



Department for
Business, Energy
& Industrial Strategy

Warm Home Discount: Draft Eligibility Statement

England and Wales

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Introduction

This section explains the Warm Home Discount and the reforms to the scheme in England and Wales, introduces the Core Group 2, and outlines the content of this eligibility statement.

The Warm Home Discount scheme obligates participating suppliers to provide rebates to eligible low-income and vulnerable households. The scheme helps households in, or at risk of, fuel poverty with direct energy bill payments.

The government has expanded and reformed the Warm Home Discount scheme for England and Wales from 2022/23 onwards. The reforms aim to better target fuel poverty and provide the vast majority of rebates automatically. The government consulted on the reforms in summer 2021 and confirmed the scheme's design in the government response published in April 2022.¹

The scheme will continue to provide rebates to pensioners in receipt of Pension Credit Guarantee Credit, under the 'Core Group 1' cohort. The scheme will also provide rebates to a larger pool of households identified as having low incomes and high energy costs, under the 'Core Group 2' cohort. As confirmed in the government response, households eligible for a rebate under Core Group 2 will be those who are in receipt of one of the qualifying means-tested benefits or Tax Credits and have an energy cost score, calculated from certain property characteristics, that exceeds a high-energy-cost threshold.

As required under Regulation 9 of The Warm Home Discount (England and Wales) Regulations 2022, the Secretary of State must publish an eligibility statement for each scheme year. This statement must describe the criteria used to determine eligibility for a rebate under Core Group 2.² This statement sets out:

- Low-income criteria: The qualifying means-tested benefits and Tax Credits which a person must receive to meet the low-income criteria.
- Income thresholds for Tax Credits: The income thresholds for households in receipt of Working Tax Credits or Child Tax Credits to meet the low-income criteria.
- High-energy-cost criteria: The process for allocating an energy cost score to a household and for setting the threshold that a household's energy cost score must exceed in order to meet the high-energy-cost criteria.
- Eligible property types: The types which can be eligible for a rebate under Core Group 2.

¹ Warm Home Discount: Better targeted support from 2022 consultation, June 2021; and Warm Home Discount: The government response to the Warm Home Discount: Better targeted support from 2022 consultation, April 2022. Available at www.gov.uk/government/consultations/warm-home-discount-better-targeted-support-from-2022

² The Warm Home Discount (England and Wales) Regulations 2022, SI 2022 No. 772. Available at: www.legislation.gov.uk/ukSI/2022/772/made

Draft Eligibility Statement

The following sections comprise a draft version of the eligibility statement required under Regulation 9 of The Warm Home Discount (England and Wales) Regulations 2022.

This is a draft statement. The government welcomes views by 14 August 2022 on the eligibility statement, such as on:

- the level of detail set out in the eligibility statement and the explanation of the process for determining eligibility
- the income thresholds for Tax Credits
- the property age and floor area bands

We are not seeking views on the decisions that have already been taken as set out in the April 2022 government response, such as the scheme design, the list of qualifying benefits and the specific property characteristics used to calculate the energy cost score.

Please email your comments by 14 August to: warmhomediscount@beis.gov.uk

The government will publish a final statement of eligibility in autumn 2022, in advance of the data matching to identify eligible households and awarding rebates in winter 2022/23.

Core Group 2 eligibility overview

This section provides an overview of the eligibility criteria for Core Group 2. This section sets out the qualifying benefits and Tax Credits, the income threshold applied to Tax Credits, how the high-cost threshold has been calculated, and exclusions.

Households eligible under Core Group 2 must satisfy the criteria as being low income and having high energy costs on a qualification date for that scheme year. The qualification date is set by the Secretary of State and is set to be as close as possible to the date of the data-matching process, to minimise the number of changes in people’s circumstances between the qualification date and awarding the rebates.

In addition to meeting the low income and high-energy cost criteria, the household must meet the additional conditions set out in regulation 8(5) of the Regulations, such as to being named on the electricity bill for the domestic premises in England and Wales, as to occupying the premises as their sole or main residence and as to who must be in receipt of the qualifying benefit.³

This eligibility statement applies for scheme year 12 (2022/23) and future scheme years, unless it is replaced or amended. In particular, if a pattern of consistent and significant over-spending or under-spending against the scheme’s funding envelope develops, BEIS may issue a revised statement of eligibility for future scheme years.

To be eligible for a rebate under Core Group 2, a household must meet the criteria outlined below on the qualification date for the scheme year:

Table 1 Summary of the Core Group 2 criteria

Low income	High energy cost
A person must be in receipt of one of the qualifying means-tested benefits or, below an income threshold, Tax Credits.	The domestic property must be an eligible property type and must have an energy cost score above a threshold that is set for the scheme year by the Secretary of State. Each property’s energy cost score is calculated by the Secretary of State using an algorithm applied to government-held data on property characteristics.

Through data matching, the majority of eligible households will receive their rebates automatically from their energy supplier, without having to apply. Where it is not clear from the data-matching process if a household is eligible for a rebate, for instance where we have not been able to match them with a participating energy supplier or certain government-held data

³ The Warm Home Discount (England and Wales) Regulations 2022, SI 2022 No. 772. Available at: www.legislation.gov.uk/ukSI/2022/772/made

on property characteristics is missing, they will be sent a letter explaining that they may contact a helpline to check their eligibility. More information on the process for households to understand whether they may be eligible will be made available on gov.uk.

Low-income criteria

This section outlines the qualifying benefits and Tax Credits for meeting the low-income criteria. This section also details the income thresholds for eligibility on the basis of Tax Credits.

To meet the low-income criteria, the account holder (or their partner living at the same address) must be in receipt of one of the qualifying means-tested benefits or Tax Credits on the qualification date for that scheme year. These benefits and Tax Credits were consulted on and confirmed in the government response.⁴

List of benefits and Tax Credits

The following benefits and Tax Credits are the qualifying benefits and Tax Credits for meeting the low-income eligibility criteria:

- Income related Employment and Support Allowance
- Income based Jobseeker's Allowance
- Income Support
- Housing Benefit
- Universal Credit
- Pension Credit Savings Credit ⁽¹⁾
- Child Tax Credits ⁽²⁾
- Working Tax Credits ⁽²⁾

Notes:

⁽¹⁾ Where a household receives both the Pension Credit Savings Credit and the Pension Credit Guarantee Credit, they will be eligible under Core Group 1, not Core Group 2, by virtue of their receipt of the Pension Credit Guarantee Credit.

⁽²⁾ As detailed below, households in receipt of Child Tax Credit or Working Tax Credit and not any of the other qualifying benefits must have a household income below a threshold, adjusted according to household composition ('equivalisation').

⁴ Warm Home Discount: The government response to the Warm Home Discount: Better targeted support from 2022 consultation, April 2022. Available at www.gov.uk/government/consultations/warm-home-discount-better-targeted-support-from-2022

Tax Credits income threshold

Approach

There is no set income limit for eligibility for Working Tax Credit or Child Tax Credit and the amount a household receives depends on their circumstances. Therefore, there are households with relatively high incomes who are in receipt of either Tax Credit.

To focus the Warm Home Discount rebates on the lowest income households, only those in receipt of either Tax Credit (and not another qualifying benefit) with an income below a threshold will meet the low-income criteria. Household income data provided by HMRC for the previous tax year will be used by the Secretary of State to determine whether a household is below the income threshold.

The income threshold has been set to maximise the overall fuel poverty targeting rate for Core Group 2. The fuel poverty targeting rate is the percentage of households who receive a rebate being fuel poor under the government's definition of fuel poverty.⁵ This analysis of the income thresholds and fuel poverty rate was conducted using English Housing Survey 2019 data (published 2021). For the purposes of determining income, Child Tax Credits and Working Tax Credits are excluded, as are Disability Living Allowance, Personal Independence Payment, and Attendance Allowance.

An income threshold of £23,950 for a household of two or more adults and no children yields a maximum modelled fuel poverty rate for Core Group 2 recipients at 57%. Lower or higher income thresholds reduce the modelled fuel poverty rate, though all rates are always over 54%. Setting a higher threshold or having no threshold leads to households in receipt of Tax Credits with higher incomes being eligible for a rebate, and therefore fewer households in receipt of one of the other qualifying benefits become eligible for a rebate. Meanwhile, setting a lower threshold leads to the reverse: fewer households in receipt of Tax Credits are eligible, and therefore more households in receipt of one of the other qualifying benefits become eligible for a rebate. The following table illustrates the impact of applying a threshold.

⁵ Government uses the Low Income Low Energy Efficiency (LILEE) definition for fuel poverty. More information can be found in the strategy Sustainable warmth: protecting vulnerable households in England, February 2021. Available at: www.gov.uk/government/publications/sustainable-warmth-protecting-vulnerable-households-in-england

Table 2 Tax Credits income thresholds and fuel poverty rates⁶

Income threshold	Tax Credit recipients as a proportion of the low-income households (approximation)	Fuel poverty rate of Core Group 2 recipients
£17,500	13%	56%
£23,950	17%	57%
No threshold	22%	55%

We will keep the income thresholds under review for future scheme years. As more recipients of Tax Credits are moved onto Universal Credit, the income threshold for Tax Credits will have a diminishing impact on the overall Core Group 2 fuel poverty rates.

Equivalisation factors

Equivalisation is a standard methodology that adjusts household income to take into account differences in the household composition. Different levels of income are likely needed depending on the size and composition of the household to achieve the same standard of living. For example, households with many members are likely to need a higher income to achieve the same standard of living as households with fewer members. Equivalisation is therefore used to make incomes comparable, so that households with the same equivalised incomes are likely to have the same standard of living.

The equivalisation factors are based on those used in the Household Below Average Income (HBAI) series and are based on a modified OECD (Organization for Economic Cooperation and Development) scale. This is explained in the latest HBAI quality and methodology information report, published by DWP in May 2022.⁷ For the purposes of the WHD scheme and due to the Tax Credits data available on household composition, the factor is capped at 2 adults and 4 children, and no distinction is made between children of different ages.

When setting the income threshold for Tax Credits, the value for a household of two adults and no children is the benchmark, and all the incomes for other household compositions are adjusted using equivalisation factors depending on the number of adults and children in the household.

⁶ BEIS analysis of the English Housing Survey Fuel Poverty dataset 2019 and ad hoc DWP analysis.

⁷ Household below average income series: quality and methodology information report FYE 2020. Available at: www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2021/household-below-average-income-series-quality-and-methodology-information-report-fye-2021#equivalisation-1

Table 3 Equivalisation factors to adjust the incomes according to household composition

Equivalisation factors:

	No children	1 child	2 children	3 children	4 or more children
Single adult	0.67	0.87	1.07	1.27	1.47
Two adults or more	1.00	1.20	1.40	1.60	1.80

Threshold table

The table below shows the actual income thresholds that would be applied to households according to different numbers of adults and children. The assessed income would be for the previous year’s tax year, coming from HMRC, as that is the latest complete tax year prior to each scheme year’s qualification date. For instance, for the 2022/23 Warm Home Discount scheme year, the income from 2021/22 would be assessed.

Table 4 Household income thresholds for Tax Credits recipients, equivalised by household composition

Income thresholds (£s) for Working Tax Credit and Child Tax Credit:

	No children	1 child	2 children	3 children	4 or more children
Single adult	16,047	20,837	25,627	30,417	35,207
Two adults or more	23,950	28,740	33,530	38,320	43,110

High-energy-cost threshold

This section outlines the calculation of the high-energy cost threshold. This section also provides analysis of indicative eligibility based on property characteristics.

Approach

The high-cost threshold will determine whether a domestic property is considered as having high energy costs, based on their modelled energy cost score. BEIS models the energy costs of domestic properties in England and Wales by applying an algorithm to three characteristics of each property. These three characteristics are: property type, property age, and floor area.

Properties will be ranked according to their modelled energy cost score and then matched to DWP benefits records to determine those that are low income. This list of low-income households will then be ranked by their modelled energy cost score, and a threshold is then set as the cut-off point. The threshold will be a specific energy cost score. Domestic properties with an energy cost score above or equal to the threshold would be eligible, while those below the threshold would not. The value of the energy cost score is not directly equivalent to current energy bills; its primary use is to distinguish relatively between higher and lower energy cost homes.

Government's intention is to keep the threshold the same for each scheme year. This would provide certainty to households as, barring any changes in receipt of one of the qualifying benefits or switching to an energy supplier that is not participating in the Warm Home Discount scheme, the household would continue to be eligible for a rebate each scheme year. This would avoid households becoming eligible or losing their eligibility each year, despite their circumstances not changing. There will be fluctuations in the number of Core Group rebates each year, for instance resulting from the reduction of the energy supplier participation from 2023/24 onwards and variations in the number of households in receipt of a qualifying benefit. The Industry Initiatives element of the scheme allows for a limited variation in the budget to accommodate these minor changes between scheme years. However, should there be consistently large Core Group overspends or underspends that we are unable to manage through the Industry Initiatives flexibility, the Secretary of State may revise the threshold.

Sources of data

The primary source of data for the property characteristic data is the Valuation Office Agency (VOA). The VOA dataset has all three property characteristics for 98.3% of residential properties. Meanwhile, around 440,000 properties have at least one of the characteristics missing.

Where any of the property characteristic data is missing, BEIS will run an imputation process to determine the characteristic using other methods and sources. If the property has an eligible type recorded in the Ordnance Survey data, this will be used to inform the imputation. Otherwise, the property type and property age will be calculated by analysing the property's nearest neighbours or, failing that, the most common characteristic for similar properties within

the same Local Authority. If a property has an Energy Performance Certificate (EPC), BEIS will use a random forest method to impute the floor area. Otherwise, the floor area will also be imputed by analysing the most common floor area for similar properties within the same Local Authority.

If a household has not been found to be low income and high cost, and is therefore not eligible for an automatic rebate, the customer may call a specific government Warm Home Discount helpline to determine their eligibility as part of the 'sweep up' process. The customer will be able to use an EPC (for any property characteristic) or Land Registry data (for property type) to recalculate their energy cost score and therefore whether they are considered as having high energy costs.

Assumptions

In the first scheme year of the reformed scheme, there are a number of uncertainties which make it difficult to forecast the exact number of rebates. Therefore, the following assumptions have been made to determine the threshold:

- The desired level of spending under Core Group 2;
- The number of households who will receive the rebate automatically, which depends on the data-matching rates with energy suppliers;
- The number of households who will receive the rebate as a result of calling the helpline, which depends on the number of calls and the success rate of these calls.

The threshold is set to expend the budget for Core Group 2. In scheme year 12, the desired level of spending under Core Group 2 is the remainder of the Warm Home Discount spending envelope once the estimated spending on Core Group 1 and the expected budget for Industry Initiatives have been deducted. We therefore expect the estimated initial spending targets for scheme year 12 to be approximately as follows:

- Core Group 1: £131 million
- Core Group 2: £303 million
- Industry Initiatives: £40 million

The split between the Core Group 1 and Core Group 2 estimates for scheme year 12 may change with updated numbers of households in receipt of Pension Credit Guarantee Credit.

The majority of low-income and high-cost households will be matched with a participating energy supplier and will therefore receive their rebates automatically, without taking any action. In scheme year 10, 95.1% of Core Group customers (in receipt of the Pension Credit Guarantee Credit) received their rebate this way, as 'matched' households.⁸

However, not all low-income and high-cost households will match with an energy supplier. These households may or may not be eligible for a rebate. For instance, their energy supplier

⁸ Warm Home Discount: Annual Report 2020-2021, January 2022. Available at: www.ofgem.gov.uk/publications/warm-home-discount-annual-report-scheme-year-10

may not be participating in the scheme; they or their partner may not be the account holders with their electricity supplier; or there may be differences or errors in the way data is held. Government will write to these 'unmatched' households, informing them that they may call the helpline through the 'sweep-up process' to determine if they are eligible for a rebate.

The Secretary of State therefore must estimate the expected data-matching rate before setting the threshold. This data-matching rate will be informed by previous scheme years and 'end-to-end' tests held with energy suppliers prior to the 'live run' of eligible households being identified and matched with participating energy suppliers.

The Secretary of State will then also estimate the number of unmatched households who will contact the helpline, and the proportion of those households then found to be eligible for a rebate as a result.

Therefore, this threshold is set so that the number of households above the threshold is as close as possible to the number of households that we expect will ultimately receive a rebate, while remaining within the scheme spending envelope. In 2022/23, the aim is for around 2.02 million households to receive a rebate under Core Group 2, in order to expend the budget for Core Group 2 while staying within the scheme's spending envelope.

Where this threshold is set will also determine the specific combinations of property characteristics that would make a household high cost. The relationship between property characteristics and energy costs is explained in the following section, with tables showing an illustrative distribution of high-cost properties across the different characteristics based on a draft high-cost threshold.

High-energy-cost score formula

The three property characteristics of type, age, and floor area are used to calculate a property's energy score. Each property characteristic has a list of possible categories, as set out below. The energy cost score of a property can therefore be represented as a function of the three property characteristics:

$$\text{Energy cost score} = f(\text{type} + \text{age} + \text{floor area})$$

Values for each type, age, and floor area category are used to weight the contribution of each category to the energy score. For instance, a larger floor area corresponds to higher energy costs, and therefore the larger the floor area, the bigger the value. These values have been produced from a regression model trained on English Housing Survey data, by analysing the relationship between the property characteristics and the associated energy costs. The regression identifies the linear impact of each property characteristic on a household's modelled energy costs. The values attributed to each property characteristic category are additive, meaning the overall modelled energy cost for a given household is the sum of the values attached to the characteristics of their property.

The formula can therefore be expressed as:

$$\text{Energy cost score} = \text{Intercept} + (\text{type value}) + (\text{age value}) + (\text{floor area value})$$

More information on the regression model is available in the Final Stage Impact Assessment at Annex A.⁹ Where available, we will update the property characteristic values each scheme year with the latest available English Housing Survey data.

Property characteristic bands

In order to guard against inaccuracies that may have arisen when the data was collected and recorded, property age and property floor area will be split into bands rather than by exact values. This will also help mitigate against the risk that the floor area has changed as a result of extensions and other property modifications which then may not have been updated in the Valuation Office Agency dataset.

The table below sets out the property type categories and age and floor area bands.

Table 5 Outline of the categories of property characteristics by type, age, and floor area

Property type	Property age	Property floor area (metres squared)
Detached	Pre 1919	Less than 39
Semi detached	1919-44	39-50
End terrace	1945-64	50-63
Mid terrace	1965-82	63-75
Bungalow	1983-92	75-83
Flat	1993-99	83-90
	2000-2011	90-96
	2012 onwards	96-101
		101-114
		114-138
		Greater than 138

⁹ Warm Home Discount: Better targeted support from 2022: Final Stage Impact Assessment, April 2022. Available at: www.gov.uk/government/consultations/warm-home-discount-better-targeted-support-from-2022

Eligibility property characteristic analysis

The following three tables illustrate the proportion of properties that are above and below the high-energy-cost threshold based on each of their three characteristics.¹⁰ For instance, the analysis shows that 88% of detached properties that meet the low-income eligibility criteria would have an energy score above the high-cost threshold. This would mean that 15% of all the low-income and high-cost households eligible for a rebate under Core Group 2 would live in a detached property.

Generally, detached and semi-detached properties (which have more external facing walls), older properties, and larger properties will have higher energy cost scores.

Table 6 Proportion of low-income properties by property type that have a high energy cost score

Property type	Proportion of low-income properties by type that have a high energy cost score	Proportion of total low-income and high-cost households
Detached	88%	15%
Semi detached	47%	35%
End terrace	39%	14%
Mid terrace	32%	26%
Bungalow	23%	4%
Flat	7%	6%

¹⁰ An indicative high energy cost threshold has been used for the purposes of this draft eligibility statement. The final threshold and associated analysis may be different if there is new evidence to update the assumptions outlined earlier in this section.

Table 7 Proportion of low-income properties by property age band that have a high energy cost score

Property age	Proportion of low-income properties by age band that have a high energy cost score	Proportion of total low-income and high-cost households
Pre 1919	68%	46%
1919-44	37%	20%
1945-64	26%	16%
1965-82	14%	8%
1983-92	16%	3%
1993-99	19%	3%
2000-2011	12%	3%
2012 onwards	6%	1%

Table 8 Proportion of low-income properties by property floor area band that have a high energy cost score

Property floor area (metres squared)	Proportion of low-income properties by floor area band that have a high energy cost score	Proportion of total low-income and high-cost households
Less than 39	0%	0%
39-50	0%	0%
50-63	10%	3%
63-75	9%	2%
75-83	6%	2%
83-90	19%	6%
90-96	35%	11%
96-101	52%	15%
101-114	69%	24%
114-138	80%	18%
Greater than 138	99%	18%

Eligible property types

This section explains the approach to determining which property types can be eligible for a rebate from the address data.

Only households living in an eligible domestic premises may receive a rebate. Properties found to be ineligible are removed from the data-matching process. In the first instance, eligible properties are those that are identified in the Valuation Office Agency data as a residential house or a flat. Those properties not categorised as a residential house or a flat are ineligible.

Occupants of a property who do not have a direct relationship with an electricity supplier are not eligible for a rebate; a person must be a customer of an electricity supplier and be an account holder or named on an electricity bill to be eligible. For that reason, properties where the electricity supply comes via an intermediary, like Park Homes, caravans, and annexes to properties, are not eligible. A person living in a care home long term, including residential homes and nursing homes, would also not be eligible for a rebate, as they would not have a direct relationship with the electricity supplier for the property.

Households living in commercial properties and domestic properties on a commercial electricity tariff are also not eligible for a rebate.

Households living in Park Homes are not eligible for a rebate. Many residents of Park Homes pay for their electricity supply to their site owner and are therefore not a direct customer of an electricity supplier. Meanwhile, Park Homes which are directly supplied with electricity from an electricity supplier will not be eligible under Core Group 2, as they are not sufficiently comparable to other property types and therefore, we have not been able to model and rank their energy costs in a comparable way.

Property records are removed from the data-matching process using a combination of direct analysis of the address data (e.g. first lines of address) and with reference to classification codes provided within AddressBase. AddressBase is an OrdnanceSurvey product that provides address data in Great Britain and includes classification codes that categorise the types of addresses, allowing us to separate eligible domestic property types from non-domestic and other ineligible property types.

Where we cannot determine with certainty the eligibility of a property, for instance where the data are missing or ambiguous, households meeting the low-income criteria will be contacted and asked to contact the helpline to confirm their eligibility.

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