to the severe conditions, 8.4 million awards were made amounting to £210 million for winter 2008/09.

Benefit Entitlement Checks

6.18 Warm Front offers all applicants, whether initially eligible for the Scheme or not, a Benefit Entitlement Check. In 2008-9, the Scheme performed checks for 78,294 applicants. Of these checks, 42% identified a benefit to which the client was eligible but not currently claiming. The average value of these unclaimed benefits was £31.07 per week, or £1,615.64 per year. In addition, working together with the six biggest energy suppliers, the Scheme contacted 2,300 customers who had applied through the checks to see if they might be eligible for a cheaper tariff with their current supplier. 43% were found to be eligible and had their accounts amended accordingly.

6.19 During 2008/09 the income maximisation service provided by Warm Zones Community Interest Company in its local initiatives secured more than £7 million of verified additional welfare benefits for more than 2,300 households, increasing the annual income of successful claimants by an average of almost £3,000.

7. Information and Campaigns

Keep Warm Keep Well

7.1 The 2008/09 campaign¹² comprised:

- distribution of information materials through established channels such as primary care;
- distribution of information materials and messages through third party channels; and
- a Cold Weather Health Warning pilot with the Meteorological Office and media partners in the North West of England, which alerted the public to a forecast cold snap and signposted them to further information on keeping warm and well.

7.2 In total:

- approximately 2.3 million campaign leaflets were distributed;
- campaign messaging in stakeholder newsletters reached 88,570 people;
- campaign messaging on stakeholder websites reached 1.7 million people;
- 5 corporate and retail partnerships brokered; and
- 15 alliances brokered across voluntary and community stakeholders.

7.3 A large part of the PR programme involved working with stakeholders to get materials and messages out to the target groups. The stakeholder strategy built on previous relationships and recruiting new partners to deliver better results. New partners included the retailers Co-op and Lidl.

Cold Weather Health Warning

7.4 The proposal for a Cold Weather Health Warning arose from partnership work in the 2007/08 Keep Warm Keep Well

programme, and the idea was included in a Department of Health report on health inequalities.

7.5 The Meteorological Office developed a cold weather indicator to act as a trigger for communicating warnings about cold weather, and the steps that people whose health could be at risk from extreme cold could take, via weather forecasts. When the temperature was predicted to reach an agreed low, the weather forecast included messages signposting people to sources of advice about how to minimise their risk of suffering cold related health effects. The warning system was piloted in the North West of England.

7.6 The warning directed people to contact a helpline, which provided information on easy steps that people could take to ensure they reduced their chances of ill health as well as benefits and grants available designed to alleviate fuel poverty.

7.7 The Department of Health worked with the BBC and Granada TV as key media partners, and the warning was broadcast on regional TV and radio weather bulletins.

Health Campaigns and Warm Front

7.8 Last year the Department of Health were actively involved in four major health related campaigns, working with local, regional and national health organisations to target Warm Front grants at people to help improve health and well-being.

7.9 The total qualifying referral numbers from the campaigns increased over the previous year by around 8%, from under 23,000 to just over 24,600.

¹² <http://keepwarmkeepwell.direct.gov.uk/index.html>

7.10 The main campaign came from promotions tied into flu jab projects. 48 out of 152 Primary Care Trusts (PCT) in England sent joint mailings or distributed flyers at clinics. Almost 13,000 referrals in total were made.

7.11 An inclusion of a flyer in the 'Healthy Start' mailing for the third year in a row resulted in an increase in referral numbers to almost 4000 compared to last year. Referrals from the 'Keep Warm Keep Well' booklet increased by 24% to 6,358 and 'Generic Health' referrals from health related marketing materials and third party web referrals tripled to over 1,300.

8. Stakeholder Actions

Age Concern and Help The Aged

- 8.1 Age Concern and Help the Aged have campaigned on a broad front to raise the profile of fuel poverty. Our stance is to create the space where public funds and other incentives can be provided to address the energy inefficiency in our housing stock, and thus ensure that people can keep adequately warm at a cost they can afford. In the short run, this objective can be partially reached by developing social tariffs, which, to be effective, need to be consistent and mandatory.
- 8.2 At the same time there has been a continuing emphasis on drawing to the attention of older people the help which is available in various programmes, and the lifestyle and behavioural issues they might address in order to save energy whilst keeping themselves appropriately warm. Properly preparing for winter and the likelihood of severe weather is an important part of that message.
- 8.3 Past programmes operated before the merger of the two charities are still running. Both have worked collaboratively with the energy supply companies. The British Gas Help the Aged Partnership set up a Benefits Advice Programme in 2003, aiming to maximise the incomes which older households may be entitled to through the benefits system. The programme supports a number of local projects which provide free benefits advice – importantly, we believe, on a face to face basis. The upshot is that to date, 53,000 people have received advice and a total of £34 million extra benefit income has been identified.
- 8.4 The Partnership's annual awareness raising campaign, working with local media and local voluntary sector bodies, has distributed 770,000 free room thermometers to alert people of their potential danger in falling temperatures, and 481,000 information packs to help people with practical steps they can take to keep adequately warm and well.
- 8.5 In partnership with E.ON, the charity also delivers the EnergyRight scheme, providing face to face information and assistance about using energy wisely. Age Concern volunteers carry out free home energy checks and refer residents to E.ON's Caring Energy team, grants and schemes for free loft and cavity wall insulation, and the Warm Front programme.
- ### Energy Efficiency Partnership for Homes
- 8.6 The Energy Efficiency Partnership for Homes (EEPH)¹³ (the Partnership) is an independent, voluntary network of over 560 UK organisations involved in the delivery of energy saving products and services to consumers in the household sector. It is funded by DECC and facilitated by the Energy Saving Trust (EST).
- 8.7 The Partnership has a Fuel Poverty Strategy Group which shares information between organisations and sectors across all four UK nations, and stages regular reviews of both Government and non-Government initiatives. In the last year the group again staged a well attended annual conference to bring together the wider energy efficiency supply chain to consider where future fuel poverty initiatives should be focussed. The group has developed its previous focus on the geographic equity of fuel poverty resources by successfully promoting more regular updates of installed measures into the EST Home Energy Efficiency Database from energy suppliers.

¹³ <http://www.eeph.org.uk/>

8.8 Within the Fuel Poverty Strategy Group, the Hard to Treat Homes Subgroup focuses on reducing the incidence of fuel poverty in homes that typically cannot be treated with traditional cost effective measures. The group does this by improving the communication of best practice and encouraging both policy and technical developments to key stakeholders. This year the group explored the range of opportunities for treating these dwellings within the Carbon Emissions Reduction Target (CERT) and provided guidance for both energy suppliers and local authorities to further promote the benefits of tackling hard to treat homes.

The Energy Saving Trust

8.9 The Energy Saving Trust (EST)¹⁴ is a private company funded by both government (DECC, the Department for Transport, and the Devolved Administrations) and the private sector.

8.10 EST offers advice to local authorities and housing associations on how to implement sustainable energy programmes and strategies. In 2008/09, 8.8% of local authorities in the UK contacted this service seeking support specifically on fuel poverty related matters.

8.11 EST provides consumers with comprehensive and tailored advice on how to reduce their carbon footprint, through running the Government's Act On CO₂ advice line and a network of regional advice centres. The 'one-stop-shop' offers consumers a range of free and impartial advice on energy efficiency, microgeneration and renewable energy, low carbon transport, water efficiency

and waste reduction. In 2008/09, the network advised approximately 1.3 million consumers.

8.12 EST is currently developing its services to support customers concerned about paying their energy bills and those at risk of fuel poverty. The advice line offers basic information on how to save money through changing energy tariffs, altering payment methods or switching suppliers, and how to maximise incomes. Work is also underway to further strengthen links and referral routes to schemes such as Warm Front (and equivalents) and energy supplier offers, as well as other sources of support and expert advice.

8.13 EST Scotland is responsible for delivering the Scottish Government's Energy Assistance Package. This experience will offer useful lessons for the advice centre network in the rest of the UK.

Consumer Focus

8.14 In October 2008, energywatch was merged with Postwatch and the National Consumer Council to form a new consumer representation and advocacy body, Consumer Focus¹⁵. Fuel poverty is a major priority for Consumer Focus, with activity focusing on two key areas – energy prices and energy efficiency. Consumer Focus actively argued for mandatory standards for energy social tariffs. It commissioned an independent analysis of the energy supplier's offers and submitted evidence to various select committees to present the case for a mandate. Consumer Focus welcomed the Government's proposal to mandate social price support and is keen to make sure this reaches consumers in fuel poverty.

¹⁴ <http://www.energysavingtrust.org.uk/>

¹⁵ <http://www.consumerfocus.org.uk/>

8.15 Consumer Focus highlighted the importance of tackling fuel poverty by raising energy efficiency standards. It commissioned research¹⁶ from the Centre for Sustainable Energy (CSE) and Association for the Conservation of Energy (ACE) to examine the cost and benefits of 'fuel poverty proofing' homes by bringing them up to a target Energy Performance Certificate (EPC) Band B or SAP 81 standard. Consumer Focus also produced a 'Fuel Poverty Charter', supported a wide-ranging fuel poverty coalition, provided evidence to the Work and Pensions Select Committee and the Environment, Food and Rural Affairs Committee and is an active contributor to the government's Fuel Poverty Advisory Group (FPAG) and Fuel Poverty Monitoring Group.

8.16 Consumer Focus carried out a joint fast-track review with Ofgem of energy companies' disconnection procedures for vulnerable consumers. The proposals resulting from the review are designed to strengthen procedures. It has also started work on a wider debt and disconnection review, due to concerns about the impact of the recession on consumers' ability to pay.

8.17 In the first eight months of operation Consumer Focus's Extra Help Unit (EHU) for vulnerable consumers handled 4,000 complex cases referred from Consumer Direct or elected representatives. Consumers were often very distressed, on low incomes and in desperate need of representation. Many suffered from mental health problems or long term illnesses and young children were often involved. The team provided support to 122 elected representatives who sought help on behalf of their constituents.

8.18 Consumer Focus has also investigated the non-metered heating fuels market, advocated the reduction of tariffs paid by prepayment and standard credit consumers and pressed for improvements to the protection of low income consumers through smart metering. Consumer Focus is currently exploring the implications of the transition to a low carbon economy for low income consumers, particularly with respect to developing policies that will have a positive impact on fuel poverty.

National Energy Action

8.19 National Energy Action¹⁷ (NEA) continues to assist Government in the achievement of its fuel poverty objectives. The charity's activities during the year have concentrated on:

- work with regional agencies, local authorities, social landlords and their partners to review, develop and implement local action to tackle fuel poverty;
- delivery of practical projects seeking to improve financial inclusion and services to tackle fuel debt;
- work with partners in the health, social care and voluntary sectors to improve the targeting of energy services to vulnerable households;
- identification of ways to provide affordable warmth to hard to treat properties;
- investigation of the suitability of low carbon technologies and microgeneration as solutions to fuel poverty; and
- engaging administrations across the UK to encourage them to address fuel poverty.

¹⁶ http://consumerfocus.org.uk/en/content/cms/Publications___Repor/Publications___Repor.aspx

¹⁷ www.nea.org.uk

8.20 In particular, DECC funded NEA to deliver a range of practical work programmes which have sought to develop and promote best practice. These have included the following activities:

- working directly with 23 local authorities and Local Strategic Partnerships (LSP) to develop and implement affordable warmth action plans;
- developing a fuel debt advice training programme and resource pack for advice and community workers. 151 advice agency staff were trained in advice to address fuel debt, methods of achieving income maximisation, delivery of energy efficiency advice and access to grant support for measures;
- undertaking work to improve targeting of services to families with young children and worked with five Children's Trusts to ensure that the application of the Common Assessment Framework incorporates referrals to energy services. NEA also distributed a publication to all Children's Trusts; *a cold, damp home is a danger zone – influencing Children's Trusts – a resource pack* available on NEA's website;
- undertaking work to assess the effectiveness of low carbon technologies to reduce fuel poverty in rural and hard to treat properties. NEA has worked with manufacturers to assist in the development of new technologies, including thin film insulation and air source heat pumps, and undertook practical evaluation of solar thermal technology and biomass heating as methods of reducing fuel costs; and
- undertaking research and making recommendations on opportunities to add value to Energy Performance Certificates (EPC) by expanding the role of Domestic Energy Assessors (DEAs) to provide detailed behavioural advice to occupiers. NEA also monitored new and emerging research in the field of fuel poverty and domestic energy efficiency and maintained an online research database.

8.21 NEA has continued to work with agencies within each of the English regions to develop policy commitments to tackle fuel poverty and produced bi-annual information briefings for regional partners to promote policy and practice developments.

9. Advisory Groups

Fuel Poverty Advisory Group – England

- 9.1 The Fuel Poverty Advisory Group (FPAG) for England is an Advisory Non-Departmental Public Body, sponsored by DECC and comprising a wide range of organisations. Its terms of reference require it to:
- consider and report on the effectiveness of current policies in delivering reductions in fuel poverty and the case for greater coordination;
 - identify barriers to the delivery of reductions in fuel poverty and to the development of effective partnerships, and proper solutions;
 - consider and report on any additional policies needed to deliver the Government’s targets;
 - enthuse, and encourage, key players to tackle fuel poverty; and
 - consider and report on the results of the work to monitor fuel poverty.

- 9.2 The Government’s response to the recommendations in FPAG’s Seventh Annual Report¹⁸ is at chapter 10 below.

The Fuel Poverty Advisory Group for Wales

- 9.3 The Fuel Poverty Advisory Group for Wales was established in 2004 to monitor and review the strategy and to promote a partnership approach to tackling fuel poverty in Wales. A new, independent Chair, was appointed in October 2008.
- 9.4 The Group is tasked with reporting on progress, providing evidence based solutions that promote service and policy

integration and proposing new policy recommendations. The Advisory Group also contributes to developing partnerships with communities and voluntary organisations across Wales and co-ordinating strategies to alleviate fuel poverty in Wales.

The Scottish Fuel Poverty Forum

- 9.5 The Scottish Fuel Poverty Forum was reconvened at the end of May 2008 to advise Scottish Ministers on options for refocusing policy and funding to better achieve the target of eradicating fuel poverty as far as is reasonably practicable by 2016. The Forum published its report on 10 October 2008¹⁹. The Scottish Government responded positively to its recommendations and following its advice introduced the Energy Assistance Package (EAP) in April 2009.
- 9.6 The Forum continues to meet regularly, its main task being to monitor implementation of the EAP and report to Minister’s on this in summer 2010.

The Fuel Poverty Advisory Group for Northern Ireland

- 9.7 The Fuel Poverty Advisory Group in Northern Ireland advises the Minister on the effectiveness of current policies in delivering reductions in fuel poverty. The group published its third annual report and made a number of recommendations to government about addressing fuel poverty. The report acknowledged the substantial progress made and provided a challenge across Government Departments to develop or adjust policy in order to alleviate fuel poverty.

¹⁸ http://www.decc.gov.uk/en/content/cms/what_we_do/consumers/fuel_poverty/fpag/fpag.aspx

¹⁹ <http://www.scotland.gov.uk/Publications/2008/10/09155649/0>

10. Government Response to FPAG Recommendations

10.1 The Fuel Poverty Advisory Group is an Advisory Non-Departmental Public Body, sponsored by DECC. The Group consists of a chairman, Derek Lickorish, and senior representatives from the energy industry, charities and consumer bodies. Its terms of reference require it to assess and report on the Government's fuel poverty strategy.

10.2 A number of key recommendations were included in FPAG's Seventh Annual Report and responses to each of them are provided below. Additional comments were included in FPAG's report which relate to the ongoing work across Government in tackling fuel poverty. The Government's progress in a number of these areas is reflected in the main body of the report.

10.3 As a matter of urgency the Department of Energy & Climate Change (DECC) should prepare a 'Road Map' with milestones and ownership of the key tasks required to have eradicated fuel poverty by 2016.

10.4 Response:

- Government continues to look for ways in which we can make further progress towards our fuel poverty goals. Earlier this year, DECC announced a review of our fuel poverty policies, which is examining whether existing measures to tackle fuel poverty could be made more effective and considering whether new policies should be introduced.

10.5 Since this review was announced in January, the Government has:

- announced major improvements to the Warm Front delivery contract. These changes will open the Scheme up to greater competition to provide best value for money and improved customer service;

- announced increases to the grant limits for eligible households under the Warm Front Scheme. The grant increases of £3,500 (or £6,000 where oil or a new low carbon technology is recommended) will mean that the vast majority of households will not have to contribute payment towards their measures. The scheme is also being expanded to pilot the installation of low carbon technologies. On average, each recipient has the potential to save over £350 per year on energy bills. The scheme has assisted two million households since 2000 – over half a million households in the last two years alone;
- changed the law to enable the launch of the Community Energy Saving Programme (CESP) from September 2009. This programme is designed to apply entirely in areas of low income, where households are likely to have a greater than average propensity to be in fuel poverty. This new £350 million programme will improve energy efficiency and lower household fuel bills, and the partnership approach with local authorities and other community representative organisations should help to reach more of the most vulnerable households; and
- made changes to the Carbon Emissions Reduction Target (CERT) – an obligation on energy suppliers – so that from August 2009, an estimated £1.9 billion will be directed at energy savings amongst a priority group of low income and elderly households in the period to 2011. For the extension period of CERT to the end of 2012, the Government has also announced that it will be exploring how best to provide help to more of the most vulnerable households within the Priority Group.

- The initial findings of the review are integrated into the 'UK Low Carbon Transition Plan', published on 15 July. This included a proposal to bring forward new legislation at the earliest opportunity with the aim of placing social price support on a statutory footing when the current voluntary agreement ends in March 2011.

10.6 The 'UK Low Carbon Transition Plan' sets out how the UK will make the transition to becoming a low carbon country: cutting emissions, maintaining secure energy supplies, maximising economic opportunities, and protecting the most vulnerable. The Road Map to 2050 for the UK Low Carbon Transition Plan will be published in the spring of 2010.

10.7 Initiate a detailed study to model a range of fuel poverty scenarios in this period of volatile prices and imported gas dependency together with the Industry's major investment plans.

10.8 Response:

- The fuel poverty statistics detail projections of fuel poverty for 2008 and 2009, a period of particularly unstable pricing.
- A view of energy price and bill projections until 2020 was produced in the UK Low Carbon Transition Plan, published in July this year. The Plan sets out how the UK will make the transition to becoming a low carbon country: cutting emissions, maintaining secure energy supplies, maximising economic opportunities, and protecting the most vulnerable. Further details of our assessments for prices and bills with particular emphasis on climate change policies can be found in the Analytical Annex to the Plan.

- The department is doing all that is reasonably practicable to tackle fuel poverty and earlier this year it announced a review of its fuel poverty policies. Recognition of the likely higher fossil fuel prices was one of the factors underpinning the DECC Ministerial decision, announced in the UK Low Carbon Transition Plan, to work towards introducing mandated social price support at the earliest opportunity, with increased resources compared to the current voluntary system. In addition to taking this forward DECC will also be:
 - Working with energy suppliers, local communities and other interested parties to deliver the new Community Energy Savings Programme (CESP) and, as part of this, to learn lessons for the future on this "whole-house", street by street approach focused on low income areas;
 - Exploring how best to provide help to some of the most vulnerable households within the Priority Group under the Carbon Emissions Reduction Target (CERT) obligation on energy suppliers for the proposed extension period from April 2011 to December 2012. The Government intends to launch a consultation on its proposals later this year;
 - Considering how future arrangements for delivering energy efficiency measures to households could continue to support the fuel poor alongside other households as we develop the Government's proposals for the heat and energy saving "Great British Refurb" post 2012; and
 - Working across Government and with local Government, community organisations, energy suppliers and stakeholders and delivery partners to continue to find better ways of targeting

support at the fuel poor and working to ensure that fuel poor households can benefit from new schemes, such as the Renewable Heat Incentive, to help reduce energy bills.

10.9 Mandate a social tariff funded through a Fuel Poverty Levy placed on all electricity and gas sold.

10.10 Response:

- The social price support available under the current voluntary agreement with energy suppliers has already made a real difference to the lives of a large number of vulnerable households. But the agreement comes to an end in March 2011. The Government has decided to build on the success of the voluntary agreement and will therefore bring forward new legislation at the earliest opportunity with the aim of placing social price support on a statutory footing when the current voluntary agreement ends in March 2011. As part of this new statutory framework, the Government will ensure there is an increase in the resources available and give suppliers greater guidance and direction on the types of households eligible for future support.
- The Government will continue to develop this policy over the coming months, engaging with interested parties and would expect to consult on the detailed arrangements of the scheme in 2010. Subject to further policy development, the Government is minded to focus a large part of the additional resources on those older pensioner households on the lowest incomes. They are at greatest risk of excess winter death and tend to have a high incidence of fuel poverty.

10.11 A step change in the process and number of benefit entitlement checks plus increases in the notional fuel element of benefits per se.

10.12 Response:

- The government recognises the importance of increasing benefit take-up for vulnerable groups. During 2008/9 just over 78,000 benefit entitlement checks were completed through Warm Front. A new or an additional eligible benefit was identified in 45% of cases resulting in an average weekly increase in household income of £31 per applicant.
- In reference to children, the government established the 'Take Up Taskforce' comprising a wide range of professionals from organisations in the public and voluntary sector. The report of the Take Up Taskforce "Taking Up the Challenge²⁰" was published on 12 June. It set out the steps that local services should take to improve the take up of benefits and tax-credits. It included advice and a range of examples of good practice.
- We have also simplified the claim process to make it easier for pensioners to claim their benefits. Claims for Housing Benefit and Council Tax Benefit made over the telephone with Pension Credit, can now be forwarded directly to the local authority without the need for a signed claim form. And we continue to look at ways of making further improvements.
- The Pension, Disability and Carers Service (PDCS) conducts around 13,000 home visits a week for vulnerable customers to ensure they are receiving all benefits and services

²⁰ www.dcsf.gov.uk/ecm/childpoverty

they are entitled to. The PDCS will continue to promote take-up of benefits by those entitled. It will continue to press forward with a range of techniques such as data matching to identify eligible non-recipients, targeted local marketing and media campaigns, a simple claim process, ever closer working with partner organisations as well as home visits for vulnerable customers.

- The Government reviews all benefits annually. The Government considers the level of prices and, where appropriate, benefits are up rated accordingly. In reference to payments designed to contribute towards additional energy costs at particular times of the year, such as Winter Fuel and Cold Weather Payments, these payments are kept under general review. For example, an additional payment has been provided alongside the Winter Fuel Payment worth £50 and £100 for those 60-79 and 80 and over respectively) for winter 2008/09 and this increase is retained for winter 2009/10. The Cold Weather Payment was also increased for winter 2008/09 from £8.50 to £25. This increase has been retained for winter 2009/10.

10.13 The Government will need to commit to at least the 2008/9 levels of expenditure and preferably at a considerably higher level and funded via general taxation.

10.14 Response:

- Expenditure on the Scheme has been increased by £174 million over the current three year spending period to more than £950 million, compared to £862 million in the previous spending round.

- Warm Front spend has been re-profiled to bring forward £50 million from 2010/11 to 2009/10 thereby ensuring that up to 30,000 vulnerable households will be assisted sooner than originally planned.
- We have recently announced changes to the Scheme to improve the quality of service and have increased the maximum grant available for eligible households.
- Further funding decisions will be made as part of the normal process.

10.15 Government should specify a 'Decent Homes Plus' standard.

10.16 Response:

- The Government believes that everyone deserves a decent home at a price they can afford. The Decent Homes Standard was set to cover the basic components of a home that made it warm wind and weather-tight. It was set as a threshold so that homes below the standard should be improved. This includes providing a home with a reasonable degree of thermal comfort.
- Since 1997, over £29 billion has been invested and the number of non decent social homes has been reduced by more than one million. Over £40 billion in total will have been invested by the end of 2010.
- The Heat and Energy Saving Strategy (HESS) committed that the Government will show leadership by ensuring that social housing meets, and where possible exceeds, the aims it is setting for all housing on energy efficiency and low carbon energy and the Government is considering, with the Tenant Services Authority, the need to identify aspirational standards

and benchmarks for energy savings and emissions reductions in refurbishment, for different property types and how improving thermal comfort levels for social housing might be funded.

- We are undertaking a review of the financing of council housing. The purpose of the review of the Housing Revenue Account Subsidy System is to ensure that we have a sustainable, long term system for financing council housing. One of the work streams of the review is considering the issue of costs and standards for council housing and this work will help to inform any decision about a capital investment programme that will follow the Decent Homes Programme.

10.17 Government to mandate the required SAP rating or EPC standard to be achieved and by when, including for the fuel poor.

10.18 Response:

- Government is looking at a variety of existing tools, including Building Regulations, to ensure we promote a range of opportunities to improve energy efficiency in households.
- We received a large number of detailed responses to the Heat and Energy Saving (HES) consultation. In the light of this we are currently looking at a range of ideas put forward, and ensuring we consider the variety of responses in the policy development process. Alongside objectives on carbon reduction and energy efficiency, we recognise that tackling fuel poverty should be a key objective of the Heat and Energy Saving Strategy (HESS).
- The energy efficiency of a building is one of the three factors that determine fuel poverty (along with prices and household income). The Government has long recognised this and has a package of measures in place to tackle this and the other root causes of fuel poverty.
- Some homes will be harder to treat than others, requiring a greater level of resources. The Government's proposed energy efficiency policies, including HES, CESP and the Renewable Heat Incentive, will take a house-by-house approach, where the unique circumstances of each property and its occupants are taken into account.
- We haven't expressed our level of ambition in the HES consultation in terms of SAP levels. But the sort of measures required to improve hard to treat properties – renewable technologies and solid wall insulation for instance – would be measures that we could expect to get many homes up to the level of SAP 81.
- The 2007 English House Condition Survey Annual Report²¹ published on 29 September 2009 and in addition to an assessment of the current performance of the housing stock, will model the impact of carrying out a range of cost effective improvements that are recommended by the Energy Performance Certificate (EPC) (e.g. cavity wall, loft and cylinder insulation, upgrading boilers on existing heating systems). The results of this work will enable us to say how many properties would reach Band C or higher given the range of improvements covered. These improvements will not cover the higher cost and carbon reduction technologies that are additionally considered by the EPC, measures

²¹ <http://www.communities.gov.uk/publications/corporate/statistics/ehcs2007annualreport>

such as solid wall insulation, solar photovoltaic panels, and change of heating systems, which may be required to achieve good performance in many properties.

10.19 Government commitment to the widespread promotion and support of new technologies including air-source heat pumps, solar thermal systems, and biomass heating and photovoltaic systems.

10.20 Response:

- DECC is testing the scope for providing cost effective micro generation technologies to off-gas grid communities through a pilot under its Low Carbon Buildings Programme. Installation of technologies will begin this autumn under the pilot, which builds upon earlier pilots under which several hundred air source heat pumps have been installed in North East England and Yorkshire and Humberside at a price comparable with that of mainstream technologies and fuels such as heating oil.
- Warm Front continues to seek out cost effective, established alternative technologies, with a particular emphasis on low carbon and renewable measures suitable for 'hard to treat' properties. This year has seen the installation of 125 solar thermal heating systems across the country. The cost effectiveness and user accessibility of this technology is being reviewed in partnership with National Energy Action to understand its viability as a potential measure on the Scheme. In addition the Scheme has also begun a piloting exercise to install 200 air source heat pump systems which is due for completion in early 2010.

10.21 Government to mandate the transparency of CESP cost recovery, levies and consumer equity.

10.22 Response:

- In a competitive market, the extent to which companies choose to pass costs through to customers, if at all, will be up to the companies concerned. Those who choose to absorb the costs themselves should have an advantage in attracting and retaining customers.
- CESP will be delivered in areas of low income, which have a high propensity to fuel poverty. A large proportion of the householders assisted under CESP are expected to be fuel poor.

10.23 The prepayment tariff differential is addressed through price controls.

10.24 Response:

- The Government believes that differences in charges relating to the method of payment should only reflect the costs of that method and not discriminate unfairly against any group of customers.
- In addition to action from suppliers since the publication of the probe to remove the premiums which could have been paid by some customers including Pre Payment Meter users, in August 2009 Ofgem published modifications to supplier licence prohibiting undue price discrimination and requiring cost-reflectivity between payment methods. These measures aim to ensure that customers will not face unjustified premiums related to their payment methods. These licence obligations came into force on 1 September 2009. We support Ofgem's work in this area.

- We do not believe that price controls are the answer. Fixing prices would give supply companies little incentive to innovate and compete and would also severely restrict the capacity for timely (and so cost effective) investment to secure future supply, tending to push prices up further in the future.

10.25 The implications for customers and a new approach to debt management for a smart meter future should be thoroughly explored.

10.26 Response:

- The Government welcomes FPAG's support for smart meter roll out. Smart meters will play an important role in our transition to a low carbon economy, and in helping us meet some of the long term challenges we face in ensuring affordable, secure and sustainable energy.
- Overall, the Government expects consumers to benefit and pay less for their electricity and gas. Based on an estimated saving of 2% for households with gas meters and 2.8% for households with electricity meters, the expectation is that by 2020 households with both electricity and gas will save on average £29 per year²².
- As explained in the Government's recent consultation on smart metering, there is a substantial programme of work required to prepare for roll out. This will include, for instance, work on data access and data protection. Clearly the right level of data access will be important in order to realise the full benefits of

smart metering for consumers, but equally the right safeguards must be in place to protect consumers from improper access and misuse of data. The preparation programme will also include work on consumer protection issues, including ensuring that appropriate arrangements are in place to protect or assist vulnerable consumers.

10.27 Develop a Post Office Card Account (POCA) type service to give the unbanked access to direct debit energy deals.

10.28 Response:

- One of the things that people most like about the POCA is its simplicity. Direct Debits are already available through the basic bank accounts which can be accessed at Post Office branches. And we hope, over time, that the Post Office will be able to develop accounts with wider features, on a commercial basis. The current financial situation gives them a great opportunity to do so.
- It is generally accepted that there is a gap in the market for those who want to budget on a weekly basis. The Government is monitoring with interest a number of proposals for a weekly budgeting scheme and hopes that a realistic and affordable proposal emerges.

²² UK Low Carbon Transition Plan, Analytical Annex

11. The Way Forward

11.1 Earlier this year Joan Ruddock announced that DECC was undertaking a review of its fuel poverty policies. This is a key piece of work going forward and has been looking across all three drivers of fuel poverty (energy efficiency of a home, energy prices and the level of household income), and at the issue of how to more effectively identify and target assistance at the most vulnerable households.

On 15 July, the Government published a White Paper, the “UK Low Carbon Transition Plan”, setting out how the UK will make the transition to becoming a low carbon country: cutting emissions, maintaining secure energy supplies, maximising economic opportunities, and protecting the most vulnerable. The initial findings of the fuel poverty review are integrated in the Plan and include proposals to create mandated social price support at the earliest opportunity with increased resources compared to the current voluntary system.

11.2 In taking forward the measures set out in the ‘UK Low Carbon Transition Plan’. The Government will now focus on:

- delivering the proposal for mandatory price support for the most vulnerable households, bringing forward legislation at the earliest opportunity. Our aim is to ensure those vulnerable households receiving help under the current voluntary agreement with energy suppliers can be confident that similar support will be available on a mandatory basis when the voluntary agreement comes to an end in March 2011. The Government will continue to develop this policy over the coming months, engaging with interested parties and would expect to consult on the detailed arrangements of the scheme in 2010;

- working with energy suppliers, local communities and other interested parties to deliver £350 million worth of energy efficiency measures through the new Community Energy Savings Programme (CESP) using a “whole house”, street by street approach focused on low income areas;
- exploring how best to provide help to some of the most vulnerable households within the Priority Group under the Carbon Emissions Reduction Target (CERT) obligation on energy suppliers for the proposed extension period from April 2011 to December 2012. The Government intends to launch a consultation on its proposals later this year;
- considering how future arrangements for delivering energy efficiency measures to households could continue to support the fuel poor alongside other households as the Government’s proposals for the heat and energy saving “Great British Refurb” post 2012 are developed; and
- working across Government and with local Government and local community organisations, energy suppliers and other stakeholders and delivery partners to continue to find better ways of targeting help and support at the fuel poor.

11.3 Additionally the Government will:

- retain the additional payment alongside the Winter Fuel Payment for winter 2009/10 at a rate of £50 for households with someone aged 60 – 79 and £100 for households with someone aged 80 and over. This will mean payments of £250 and £400 respectively. Also, we will retain for winter 2009/10, the higher rate of £25.00 for Cold Weather Payments;

-
- press ahead with our substantial programme of work required to prepare for roll out of smart meters. This will give customers accurate information on how much energy they are using, what they are spending on it and ultimately maximise energy saving; and
 - the Scottish Fuel Poverty Forum will monitor the implementation of the new Energy Assistance Package and will report to the Scottish Government on the first year of the package in summer 2010. Scottish Ministers have a statutory duty to provide an update on the 2002 Ministerial Statement on Fuel Poverty by the end of 2010.

11.4 Both the UK Government and the Devolved Administrations remain committed to tackling fuel poverty and have put in substantial resources so they can continue to do all that is reasonably practicable to alleviate fuel poverty across the UK.

12. Glossary

CEEF	Community Energy Efficiency Fund
CERT	Carbon Emission Reduction Target
CESP	Community Energy Saving Programme
CSR	Corporate Social Responsibility
CLG	Communities and Local Government
DECC	Department of Energy and Climate Change
DH	Department of Health
DSD	Department for Social Development (NI)
DWP	Department for Work & Pensions
EEC	Energy Efficiency Commitment
EEPH	Energy Efficiency Partnership for Homes
EHCS	English House Condition Survey
EST	Energy Saving Trust
FPAG	Fuel Poverty Advisory Group
HEES	Home Energy Efficiency Scheme
HESP	Home Energy Saving Programme
HESS	Heat and Energy Saving Strategy
HHSRS	Housing Health & Safety Rating System
HMT	Her Majesty's Treasury
LSP	Local Strategic Partnerships
NEA	National Energy Action
Ofgem	Gas & Electricity Markets Authority
PCT	Primary Care Trust
SAP	Standard Assessment Procedure
WTC	Working Tax Credits
WZL	Warm Zones Limited

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