

Number: WAG10-11145



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

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Further analysis of Living in Wales 2008 property survey data:

Examining the impact of the new fuel poverty scheme
eligibility criteria (January 2011)

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This note uses the latest data from the 2008 Living in Wales property survey (published on 26 November 2010) to examine the likely impact of using more targeted eligibility criteria for our new fuel poverty scheme.

The figures included in this document are estimates of the proportion of households that were in fuel poverty in 2008. Projections of the level of fuel poverty in 2009 and 2010 suggest that overall levels of fuel poverty have changed little since 2008.

Fuel poverty is defined as needing to spend more than 10% of household income on energy in order to heat the home to an acceptable level. It is estimated that around 26% of households in Wales (around 332,000 households) are currently in fuel poverty. Of these, around 61,000 were estimated to be in severe fuel poverty, which is defined as needing to spend more than 20% of household income to keep the home acceptably warm.

Targeting fuel poverty in the new fuel poverty scheme

All households in Wales will be able to receive advice and other support, including free or discounted loft and / or cavity wall insulation via the energy supplier obligations, from the new fuel poverty scheme.

Households that claim means tested benefits and who live in a particularly inefficient home (equivalent to an F or G rating on an Energy Performance Certificate) will be eligible for a full home energy improvement package as part of the new fuel poverty scheme.

It is estimated that around 61% of households that will be eligible for a full home energy improvement package under the new scheme were in fuel poverty in 2008. For comparison, it is estimated that around 34% of households that are eligible for the current HEES Plus scheme were in fuel poverty in 2008.

There could be a number of reasons why 39% of households eligible for the new fuel poverty scheme were not in fuel poverty in 2008. They could have slightly higher household incomes (when including income from benefits) than the rest of the group or live in smaller homes that cost less to heat. However, given the lower than average household earnings and low energy efficiency of homes in this group, a large proportion of these households are likely to be vulnerable to moving into fuel poverty should energy prices rise significantly.

Severe fuel poverty

Around 61% of households in severe fuel poverty in 2008 were thought to live in a home that would have received an F or G rating on an Energy Performance Certificate.

Around 42% of households that were estimated to be in severe fuel poverty in 2008 were in receipt of a means tested benefit.

The average household income of households in severe fuel poverty is thought to be much lower than the Welsh average. The average energy bill (assuming that the home is fully heated) for a household in severe fuel poverty is thought to be around £2,300. Therefore it is highly likely that these households are not able to afford to heat their home properly and could therefore be suffering significant ill-effects as a result.

Eligibility for energy company funded offers and discounts

Energy suppliers are obliged to help a certain number of households in the so called 'priority group' to reduce their energy use as part of their Carbon Emissions Reduction Target (CERT). In practice, this means that they usually offer free loft and/or cavity wall insulation to households in the priority group. The priority group includes households on qualifying benefits and all households containing someone over 70.

It is estimated that around 72% of households in fuel poverty in 2008 would be part of the CERT priority group.

Eligibility and age

It is estimated that around 34% of households containing someone over 60 receive a means tested benefit. Of these, it is estimated that around 66% live in a home that would receive an F or G rating on an Energy Performance Certificate.

It is therefore estimated that just over 1 in 5 households containing someone over 60 would be eligible for a full home energy improvement package under the new fuel poverty scheme. All households containing someone over 70 and households in receipt of a qualifying benefit are also part of the CERT priority group and are therefore eligible for priority offers available under CERT.

Eligibility and long-term sickness / disability

It is estimated that around 61% of households containing someone that has a long-term sickness or are disabled are in receipt of a means tested benefit. Of these, it is estimated that around 15% live in a home that would receive an F or G rating on an Energy Performance Certificate. So it seems that the energy efficiency of homes occupied by this group tends to be higher than homes occupied by households containing someone over 60 where someone claims means tested benefits.

It is estimated that around 1 in 11 households containing someone that has long-term sickness or is disabled would be eligible for a full energy home improvement package under the new fuel poverty scheme. All households

claiming a disability related benefit are also part of the CERT priority group and are therefore eligible for priority offers available under CERT.

Conclusions

The latest fuel poverty estimates suggest that the eligibility criteria for the new fuel poverty scheme will improve targeting of fuel poverty by the scheme. They suggest that a higher proportion of households receiving significant Welsh Assembly Government investment to improve the energy performance of their homes will be in fuel poverty compared to the current scheme.

Unfortunately we cannot afford to help all households in fuel poverty at present, so we need to target our resources at those most in need. Households in severe fuel poverty are therefore an important target group for our new fuel poverty scheme and targeting households on means tested benefits and living in very inefficient homes should help us to concentrate on the severe fuel poor.

We do however need to be aware that although tightening the eligibility criteria means that we will spend more of our money on those in fuel poverty, and those in severe fuel poverty in particular, it also means that some fuel poor households will not receive a full home energy improvement package. Designing eligibility criteria that include all households in fuel poverty would mean effectively creating a duplicate means testing system to that used in welfare benefits assessments or reducing the efficacy of targeting fuel poverty (i.e. spending lots of money on households who are not in fuel poverty).

We will therefore need to ensure that the providers of our new fuel poverty scheme are fully aware that some households in fuel poverty may not qualify for a full home energy improvement package and will therefore need to receive as much alternative support as possible through the new scheme.

We will monitor the fuel poverty status and household characteristics of households receiving support under our new fuel poverty scheme to ensure our targeting remains effective.

Further information:

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