



HM Government

# Cutting the cost of keeping warm

A fuel poverty strategy for England

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# Cutting the cost of keeping warm – a fuel poverty strategy for England

Presented to Parliament  
by the Secretary of State for Energy and Climate Change  
by Command of Her Majesty

March 2015

WITHDRAWN



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## Secretary of State Foreword



I still find it extraordinary in the 21st century that so many homes in our country are so expensive to heat and run. It represents a huge policy failure of past Governments going back decades that so many people live in cold, leaky homes. We need to get to grips with this problem once and for all, so people don't have to pay such large electricity and gas bills, so people's health doesn't suffer from lack of warmth and so we aren't making climate change worse as our fellow citizens shiver.

This fuel poverty strategy is the first for 14 years. While it has taken too long to come, it is built on rigorous analysis and lessons learnt from the successes and failures of the last strategy. My aim is set a durable framework for future fuel poverty policies – with an ambitious new legal target, accompanying interim milestones and a strong accountability system.

The journey in this Parliament to this strategy began with the independent review led by Professor John Hills. The Hills Review concluded the traditional way of measuring fuel poverty was flawed: it didn't help us target support at the right people. The new way of measuring fuel poverty – the Low Income High Costs approach – ensures we can better target the right people with the right measures, and prioritise people living in the deepest fuel poverty, above all by making their homes warmer through energy efficiency investments.

The seminal work of Professor Hills has already informed policy design before this new strategy. Our focus on energy efficiency through the Energy Company Obligation and the Green Deal, and the reforms made to them already, have seen our target of one million homes made more energy efficient delivered earlier than expected. Indeed, since 2010, we have delivered over 1.8 million heating and energy efficiency measures in low income areas and households. This is set to continue – with fuel poverty support under ECO guaranteed right out to 2017.

But we need to do much more. Over 320,000 fuel poor households in England live in properties rated below band an E level EPC rating. For them, this means needing to spend on average £1,000 a year more on energy to heat their home compared to a typical home. This strategy sets a 2020 milestone for as many of these F and G rated homes as reasonably practicable to be brought to Band E by the end of the next Parliament. Longer term, the new fuel poverty legal target for England – in place since December 2014 – says that by 2030, as many fuel poor homes as reasonably practicable must achieve a Band C energy efficiency standard. Given over 95% of fuel poor homes don't today, that's ambitious.

Beyond energy efficiency, our action this Parliament on fuel poverty has been across the board. My personal focus on competition for example – to break the stranglehold of the Big Six on the domestic retail energy markets – has partly been driven by wanting to ensure everyone could benefit from a more competitive market, especially the fuel poor. There are now 21 independent suppliers, three times as many as in 2010, offering some of the best deals on the market. And to ensure the most vulnerable could benefit, we've experimented with new business models like collective switching and new advice services, such as the Big Energy

Saving Network, all focused on the fuel poor. More efficient targeting of financial help has also been a big win for this Parliament, with the introduction of the Warm Home Discount, that takes £140 a year directly off the electricity bills of over 2 million of Britain's poorest households.

There are a number of recent and new initiatives set out in the strategy.

The most significant is probably the introduction of new minimum energy efficiency standards for the private rented sector. Around one million tenants across the housing stock, including the fuel poor, stand to benefit over the next few years as landlords are required to bring their homes up to a minimum E level EPC rating or, from the 1st April 2018, not be able to let out their properties.

Another important feature of the strategy is the new emphasis on partnership. From the NHS to local authorities, from industry to local community energy groups and the third sector, we need an across Government and across society approach if we are to succeed.

For me, the biggest breakthrough will come when our nascent partnership with the NHS grows. From the cross-Whitehall working group of officials now focusing on the links between health and fuel poverty to the analysis done by National Energy Action of existing "warmth on prescription" schemes, we are building a major new evidence base. My hope is that this evidence will be an important step in unlocking local resources in the next Parliament and beyond, and help persuade health professionals to work more closely than ever with DECC, councils and others to tackle the root cause of people's ill-health – namely cold, damp housing. Our new health pilots contained in this strategy are focused on doing just that.

This strategy aims to be innovative, building on the findings that come from Professor Hills's new approach to measuring fuel poverty. So we have a new focus on "off gas grid" fuel poverty, with new data, new working groups and our new central heating fund. Likewise we are looking differently at data sources for better identification of people in fuel poverty and new types of housing that appear to be badly affected such as park homes.

Britain is actually a leader in thinking about this problem. That's partly because past Governments have been ill-advised enough in the past to build too many leaky, energy inefficient and poor quality housing, so we've been left with a problem others don't have. Yet it's also because we see the myriad links between social justice, health, economic benefits and tackling climate change of acting to tackle fuel poverty. However, it's now time to redouble our efforts. We know the prize. We've analysed the problem. Now we have the strategy.

**EDWARD DAVEY MP**

Secretary of State for Energy & Climate Change

## Ministerial Foreword



My ambition is quite simple: to make homes warmer for less, while protecting the most vulnerable.

I am encouraged by the progress we have made so far. Since 2010 there has been a consistent fall in the number of homes in fuel poverty.

We recently passed our goal of improving the energy efficiency and heating of one million homes by April 2015. And our new private rented sector legislation will help to permanently cut the cost of warmth for millions more.

At the heart of our strategy is a recognition that help needs to be both appropriately targeted and to take a long-term approach.

I recently took a set of new legislation through Parliament that is designed to provide some of this future certainty. As a result, the Warm Home Discount will help two million more households in 2015/16, the Energy Company Obligation will provide over £1 billion of additional investment in our homes to 2017 and a new fuel poverty target has been put in place that will keep this issue on the agenda to 2030. Looking ahead, the task is to build on these achievements.

This will mean facing up to a number of challenges. Making sure we can reach some of the most vulnerable customers – including those most affected by living in a cold home. Using Government data to improve targeting rates – so that we can make more progress, faster. Moving towards more difficult measures – as the number of uninsulated lofts and cavity walls falls to low levels. Finding further ways to support people living in non-gas and rural homes – which can be amongst the most expensive to heat.

Key to achieving this and more will be a focus on being smart with the resources we have at our disposal. By driving down delivery costs and driving up innovation, we will make more and faster progress against the ambitious new fuel poverty target – and against our wider climate change objectives.

This strategy explores ways in which we can do this. But we also know the picture will change over time, as new technologies become available and as we learn the lessons of the different policies and schemes put in place. The steps we are taking to ensure that action is scrutinised and progress is reviewed will assist us in this.

In future, we need to be harnessing delivery data and the experience of partners to always improve and enhance our policy package. That's why we are committed to regular monitoring and reporting of progress – including an annual debate in Parliament – as well as to reviewing the strategy itself when needed. Only with constant vigilance will our ambition to make homes warmer for less be met.

This is a strategy for England. But many of the schemes we use to tackle fuel poverty operate beyond England, because they unleash competitive forces within the retail energy market in Great Britain, for the benefit of consumers from Exeter to Ebbw Vale to Elgin. Fuel poverty is also an important issue in Northern Ireland, of course. So, as we take forward steps to improve

homes in England, we will continue to work closely with the Devolved Administrations in what is a joint wish to cut the cost of keeping warm.

This Government has put energy efficiency and demand management at the heart of its energy and climate policy. This strategy, in support of the new fuel poverty target, is a key demonstration of our commitment to ensure that we move towards a smart, energy saving society.

**AMBER RUDD MP**

Parliamentary Under Secretary of State for Climate Change

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## Summary

1. Ensuring that people are able to keep warm in their homes is a Government priority. A home should be warm and comfortable and provide a healthy and welcoming environment that fosters well-being. The Government is clear that it is unacceptable that many people are prevented from achieving such warmth due to the combination of having a low income and living in a home that cannot be heated at reasonable cost. This has been the driving force behind the process to overhaul the framework for tackling fuel poverty in England, which began with the independent review of fuel poverty led by Professor Sir John Hills in 2011 and on which this strategy is built.
2. This new fuel poverty strategy is the first for 13 years. It brings together the successful work done in recent years with a new partnership approach and a new set of policies to build on that programme, in the light of recent evidence and learning.
3. Chapter 1 explains who we are trying to help, by reference to what the statistics tell us about who is fuel poor and the factors that lead to their fuel poverty. We show, for example, the higher costs for those who live in non-gas homes, dependent on electricity, oil or solid fuels, and the importance of having an energy efficient, well-insulated home.
4. Chapter 2 presents the new legal framework now in place in England for tackling fuel poverty. This is laid out in primary legislation through the Warm Homes and Energy Conservation Act 2000 and in secondary legislation, by the Fuel Poverty (England) Regulations 2014. This set of regulations, which became law on 5 December 2014, gives effect to the new fuel poverty target.<sup>1</sup>

**The fuel poverty target is to ensure that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band C, by 2030.**

5. Still in Chapter 2 we show what improving the energy efficiency of some illustrative fuel poor homes could mean in practice, including the effect this could have on required energy bills. We also set out the range of indicators we will use to monitor progress, including energy efficiency and renewables deployment in fuel poor homes, the situation of non-gas homes and the number of children living in fuel poverty.

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<sup>1</sup> The methodology Government has developed for measuring progress against the target is known as the Fuel Poverty Energy Efficiency Rating (FPEER). It is based on the Standard Assessment Procedure with some variations.  
[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/332236/fpeer\\_methodology.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/332236/fpeer_methodology.pdf)

7. Chapter 3 sets out our strategic approach to fuel poverty. We spell out our vision – **to cut bills and increase comfort and well-being in the coldest low income homes** – and how we will meet this by applying a set of core principles and facing up to a range of challenges. Our principles are to prioritise the most severely fuel poor, and deploy cost-effective policies while having regard for the most vulnerable. We show clearly what outcomes are expected from this strategic approach.



8. Chapter 4 introduces the first ever fuel poverty scorecard. The scorecard sets out the scale and impact of support that has been delivered to the fuel poor from 2010 to 2015. This shows how significant progress has been made, especially in this Parliament, while being clear that the problem remains.

9. Chapter 5 turns to the wide-ranging measures already in place to support successful delivery of the new target, and the way in which partnership is enhancing our work. This shows, for example, how effective ECO has been in particular and how significant the new minimum energy efficiency standards in the private rented sector will be. It describes how we have a renewed focus on non-gas homes and sets out our new central heating fund. It stresses the role of enhancing partnerships with the NHS and the third sector, with new support for local ‘warmth on prescription’ schemes and face-to-face help for the fuel poor as seen in the Big Energy Saving Network.

10. This Chapter also sets out that Government recognises that there can be no one size fits all solution to fuel poverty. We believe that truly effective and innovative approaches are most likely to emerge when partners join their efforts and expertise. This is why DECC is making up to £3 million of funding available for new fuel poverty pilots to encourage innovation. We will be releasing up to £1 million of funding immediately to scale up a selection of local ‘warmth-on-prescription’ projects to help people who face health risks because of the cold. Up to another £2 million will support local fuel poverty innovation over the next year. Throughout this document we have given specific case studies to demonstrate the sort of project that can and will be developed with local support.

11. Chapter 6 goes on to describe the way in which the strategic approach will continue to apply over the long term. While specific schemes providing support for the fuel poor are agreed out to 2016 for the Warm Home Discount and 2017 for ECO, decisions on the shape and scope of future schemes will be for future Governments. This chapter therefore looks ahead to future priority areas.

12. Finally Chapter 7 sets out Government’s intentions for reviewing the strategy and monitoring progress. We want Government to be held fully to account for delivering this strategy while ensuring that schemes can continue to be improved through to 2030 in light of the evidence. In this context, the Fuel Poverty Advisory Group has a major role to play, with the Committee on Climate Change also providing valuable input.

# 1. Who are we trying to help?

## A short history of fuel poverty policy

1.1. Struggling to meet the cost of keeping warm is not a new issue for low income households. We are aware, for example, of an Act of Parliament in 1811 leading to the establishment of a charity which provided coal or other fuel to the poor.<sup>2</sup> In more recent history, concerns about affordability were particularly stark in the 1970s, linked to developments in the oil price at that time. Academics began to consider fuel poverty as a distinct issue through the 1980s and in 1991 Brenda Boardman published a defining book on the issue – *Fuel Poverty* – which set out what was later to become the first official, Government definition of the problem.

1.2. It was not simply the cost of keeping warm that was of concern: those taking an interest in fuel poverty wanted to understand the reasons why some households faced particularly high costs. Attention was focused on the quality of housing. The impact of living in cold homes was also a major driver of concern. It has long been understood that certain people, such as the very young, the oldest pensioners and people with long-term disability or illness, are particularly at risk of poor health from cold homes.<sup>3</sup>

1.3. In 2000, David Amess MP brought forward a Private Member's Bill that, with all party support, became the Warm Homes and Energy Conservation Act.<sup>4</sup> This established a seemingly simple target: to eradicate fuel poverty by 2016 as far as reasonably practicable. The debate in Parliament at the time suggested that many thought this not only a good target but also a reasonable one. At least in hindsight, while eradicating a long-standing social problem was an admirable ambition, it was never likely to be as straightforward as originally thought.

1.4. The Act characterises fuel poverty as the problem of someone on a “lower income [living] in a home which cannot be kept warm at reasonable cost.” These terms have never been specifically defined. But the first UK fuel poverty strategy, adopted in 2001 as a statutory consequence of the Act, set out the way fuel poverty would be measured in practice. This was the 10% indicator under which a household was fuel poor if it needed to spend more than 10% of its income (measured before housing costs) on energy in the home.

1.5. One key feature of this definition is that it rightly focused on energy requirements, rather than actual energy spending. This is appropriate because in many low income households actual expenditure on energy falls short of what is needed to provide adequate lighting, heating and appliance use. Of course, this approach requires an understanding of how much energy a household should use in order to achieve an adequate standard of warmth and so on. The 10% indicator was therefore underpinned by a methodology that allowed energy requirements to be modelled on the basis of dwelling characteristics (such as construction type and heating

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<sup>2</sup> The Hampton Fuel Allotment Charity – which still operates today: [www.hfac.co.uk](http://www.hfac.co.uk)

<sup>3</sup> Marmot Review Team, 2011, The Health Impacts of Cold Homes and Fuel Poverty

[www.instituteofhealthequity.org/projects/the-health-impacts-of-cold-homes-and-fuel-poverty](http://www.instituteofhealthequity.org/projects/the-health-impacts-of-cold-homes-and-fuel-poverty)

<sup>4</sup> Warm Homes and Energy Conservation Act 2000 [www.legislation.gov.uk/ukpga/2000/31/contents](http://www.legislation.gov.uk/ukpga/2000/31/contents)

system type) and household characteristics (such as occupancy patterns and household size). This methodology continues to exist today.<sup>5</sup>

1.6. The 10% indicator allowed fuel poverty to be measured at a national level. In 1996, in England, there were some 5 million fuel poor homes. This had dropped to around 1 million (an 80% fall) by 2003/04. In the years to 2010, however, fuel poverty quickly rose again, reaching 4 million by 2009. During this time considerable investment was being made in the housing stock, through schemes such as Decent Homes and Warm Front, but their impact on fuel poverty appeared limited. It became increasingly clear that the 10% indicator was very sensitive to energy prices. Indeed, high prices were bringing some people who were reasonably well-off but lived in large, inefficient homes into the fuel poverty statistics. There was a danger of both underplaying the effectiveness of support schemes and undermining good scheme design.

1.7. The current Government was determined to understand the reasons for policy failure and to make more progress than previously. A review of fuel poverty was viewed as essential if this aim was to be achieved. Professor Sir John Hills, of the London School of Economics, was asked to undertake a fully independent review of fuel poverty, reporting back to the Secretary of State for Energy and Climate Change with recommendations.

1.8. The Hills Review, conducted between 2012 and 2013, has rightly been viewed, nationally and internationally, as a highly authoritative piece of work, conducted from first principles.<sup>6</sup> It not only provided a detailed assessment of the causes and impacts of fuel poverty but also set out a more effective way of understanding and measuring the problem. Professor Hills made two key recommendations, both of which were adopted by the Government:

- to adopt a new Low Income High Costs indicator of fuel poverty; and
- to adopt a new fuel poverty strategy for tackling the problem.

1.9. By adopting these recommendations, and all others that emerged from the review, the Government set itself on a path towards adopting a new fuel poverty target. The target, while aspirational in terms of transforming the plight of the fuel poor, is focused on more effective policy-making and delivery. Indeed the insights gained from the Hills Review, and their translation into a strategic approach to tackling fuel poverty, are already making a difference. They are ensuring that the real problem of fuel poverty – the structural problem of some of the lowest income households living in some of the coldest, leakiest, hardest to heat homes – is now being genuinely addressed.

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<sup>5</sup> [www.gov.uk/government/publications/fuel-poverty-methodology-handbook-2013](http://www.gov.uk/government/publications/fuel-poverty-methodology-handbook-2013)

<sup>6</sup> The interim report of the Hills Review is available here: <http://sticerd.lse.ac.uk/dps/case/cr/CASEREport69.pdf> . The final report is available here: <http://sticerd.lse.ac.uk/dps/case/cr/CASEREport72.pdf>

## The Low Income High Costs indicator

1.10. As mentioned above, a key recommendation of the Hills Review was to adopt the Low Income High Costs indicator of fuel poverty. This finds a household to be fuel poor if it:

- has an income below the poverty line (including if meeting its required energy bill would push it below the poverty line); and
- has higher than typical energy costs.<sup>7</sup>

1.11. In essence, this means that fuel poverty is the overlapping problem of households having a low income and facing the highest energy costs.

1.12. Government remains interested in the amount of energy people need to consume to have a warm, well-lit home and hot water and for everyday appliance use. We therefore continue to measure fuel poverty based on notional energy bills rather than actual spending. This ensures that we do not overlook those households who have low energy bills simply because they are deliberately limiting their use of energy at home.<sup>8</sup>

1.13. The Low Income High Costs indicator allows us to measure not only the extent of the problem (how many fuel poor households there are) but also the depth of the problem (how badly affected each fuel poor household is). It achieves this by taking account of the fuel poverty gap, which is a measure of how much more fuel poor households need to spend to keep warm compared to typical households. Looking at the fuel poverty gap gives a more sophisticated understanding of fuel poverty and, crucially, it **enables Government to focus efforts on the nature and causes of the worst levels of fuel poverty.**

1.14. Figure 1 illustrates what the Low Income High Costs indicator tells us about fuel poverty in 2012 (the latest year for which there is data). While the numbers will change over time, the figure reveals the fundamental fuel poverty problem.

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<sup>7</sup> Further detail on how these thresholds are derived can be found here: [www.gov.uk/government/collections/fuel-poverty-statistics](http://www.gov.uk/government/collections/fuel-poverty-statistics)

<sup>8</sup> Further information on the measurement of fuel poverty can be found in the strategic framework [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/211180/FuelPovFramework.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211180/FuelPovFramework.pdf) as well as the July 2014 consultation to prepare for this strategy [www.gov.uk/government/consultations/cutting-the-cost-of-keeping-warm-a-new-fuel-poverty-strategy-for-england](http://www.gov.uk/government/consultations/cutting-the-cost-of-keeping-warm-a-new-fuel-poverty-strategy-for-england).

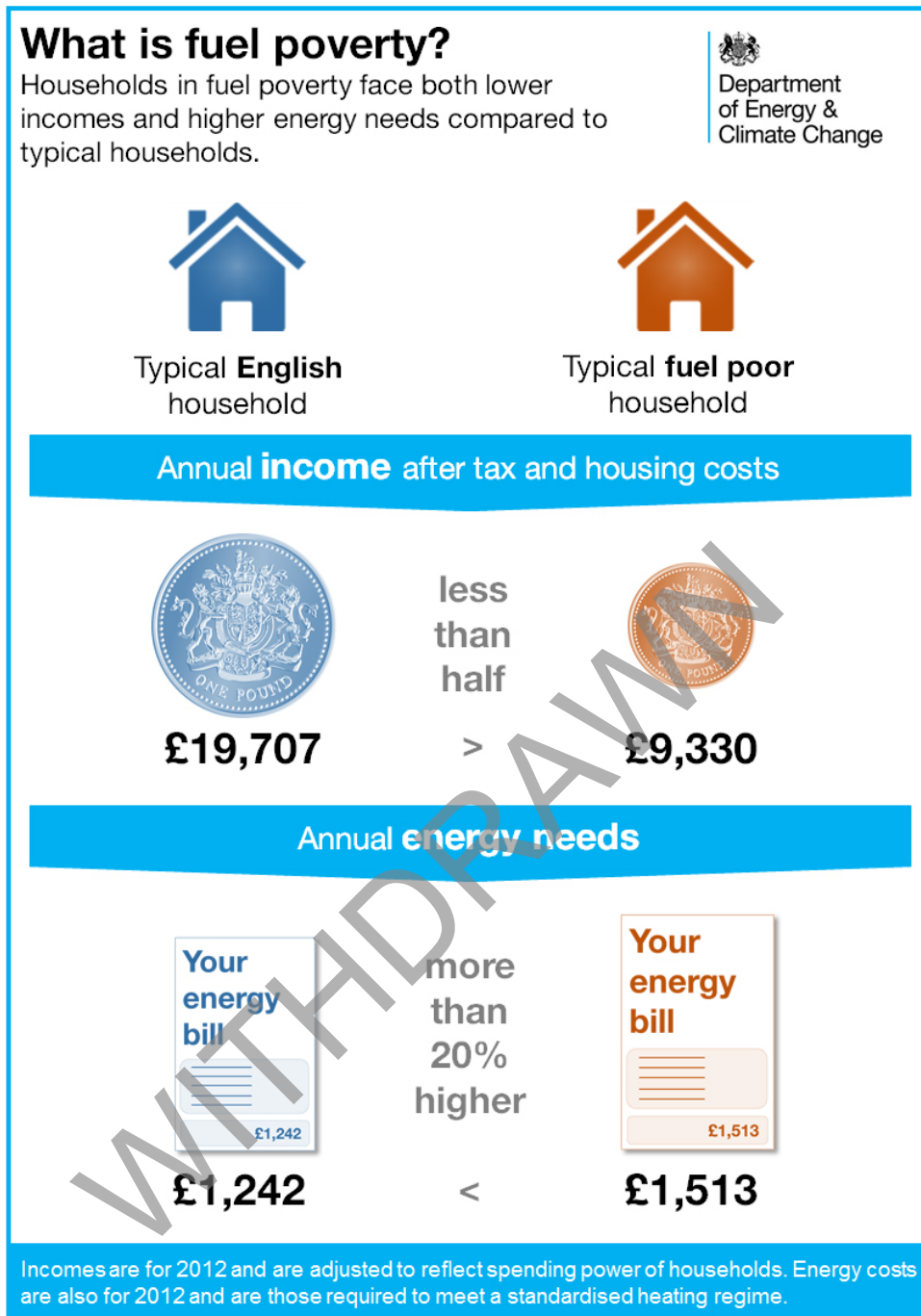


Figure 1: The Low Income High Costs indicator - what does it mean?

1.15. Statistical work using the new measurement approach has given a much richer and more insightful understanding of the number and type of households affected by fuel poverty than ever before. The picture is very complex, with a range of households affected. Figure 2 summarises the current position in relation to some key household characteristics. Again, this picture will change over time as energy prices, relative incomes and energy efficiency levels all change. It will be important for Government to look carefully at the changing picture so that policies and schemes can be adjusted as necessary.

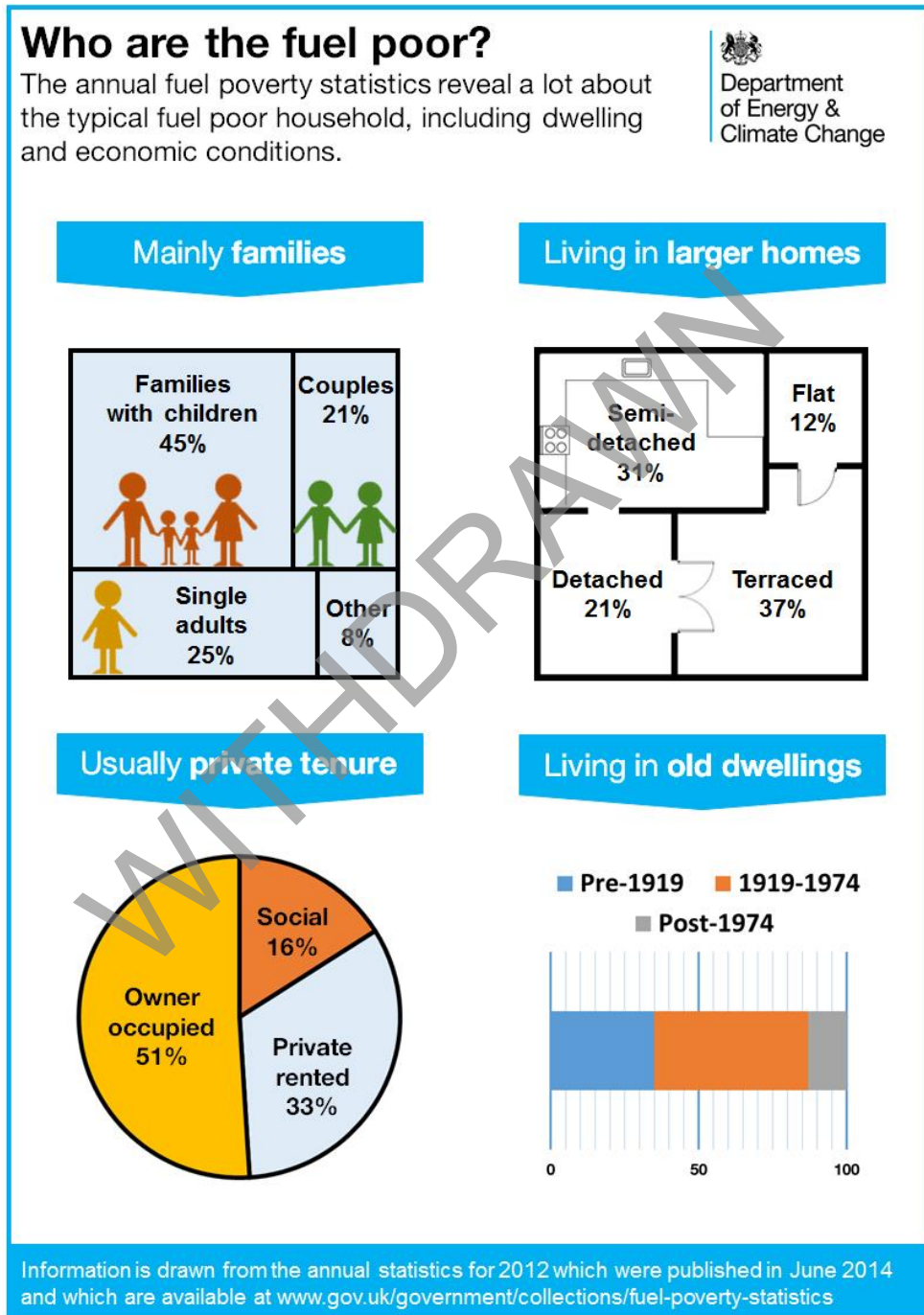


Figure 2: What the indicator tells us about who is fuel poor, Part 1

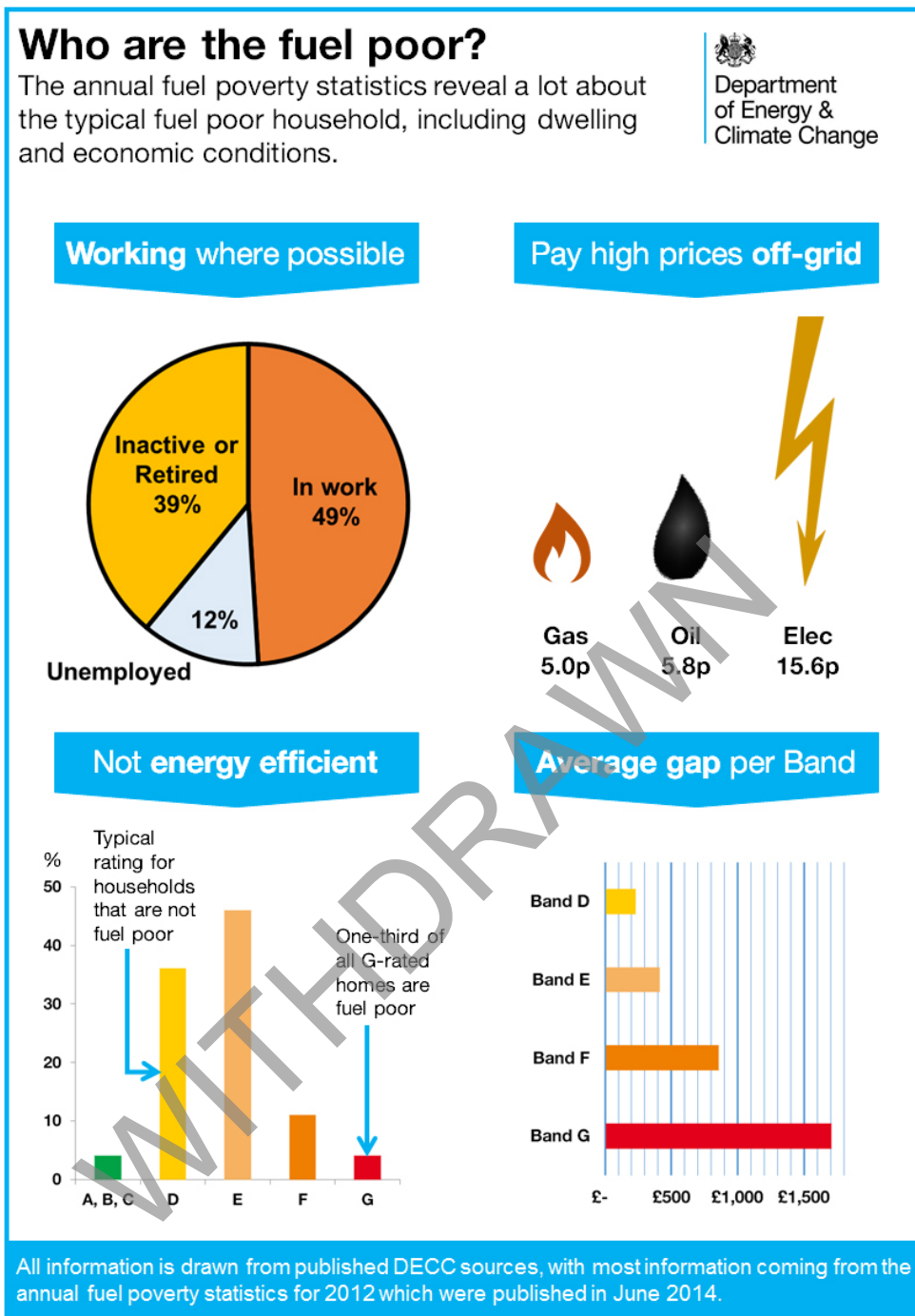


Figure 3: What the indicator tells us about who is fuel poor, Part 2

## 2. The new fuel poverty target for England

### Introduction

2.1. One of the main insights of the Hills Review was the fact that flawed measurement of the fuel poverty problem had led to a flawed understanding of the impacts of policy, with even positive policy approaches not being seen to affect the headline figures. In turn, this undermined the case for continuing action to tackle the problem. In other words, the original indicator and target framework, which had been designed to tackle fuel poverty as it were once and for all, were actually making the job harder. That's why, as set out above, the Government adopted a new indicator of fuel poverty.

2.2. It followed that changes to the law were also needed, to put in place a better, more practical framework for action. The Government therefore used the Energy Act 2013 to amend the Warm Homes and Energy Conservation Act 2000,<sup>9</sup> creating a duty on the Secretary of State to set a new fuel poverty objective in regulations.

2.1. The process of setting this new fuel poverty objective is now complete.<sup>10</sup> As of 5 December 2014, **successive Governments are bound by the following statutory fuel poverty target:**

**The fuel poverty target is to ensure that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band C, by 2030.<sup>11</sup>**

2.2. This strategy document – itself a requirement of the Warm Homes and Energy Conservation Act – sets out the approach that will be taken in order to meet the target. Government is required by law to implement the strategy, assess and report on the impact of its actions to implement the strategy and the progress made towards the target, and to revise the strategy if appropriate.

### What the new fuel poverty target for England means

2.3. The fuel poverty target has a clear focus on improving the energy efficiency of fuel poor homes.<sup>12</sup> While it is known that other factors can affect how much it costs to keep warm, everyone agrees that tackling the relatively low levels of energy efficiency found in England's housing stock – especially in the homes of the fuel poor – is a priority.

2.4. The target seeks a high standard for 2030: Band C for as many fuel poor homes as reasonably practicable. This is a challenging ambition. According to the latest data<sup>13</sup> less than 5% of fuel poor households in England have an energy efficiency rating of Band C and above.<sup>14</sup> This compares to around 18% across all households. 14% of fuel poor homes are

<sup>9</sup> See Section 1B of the Warm Homes and Energy Conservation Act 2000 [www.legislation.gov.uk/ukpga/2000/31/contents](http://www.legislation.gov.uk/ukpga/2000/31/contents)

<sup>10</sup> [www.legislation.gov.uk/uksi/2014/3220/made](http://www.legislation.gov.uk/uksi/2014/3220/made)

<sup>11</sup> As defined in the Fuel Poverty Energy Efficiency Rating (FPEER) Methodology. See footnote 1.

<sup>12</sup> As defined in the Fuel Poverty Energy Efficiency Rating (FPEER) Methodology. See footnote 1.

<sup>13</sup> [www.gov.uk/government/collections/fuel-poverty-statistics](http://www.gov.uk/government/collections/fuel-poverty-statistics)

<sup>14</sup> As defined under the Standard Assessment Procedure (SAP)

currently at Band F or G which are very low standards. Nearly half of fuel poor homes are E rated and 36% are D-rated.

2.5. Getting as many fuel poor homes as is reasonably practicable to a minimum of Band C requires a range of actions, with a focus on the installation of energy efficiency measures. It means trying to ensure that fuel poor homes have sufficient insulation in walls and lofts. Some homes could see the installation of a central heating system for the first time, while others could receive an upgrade to the most efficient boilers available or potentially have a heat pump installed.

2.6. The availability of measures and technologies is not the only factor in play: Government will also have a responsibility to consider wider issues such as affordability. Cost effectiveness is also a principle to be applied in meeting the target.

2.7. We believe the fuel poverty target is in line with the activity required to improve the energy efficiency of the wider housing stock in order to meet our carbon budgets. It will ensure the fuel poor do not get left behind as standards improve across the board.

2.8. In addition to physical improvements to the energy performance of the home, there are further cost-effective ways to improve the standard of fuel poor homes or assist in managing their energy costs. Schemes that directly affect the cost of energy, such as the Warm Home Discount (which has been extended to run in 2015-16), are also important in tackling fuel poverty. The methodology Government has developed for measuring progress against the target – the Fuel Poverty Energy Efficiency Rating (FPEER) methodology – reflects this, being based on the Standard Assessment Procedure<sup>15</sup> (SAP) but with adjustments to reflect the impact of schemes that directly affect the cost of energy.

2.9. The proportion of fuel poor homes that it is reasonably practicable to help is inherently uncertain: delivery and the pace of delivery will need to be informed by a range of factors, such as wider progress towards decarbonisation, and changes in delivery costs and affordability. In particular, there is more to be done to understand how the energy efficiency landscape may evolve between now and 2030. It is possible that there will be future technological advances that will lower costs and increase technical potential.

2.10. It is also necessary to be mindful of the experience of previous energy efficiency programmes which has shown that some householders do not want to accept support, or to face the upheaval that some major energy efficiency interventions require. This is a challenge common to all efforts to improve energy efficiency and one that may recede as familiarity with technologies increases, and action on behaviour change takes hold.

2.11. Given these uncertainties, it is not possible to state the precise number of households that will be supported. However, it is clear that this target and the proposed interim milestones imply improving the energy efficiency standards of a significant number of households under successive Governments.

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<sup>15</sup> SAP is the main way in which energy efficiency is measured. This assesses the energy performance of buildings and specifically the amount of energy a dwelling consumes in delivering defined temperature levels (based on standard occupancy conditions) taking account of the sources of energy used in the dwelling and its cost. [www.gov.uk/standard-assessment-procedure](http://www.gov.uk/standard-assessment-procedure)

## Interim Milestones

2.12. Following consultation in 2014,<sup>16</sup> Government has decided to adopt two interim milestones<sup>17</sup> that will keep Government efforts on track:

### Interim Milestones:

- (i) as many fuel poor homes as is reasonably practicable to Band E by 2020 and
- (ii) as many fuel poor homes as is reasonably practicable to Band D by 2025

2.13. What do these milestones mean? This stepped approach reflects the principle of ensuring that we support those facing the worst fuel poverty. F and G-rated homes are more likely to be cold,<sup>18</sup> expensive to heat and may be a health hazard. Introducing even basic measures to these homes for the first time – such as a central heating system – can cut heating requirements significantly and provide a major uplift in comfort. To illustrate, the average fuel poverty gap in a G rated home is £1,700, compared to £410 for an E rated home.

2.14. It is expected that the cost of energy efficiency improvements will fall over time through innovations in technology, materials and installation methods. Such reductions in cost could outweigh the cost of returning to a property. There is always a balance to be struck between taking an incremental or ‘whole-house’ approach to energy efficiency improvements, given the associated impacts on costs and thereby the numbers of homes that can be supported.

2.15. In practice, exactly how fast progress is made against the milestones and the 2030 target, and in exactly what ways, will depend on a range of decisions taken over time. The existence of the interim milestones and long-term target will be important factors in decision-making on spending, alongside others such as affordability and wider carbon targets.

## Additional indicators of progress

2.16. As well as measuring the energy efficiency of fuel poor homes, other indicators are important in helping us to understand the factors driving progress towards the target. The annual fuel poverty statistics are a rich source of information. Monitoring a specific subset of that information – the key fuel poverty indicators - will give a good sense of the effects of fuel poverty schemes and of other factors. **We have produced a Fuel Poverty Scorecard to report progress against these key indicators and to set out the scale and extent of action taken to tackle fuel poverty.** See Chapter 4 below.

2.17. The link between fuel poverty and health and well-being is recognised and we are committed to developing a means of measuring this. **There is no reliable indicator that can be used at this stage.** The oft-cited rate of Excess Winter Deaths is not a reliable measure of the success or failure of fuel poverty policy. This is because there are many factors that determine these figures, such as how cold a specific winter is, whether there were any flu epidemics over that winter and how severe they were. Indeed, analysis of the Excess Winter Deaths data for England shows the most recent peak of 29,500 in 2012/13 was immediately followed by 17,000 in 2013/14, the lowest rate on record.

<sup>16</sup> [www.gov.uk/government/consultations/cutting-the-cost-of-keeping-warm-a-new-fuel-poverty-strategy-for-england](http://www.gov.uk/government/consultations/cutting-the-cost-of-keeping-warm-a-new-fuel-poverty-strategy-for-england)

<sup>17</sup> The Warm Homes and Energy Conservation Act 2000 requires Government to set out interim milestones on the way to meeting the 2030 target, with dates for achieving them.

<sup>18</sup> [www.gov.uk/government/statistics/energy-follow-up-survey-efus-2011](http://www.gov.uk/government/statistics/energy-follow-up-survey-efus-2011)

## BOX 1 - Key Fuel Poverty Indicators

- **Energy efficiency:** As well as headline figures on SAP ratings and the FPEER, DECC will monitor installation of specific measures, including:
  - presence of a central heating system in fuel poor households;
  - number of fuel poor households with non-condensing boilers; and
  - number of fuel poor households with loft and cavity wall insulation.
- **Renewables:** DECC will monitor the installation of renewable technologies in fuel poor households, so that we can better understand the impact of these technologies on energy requirements. In the short run it may not be possible to measure this accurately, however we will seek to measure installations of renewables in fuel poor homes at the soonest opportunity.
- **Distribution:** It is important to understand the rate of improvement in energy efficiency in fuel poor households in relation to the national average. DECC will therefore publish the distribution of households across the different energy efficiency bands for both fuel poor households and all households.
- **Non-gas homes:** Living in a non-gas home is a significant factor in being fuel poor, and these households face some of the highest energy costs. Paying particular attention to the fuel poverty gap for non-gas households, both rural and urban, will help us to understand how their situation is changing.<sup>19</sup>
- **Children in fuel poverty:** There is a link between educational attainment and living in cold homes, so DECC will monitor the number of children in fuel poverty and will publish the number of fuel poor households with a child aged under 16 years.

2.18. DECC will work with others to develop a meaningful link between health outcomes and fuel poverty policy, because we regard this link as very important. What is needed is an indicator that can accurately show the impact policy is or is not having, rather than an indicator that tells us how cold a given winter was or that tells us whether enough people were vaccinated for a particular strain of flu.

## Understanding the impact of energy efficiency improvements on household energy bills

2.19. Each home is different and there is no way of stating definitively what the costs and benefits of installing energy efficiency measures will be in advance of works being undertaken. It is, however, possible to show how moving homes from lower to higher energy efficiency performance could help to cut bills.

2.20. Figure 4 below takes three illustrative archetypes of fuel poor households, generated from the English Housing Survey. Based on the survey of the home conducted at that time, it is possible to identify the existing energy efficiency measures in place as well as the potential for

<sup>19</sup>Throughout this strategy fuel poor households who do not use gas as their main fuel are referred to as **non-gas homes** (elsewhere these are often referred to as being off-gas-grid). Non-gas homes may be located in an area without connection to the mains gas grid, or in gas grid areas, but not connected for reasons such as safety (e.g. city high-rise flats).

new measures to be installed. These are examples provided for illustration only, and will not necessarily reflect measures installed in future in any one home or type of home. Also, it is important to note that the figure does not show the cost of measures or whether measures are cost effective – both of which are important factors to consider. The figure does, however, show the potential benefits to households in terms of lowering modelled bills.

2.21. The figure shows that raising one home from Band F to Band E (example 1) could lower modelled bills by nearly £2,000, through installing loft insulation and a first time central heating system. Moving a particular home (example 2) from Band E to Band D by installing loft and cavity wall insulation, along with an energy bill rebate, could theoretically save the home around £600 each year. In another instance (example 3), installing loft and cavity wall insulation along with a condensing boiler could move a home from Band D to Band C, saving around £500 on their modelled energy bill.

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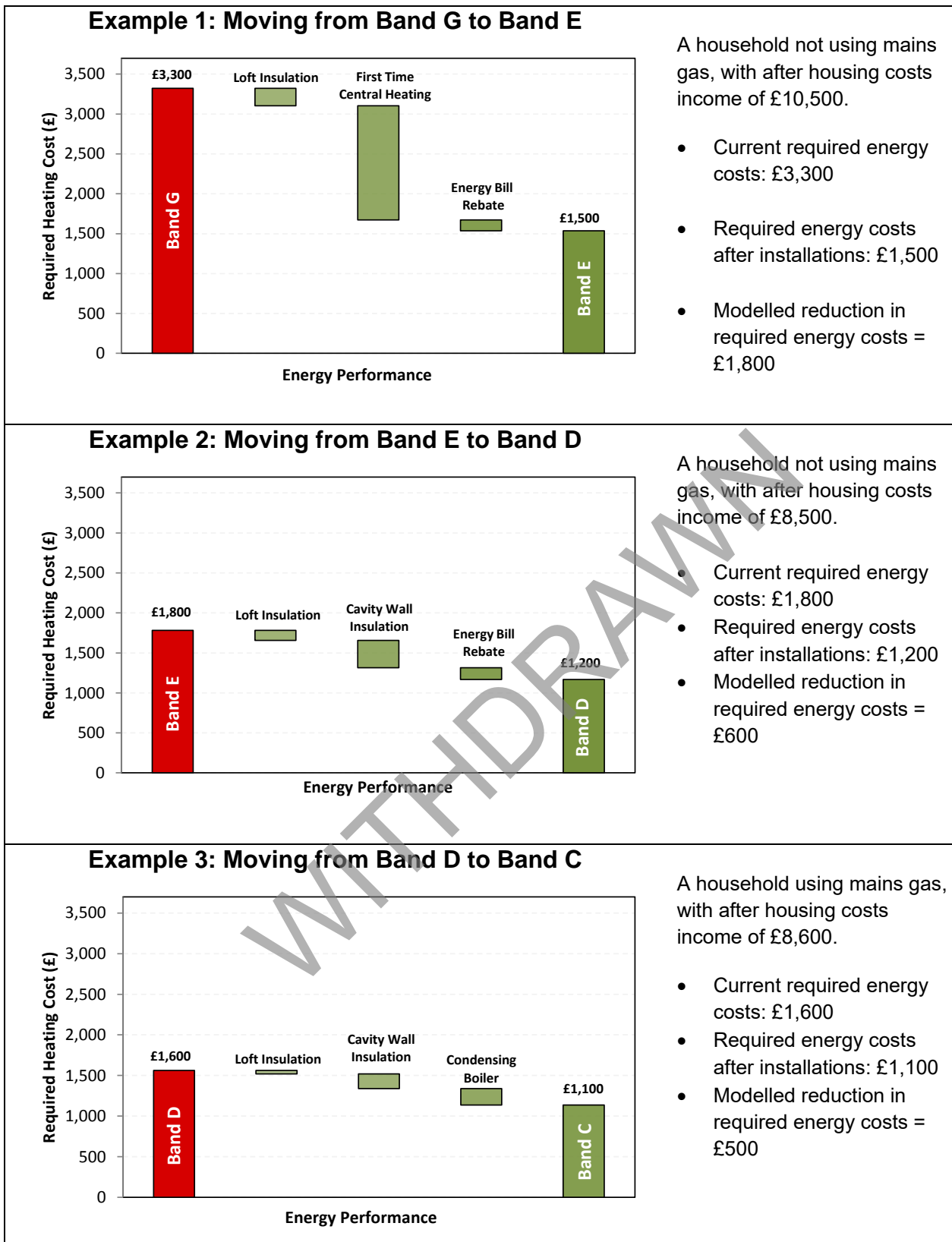


Figure 4: Illustrative examples of fuel poor homes in the English Housing Survey showing bill reduction potential

## 3. Our strategic approach to meeting the fuel poverty target

3.1. This chapter summarises the strategic approach expected to be taken in meeting the new fuel poverty target. This brings together the analysis and background set out above, the principles first published in 2013 in *Fuel Poverty: a framework for future action*<sup>20</sup> (hereafter referred to as ‘the strategic framework’) and some forward-thinking work.



Figure 5: The strategic approach to tackling fuel poverty in England

### Vision

3.2. **Our vision is to cut bills and increase comfort and well-being in the coldest low income homes, and to achieve the new statutory fuel poverty target.**

3.3. This is a vision we share across the whole of Government, including local government, with health services, with energy suppliers, with charities and with community groups. A shared ambition is more likely to be fulfilled.

3.4. The fuel poverty vision and the target do not stand alone. Government energy policy seeks to meet three primary objectives: ensuring light, power, heat and transport are affordable for households and businesses; providing energy security; and reducing carbon emissions in order to mitigate climate change. In addition Government policy supports the energy sector in its role as a major contributor to the UK economy.

3.5. The introduction of the fuel poverty target makes clear Government’s intention to ensure that the fuel poor are not left behind in meeting these broader objectives. Similarly, we are committed to understanding how action on the fuel poverty target contributes to our carbon targets and heat strategy objectives in particular.

### Principles

3.6. DECC has adopted three principles that will underpin the decisions on the action to take to reach our goals. These were first set out in the strategic framework. The principles – prioritisation of the most severely fuel poor, supporting the fuel poor through cost-effective

<sup>20</sup> [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/211180/FuelPovFramework.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211180/FuelPovFramework.pdf)

measures and ensuring that vulnerability is reflected in policy decisions – are set out in more detail in Box 2.

## BOX 2 - Guiding principles

**Prioritisation of the most severely fuel poor:** through the fuel poverty gap, the Low Income High Costs indicator allows us to distinguish between fuel poor households on the basis of the severity of the problem they face. Households living in severe fuel poverty – those with the highest fuel poverty gaps – face the highest costs of maintaining an adequate level of warmth in the home. They also face some of the starkest trade-offs between heating the home and spending on other essentials.

**Supporting the fuel poor with cost-effective policies:** adopting a cost-effective approach means getting the best returns for all the investments made in tackling fuel poverty. We cannot expect to take action that is not cost-effective when Governments face so many contending challenges. The good news is that there is considerable cost-effective potential for tackling fuel poverty and the development of technology could see this increase over time.

**Reflecting vulnerability in policy decisions:** We know that some fuel poor households are more at risk from the impacts of living in a cold home than others, even if they are not necessarily the most severely fuel poor. It is right to consider the particular needs of the vulnerable – the oldest old and the youngest young, and those with a long-term health condition or disability – as we improve homes. This is justified on the basis of the additional negative impacts that vulnerable fuel poor households tend to face (e.g. the physical and mental health impact that can result from living in a cold home). Adopting this principle is one way in which the Government has satisfied its public sector equality duty under the Equality Act 2010.

3.7. As well as establishing the guiding principles for future action to tackle fuel poverty, the strategic framework set out that improving energy efficiency standards would always be at the heart of our fuel poverty strategy. It was the first time we considered what the Low Income High Costs indicator tells us about who is fuel poor, and how we should think about adapting our measurement frameworks and approaches to align with this. It considered the potential for combining energy efficiency and conventional heating measures where this is cost-effective, particularly in the most severely fuel poor homes. It also discussed the possible future role of other measures, including renewable heating, especially in non-gas homes. However, as noted above, delivery of support to fuel poor homes also needs to include other important considerations such as policy costs, targeting and delivery barriers which were not considered in the strategic framework.

3.8. The strategic framework also set out what we know about the drivers of fuel poverty – energy efficiency, incomes and energy prices – concluding that the current policy landscape covers each of these drivers, and that monitoring of delivery to the fuel poor under these schemes would be a key input to future policy development, as explored in more detail in Chapter 7 below.

## Challenges and policies

3.9. The policy approach to implementing this strategy will be shaped by these principles, although practicality will also be a key consideration. Certainly, tackling fuel poverty means facing up to a number of clear challenges. These challenges can be summarised as follows:

- improving energy efficiency standards in fuel poor homes;
- working together to help the fuel poor through partnership and learning;
- increasing effective targeting of fuel poor households;
- improving the reach of support to certain high cost homes – such as non-gas or park homes;
- improving the reach of support to certain low income households – such as those who have health conditions linked to living in a cold home;
- tackling the financial burden of energy bills for those on low incomes;
- ensuring the fuel poor are able to get maximum benefit from a fair and functioning energy market; and
- enhancing and improving understanding of fuel poverty.

3.10. Both the challenges and the way we respond to them through policies may change over time. Chapter 5 below sets out existing policies and schemes that are helping us to make progress against the new target and addressing these challenges. Chapter 6 looks further ahead to the way in which we expect to respond to the challenges faced through evolving policies.

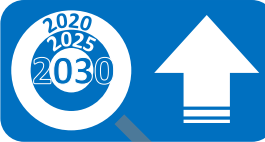

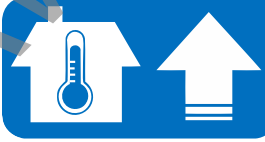





3.11. In this context, “policies” does not mean individual schemes such as the Energy Company Obligation or Winter Fuel Payments. It is not possible to develop a comprehensive package of such schemes lasting 15 years. Instead, the term “policies” refers to the different courses of action that will need to be taken over time to meet our target. These can be more easily identified and considered over the 15-year time frame of this target.

## Commitments

3.12. While we cannot design detailed schemes for the whole of the 15-year period to 2030, we are in a strong position to set out specific commitments whose fulfilment will underpin progress towards our vision. Where we can do this, we have done so. We expect these to be refreshed over time through revisions to this strategy, in line with the provisions of WHECA.

## Outcomes

3.13. In designing and delivering future schemes to help fulfil our vision, Government will be interested in a range of outcomes, not all of which will apply to all schemes. Those judged to be most important are set out below. As with many other factors, these outcomes are likely to evolve over the period out to 2030 and the relative importance of different outcomes may also vary.

Outcomes	
Progress against the target and interim milestones	
Lower bills	
Increased comfort	
Improved health and wellbeing	
Improved partnership	
Improved evidence base and understanding	
Improved targeting	
Lower carbon emissions	

## 4. The strategic approach in action – the fuel poverty scorecard

4.1. Setting the new fuel poverty target was the pivotal moment in our efforts since 2010 to overhaul the fuel poverty framework in England. Government has put in place a wide ranging programme of activity that is already driving progress in line with our new understanding of the drivers of fuel poverty. We have been strengthening cross-departmental working, reaching out to new partners and adapting design and delivery to better align with our objectives.

### Fuel poverty scorecard

4.2. In this Chapter Government presents the first ever fuel poverty scorecard. This is in two parts. First, we report against key indicators of fuel poverty; and second, we set out the scale and extent of the delivery that has been making a real difference to the lives of those facing fuel poverty.

#### Statistical indicators

4.3. Statistics on fuel poverty are published each year, based on the English Housing Survey. There is some lag between data collection and publication. As such the latest statistics published in 2014, relate to data collected in 2012.

#### Medium-term and short-term trends

4.4. In the table below, we assess each indicator against a medium-term trend – that is 2003-12 – and a short-term trend – 2010-12. 2003 has been chosen as a base line since it is the first date from which consistent data are available.

### Fuel poverty target and milestone indicators

4.5. As time passes, Government will report developments against the fuel poverty target and the interim milestones. As has been explained, these are based on energy efficiency bands within the homes of the fuel poor. The bespoke fuel poverty energy efficiency rating methodology is used for this purpose. At present, only data using standard EPC bands are available (see for example Chapter 3 of the 2014 fuel poverty statistics report).<sup>21</sup> We expect data using the fuel poverty energy efficiency rating methodology to be available from the 2015 report onwards.

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<sup>21</sup> [www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2014](http://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2014)

## Headline fuel poverty indicators

Indicator Name	2003	2010	2012	Change (2003-12)	Change (2010-12)	Overview
Number of households in fuel poverty (millions of households)	2.44	2.47	2.28	↓6%	↓8%	This is the main indicator of the <u>extent</u> of fuel poverty. The fact that this is a relative measure means that improvements on this scale are significant signs of progress. It means that the pace of improvement in fuel poor homes is faster than in other homes.
Aggregate Fuel Poverty Gap (£m, real terms)	621	1,040	1,012	↑63%	↓3%	This is the main indicator of the <u>depth</u> of fuel poverty, showing a significant increase in the medium term as a result of energy price increases in the mid to late 2000s. In the short run this trend has been halted, with a small reduction since 2010.
Average Fuel Poverty Gap (£2012, real terms)	254	421	443	↑74%	↑5%	This is the main indicator for showing the average additional fuel costs a fuel poor household faces compared to typical households. The short run trend is a slight increase, reflecting the fact that while reductions in the extent of fuel poverty are important, households that have remained fuel poor have faced rising hardship.

## Supplementary indicators

Indicator Name	2003	2010	2012	Change (2003-12)	Change (2010-12)	Overview
Proportion of fuel poor households without central heating or storage heaters (%)	15	7	6	↓ <b>9%</b> -points	↓ <b>1%</b> -point	This shows the share of fuel poor households that have no choice but to use expensive and inefficient secondary heating systems because they have no central heating. There has been real progress in the long run – the share of fuel poor homes with no central heating has more than halved – and continued improvements in the short run.
Proportion of fuel poor households with non-condensing boilers <sup>22</sup> (%)	97	74	64	↓ <b>34%</b> -points	↓ <b>10%</b> -points	This shows the share of fuel poor households with inefficient non-condensing boilers. Significant progress has been made in moves to more efficient heating methods, particularly in the short run.
Proportion of fuel poor households with cavity walls that are insulated (%)	23	42	44	↑ <b>21%</b> -points	↑ <b>3%</b> -points	This shows the percentage of fuel poor households with cavity walls that have had them treated with highly cost-effective insulation – which is predominantly policy driven. Progress has been strong in both the short and long term, demonstrating the impact Government policies in making homes easier to heat.
Proportion of fuel poor households with a loft that has 125mm of insulation or more (%)	27	42	49	↑ <b>22%</b> -points	↑ <b>8%</b> -points	This shows the share of fuel poor households whose lofts have been insulated. Loft insulation is one of the simplest and cost-effective ways of reducing heating needs, and both long and short-run progress has been significant.

<sup>22</sup> This is expressed as a proportion of fuel poor households with boilers. Those without a boiler are referred to under the statistics relating to fuel poor households with no central heating.

Indicator Name	2003	2010	2012	Change (2003-12)	Change (2010-12)	Overview
Average fuel poverty gap for households <b>not</b> using mains gas (£2012, real terms)	460	744	812	↑ <b>76%</b>	↑ <b>9%</b>	This shows the average depth of fuel poverty for those homes not using mains gas as their main heating fuel. There has been a more muted rise in the short run compared to the longer term. However it is clear that non-gas households will remain a priority.
Number of households with children in fuel poverty (millions of households)	0.82	0.88	0.96	↑ <b>16%</b>	↑ <b>9%</b>	This shows the number of fuel poor households with a child under 16. The overall number of fuel poor households has fallen in recent years, with many pensioner households moving out of fuel poverty. As fuel poverty is now a relative measure, when some households move out others – such as households with children – may move in. It will be important to understand these movements in more depth as we consider future scheme design.
Proportion of fuel poor households with renewable heat or electricity generating measures	Technologies enabling households to generate their heat and/or electricity from renewable sources will play an increasingly important role as we move towards decarbonising our economy. Understanding the impact of renewable technologies on the fuel poor will be important and we intend to monitor this. At present relatively low numbers of households, including those that are fuel poor, use renewable technologies, meaning it is not possible to generate statistics in a robust way. We will seek to report on this in future when greater levels of deployment make statistical reporting feasible.					
Health indicator	We recognise the link between fuel poverty and health and well-being and we are committed to developing a means of measuring this. There is no reliable indicator we can use at this stage. The oft-cited rate of Excess Winter Deaths is not a reliable measure of the success or otherwise of fuel poverty policy (including because of the influence of winter illness such as flu).					

## The delivery scorecard

4.6. The English Housing Survey enables us to measure, over time, the impact on fuel poverty of changes in incomes, energy prices and energy efficiency standards. Given this range of factors, the overall impact of a given scheme can be different at different times. As well as being dependent on the interaction of changes to these factors within fuel poor homes, fuel poverty levels are also dependent on changes in non-fuel poor homes. One way of cutting through this complexity is to look at what measures have been delivered and on what scale. This delivery scorecard examines the extent of Government schemes in three core areas: energy efficiency improvements, direct energy bill support and income support in relation to winter and cold weather.

### Energy efficiency delivery, 2010-15

Energy efficiency measures have been delivered under a range of schemes in this period, including:

- Warm Front, which was specifically targeted on low income homes
- the Carbon Emissions Reduction Target (CERT), which included the Super Priority Group (SPG) of those in or at risk of fuel poverty
- the Community Energy Saving Programme (CESP), which was focused on low income communities
- the Energy Company Obligation (ECO), which includes the Carbon Saving Communities Obligation (CSCO) and Affordable Warmth (AW) which are targeted a low income areas and households.

The rate of installation under these schemes varied, with schemes typically delivering at a higher rate towards their end (CERT, CESP) or especially fast at the beginning (ECO). As such, annual figures can be misleading. The level of delivery under these policies over the whole length of the 2010-15 Parliament is very significant.

	2010/11	2014/15
Heating measures (boiler replacements and communal heating)	Total over the period April 2010 to December 2014: <b>Over 525,000</b>	
Insulation measures (loft, cavity and solid wall)	Total over the period April 2010 to December 2014: <b>Over 1.28 million</b>	
<b>GRAND TOTAL<sup>23</sup></b>	Total over the period April 2010 to December 2014: <b>Over 1.8 million</b>	

<sup>23</sup> Figures relate to Warm Front, CERT SPG, CESP and ECO CSCO and AW. Note that Warm Front applied in England only. Figures for other schemes include delivery across Great Britain.

### Direct energy bill support, 2011-15

Warm Home Discount	2011/12	2012/13	2013/14	2014/15
Value of discount	<b>£120</b>	<b>£130</b>	<b>£135</b>	<b>£140</b>
Core Group payments	<b>702,000</b>	<b>1,158,000</b>	<b>1,237,000</b>	<b>1,420,000 (estimated)</b>
Broader group payments	<b>234,000</b>	<b>490,000</b>	<b>605,000</b>	<b>636,000</b>
Scheme budget	<b>£250 million</b>	<b>£275 million</b>	<b>£300 million</b>	<b>£310 million</b>

### Income support during winter & periods of cold weather, 2010-15

	2010/11	2011/12	2012/13	2013/14	2014/15
Cold Weather Payments	17.2 million payments made <b>£430 million</b> value of payments	5.2 million payments made <b>£129 million</b> value of payments	5.8 million payments made <b>£146 million</b> value of payments	1,100 payments made <b>£27,500</b> value of payments	Data not yet available
Winter Fuel Payments	12.7 million payments made <b>£2.75 billion</b> value of payments	12.6 million payments made <b>£2.14 billion</b> value of payments	12.6 million payments made <b>£2.13 billion</b> value of payments	12.5 million payments made <b>£2.12 billion</b> value of payments	Data not yet available

## 5. The strategic approach in action – how this Government is meeting the challenge

5.1. This chapter sets out how Government is tackling fuel poverty in a way that will bring real and lasting difference. With the new fuel poverty target now focused on the energy efficiency of fuel poor homes, policy has increasingly taken this into account. From the reform and extension of ECO to the new private rented sector regulations, energy efficiency is a top priority. This is being baked into our new partnerships with the NHS and with the community energy sector. Yet initiatives like our central heating fund for non-gas homes and the Big Energy Saving Network to ensure the fuel poor benefit from a more competitive energy market are showing how we want to respond to new evidence and new opportunities.

5.2. Government recognises that there can be no one size fits all solution to fuel poverty. We believe that truly effective and innovative approaches are most likely to emerge when partners join their efforts and expertise as highlighted throughout this strategy. DECC is making up to £3 million of funding for new fuel poverty pilots to encourage innovation. This work cuts across the whole of this chapter, as set out in Box 3.

### BOX 3 – Pilot projects

We will be releasing up to £1 million of funding immediately to scale up local ‘warmth-on-prescription’ projects to help people who face health risks because of the cold. The initial round of projects will be announced before the end of March 2015 and will build on the work of pioneers such as Wigan Council and Wigan Borough Clinical Commissioning Group who have already created a £200,000 joint fund to be spent over the next two years, allowing them to target an extra 2,000 people likely to be in fuel poverty who could face unplanned hospital admissions due to illnesses caused or exacerbated by living in a cold home. We will also be working with the Royal College of GPs to develop their plans to pilot a new electronic referral system for health and fuel poverty which already has local support in areas such as Wiltshire.

Up to another £2 million will support local fuel poverty innovation. By the end of March we will invite stakeholders to come forward with their own ideas for the types of projects that can best pilot innovative approaches to tackling fuel poverty. Then, over the coming months we will invite bids to this fund. The case studies referenced throughout this document offer a wealth of examples of the sorts of projects that can be developed with local support, for example:

- Projects like Plymouth Energy Community, a not-for-profit’ Community Benefit Society that has cleared over £35,000 of fuel bill debt in only nine months, from over 350 referrals
- Work on residential park homes, such as that undertaken by National Grid Affordable Warmth Solutions in Folly Park, which connected 100 new homes to the gas grid and offered advice on the best tariffs.
- Working building on the switching advice delivered in local authorities buildings through the Big Energy Saving Network that has helped save Fuel Poor customers hundreds of pounds off their energy bills

### BOX 3 – Pilot projects

- New services like the integrated and holistic fuel poverty service for Cornwall and the Isles of Scilly in the Winter Wellbeing programme. The charity's free-phone advice service provides the primary contact route and 'triage service' for householders in Cornwall living in cold homes to access services from a range of partners, addressing a broad range of issues with just one phone call

## Demonstrating the strategic approach through action and initiatives

### *The challenge – improving energy efficiency standards in fuel poor homes*

5.3. The Government has made great strides in improving the energy efficiency of homes. Government's household energy efficiency programme has been designed to stimulate the domestic energy efficiency market, reduce carbon emissions from the housing stock (in line with UK ambitions to meet statutory domestic carbon budgets) and deliver value for money for bill payers.

5.4. The programme is delivering. **DECC set a target date of March 2015 to deliver energy efficiency improvements to one million homes through the Energy Company Obligation (ECO) and the Green Deal package – and we met it four months early in November 2014.** By the end of December 2014, ECO and Green Deal had delivered measures to 1,086,000 homes and it continues to delivery more There were also 473,666 Green Deal Assessments carried out up to the end of January 2015. Put simply, **ECO has transformed the speed and cost of delivering heating and insulation measures to homes in Great Britain.**

5.5. ECO is supporting those unable to fully self-finance energy efficiency improvements or afford a long-term finance plan, providing them with the opportunity to benefit from warmer homes and more affordable energy bills. ECO support for low income and vulnerable households is provided primarily through the Affordable Warmth<sup>24</sup> and the Carbon Saving Community Obligations (CSCO).

5.6. Since the launch of ECO, around 612,000 low-income and vulnerable consumers, or households in specified low income or rural areas, have benefited from the installation of 755,000 energy efficiency measures by the end of December 2014.<sup>25</sup> It is estimated that, as a whole, ECO will help around 260,000 low income and vulnerable households, or households in deprived areas, each year to 2017.<sup>26</sup>

5.7. **In extending ECO out to 2017 Government has safeguarded support for low income and vulnerable households and made improvements both to increase rates of delivery to non-gas homes and to provide additional customer protections.**

<sup>24</sup> Known in legislation as the Home Heating Cost Reduction Obligation (HHCRO).

<sup>25</sup> DECC, Green Deal and Energy Company Obligation: monthly statistics. The household figure removes a small amount of double counting for homes that had measures installed under both the Carbon Saving Community Obligation and Affordable Warmth. [www.gov.uk/government/collections/green-deal-and-energy-company-obligation-eco-statistics](http://www.gov.uk/government/collections/green-deal-and-energy-company-obligation-eco-statistics)

<sup>26</sup> <https://www.gov.uk/government/consultations/the-future-of-the-energy-company-obligation>

5.8. In addition to ECO, other home energy efficiency programmes offer households support to improve the efficiency of their home. Notably, the Green Deal Home Improvement Fund has allowed households, including those on low incomes, to more affordably make energy efficiency improvements. For its part, the Green Deal Communities scheme is helping local authorities drive street-by-street action. In some circumstances, households may also be able to utilise Green Deal finance to help bridge the gap between these funding sources and the cost of the measure. These initiatives have engaged partners, households and the energy efficiency market in a variety of ways, providing learning for the design and delivery of future schemes.

5.9. To inform design and delivery of future schemes, there is learning to be gained both from the way that delivery challenges are overcome, and from understanding successes across the full range of energy efficiency schemes, even where they are not specifically targeted at the fuel poor.

5.10. Recent research on the Green Deal framework published in December 2014<sup>27</sup> showed that 76% of surveyed households having had a Green Deal assessment said they have already, are in the process, or intend to install at least one energy saving measure. 72% would recommend, or already had recommended, having an assessment to friends or family and 87% of surveyed households who had an energy saving improvement installed said they have, or would in the future, recommend having the measure installed to family and friends. Drawing on information such as this will help inform understanding of what drives demand for support and what incentivises action.

#### Private rented sector – removing barriers to take up of energy efficiency

5.11. Our most significant recent policy initiative to tackle low energy efficiency standards in the housing stock, including the homes of the fuel poor, has been our new regulatory approach to the private rented sector, set out in February 2014. Too many private rented homes are cold and draughty: one in ten privately rented homes have the lowest energy efficient ratings and one in five are in fuel poverty (double the national average).

5.12. We are taking action to change this by supporting and encouraging landlords to make improvements to their properties and empowering tenants to request consent to energy efficiency measures.

5.13. The Government has laid draft regulations before Parliament<sup>28</sup> to vote on before dissolution seeking to ensure that **from 1 April 2018, all eligible domestic and non-domestic private rented properties<sup>29</sup> in England and Wales will have to be improved to a minimum energy efficiency standard before being let to tenants, except where certain exemptions apply; and from 1 April 2016, where a tenant of an eligible domestic private rented property requests their landlord's consent to making energy efficiency improvements, the landlord may not unreasonably refuse such consent.**<sup>30</sup>

5.14. Under these plans up to 1 million tenants renting from a private landlord can look forward to warmer homes that cost less to heat.<sup>31</sup> This will be a particularly important for low-

<sup>27</sup> [www.gov.uk/government/publications/green-deal-customer-journey-survey-summary-report-quantitative-survey-wave-4](http://www.gov.uk/government/publications/green-deal-customer-journey-survey-summary-report-quantitative-survey-wave-4)

<sup>28</sup> [www.legislation.gov.uk/ukdsi/2015/9780111128350/pdfs/ukdsi\\_9780111128350\\_en.pdf](http://www.legislation.gov.uk/ukdsi/2015/9780111128350/pdfs/ukdsi_9780111128350_en.pdf)

<sup>29</sup> Not including socially rented properties.

<sup>30</sup> The Government published its response to the consultation in February 2015, providing a summary of views received on the consultation and the Government's decisions on how the regulations will operate.

[www.gov.uk/government/consultations/private-rented-sector-energy-efficiency-regulations-domestic](http://www.gov.uk/government/consultations/private-rented-sector-energy-efficiency-regulations-domestic)

<sup>31</sup> Subject to Parliament's consideration of the draft regulations.

income and vulnerable tenants given the links between fuel poverty and living in a privately rented home. Fuel poor households living in the least efficient privately-rented homes need to spend on average around £1,000 more to keep warm compared to the typical home.

### New build

5.15. Energy efficiency action by Government is not just about retrofit. A new home built today is already 30% more energy efficient than one built at the start of 2010 and will save home owners around £200 per year on energy bills.

5.16. However the Coalition Government has been determined to raise energy efficiency standards for new homes even further. So we have committed to zero carbon homes from 2016 and are seeking legislation to realise this ambition. New homes will be built to a Fabric Energy Efficiency minimum standard (FEES), tackling many of the factors that contribute the high costs associated with fuel poverty as it is currently understood. The minimum on-site requirement will require a further 20% uplift in energy efficiency standards, with all residual carbon emissions arising from heating, lighting and other fixed building services being mitigated through carbon abatement measures termed “allowable solutions”.<sup>32</sup>

5.17. Over time we anticipate that partners will seek to harness the opportunities offered by the allowable solutions mechanism to make broader progress against energy and climate objectives, including energy efficiency retrofit improvements, wider deployment of heat networks and action to tackle fuel poverty.

5.18. By taking action to improve energy efficiency standards in the private rented sector, and ensuring that homes of the future are warmer and cheaper to run, Government is demonstrating that simple, proportionate and effective regulation can play its part in meeting our objectives. Just as regulations introduced in 2006 revolutionised the way that industry and households approached the replacement of gas boilers and led to lower bills and better energy efficiency, so our new regulations for minimum energy efficiency standards in the private rented sector will represent a major leap forward in tackling fuel poverty.

### *The challenge – working together to help the fuel poor through partnership and learning*

5.19. Fuel poverty is a problem for all society and Government cannot tackle it alone. Helping those on low incomes who face the highest energy bills and live in the hardest to heat homes will require a concerted effort, led by DECC, but with contributions from across Government and, very importantly, beyond Whitehall. **Partnership is the thread running through all our activity.** While we know that there are some things that only Government can do, such as make law, we have highlighted examples of effective partnership, not always involving Government, throughout this strategy. These examples illustrate the real progress that can be made when people and organisations work together towards a common objective. We believe our new framework has helped generate a huge amount of enthusiasm and commitment to making a difference. Continuation of an open and collaborative approach will be the key to future success.

5.20. For central Government, the complex nature of both the fuel poverty problem and the solutions means that different levers lie across Departments. Identifying where cross-

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<sup>32</sup> Department for Communities and Local Government – [www.gov.uk/government/news/energy-measures-to-save-200-in-fuel-bills-for-a-new-home](http://www.gov.uk/government/news/energy-measures-to-save-200-in-fuel-bills-for-a-new-home)

Departmental working is an essential component of success has been a priority. Recently this has seen particularly close working with the Department of Work and Pensions on targeting and with the Department of Health and Public Health England on exploring the links between health and action to improve housing. Over time, differing priorities and shifts in emphasis may emerge. This will in turn change the nature of cross-Government working on fuel poverty. That's why having a statutory fuel poverty target and a cross-Government strategy is so important: they will help ensure that Departments under successive Governments will continue to collaborate to support the fuel poor.

5.21. Local actors have an essential role in getting support to the right people, particularly those who cannot be reached through centralised delivery routes. Government is working with a broad range of organisations to build a detailed understanding of the barriers to local delivery and the sorts of everyday practical issues that can make life difficult for those operating on the ground. It is a fundamental commitment of this new strategy that central Government will co-operate with, listen and support people and groups working on the frontline, tackling fuel poverty in communities across England.

5.22. The on-going work that National Energy Action does, for example, to engage practitioners working to help the fuel poor and the work of the Fuel Poverty Advisory Group's Industry Working Group on Off-Gas Grid show the value of a collaborative approach. We have learned from these successes and put partnership working at the heart of much of our new thinking and activity – most notably on health.

5.23. Government recognises that there can be no one size fits all solution to fuel poverty. We believe that truly effective and innovative approaches are most likely to emerge when partners join their efforts and expertise as highlighted throughout this strategy. We are proud of the role that DECC funding has played in helping many of these projects get off the ground and share their learning. We want to do more.

**5.24. DECC has made available up to £3 million of funding for innovative pilot activity in 2015 and 2016. This will see up to £1 million of funding released immediately to scale up local 'warmth-on-prescription' projects (see Box 7). In coming months an additional pot of up to £2 million will support local fuel poverty innovation**

5.25. Suggestions for some of the areas that may be explored with this funding are highlighted throughout the strategy. For example, pilots could complement and enhance existing investment to address fuel poverty through community energy schemes or in non-gas homes and park homes. Or they could be used to support initiatives in the health sphere or in giving face-to-face advice.

5.26. Partners across the country will have other valuable ideas on what we should support. We will use our existing networks and other tools – for example the on-line hub Huddle, which is being successfully used for information sharing and lesson learning under the Green Deal Communities scheme – to shape the objectives and success criteria for putting this funding to best use.

5.27. We expect that this pilot activity will:

- inform the design of national schemes to work 'with the grain' of local delivery;
- identify where the greatest value can be gained from new software tools, guidance and data sharing, not least in relation to identifying households eligible for support;
- identify ways to make customer referrals and eligibility checks simpler and quicker to do;

- provide evidence for thinking on how cross-Government activity could be co-ordinated in future.

5.28. Central Government has been slow to understand how effective local community energy schemes can be for an energy efficiency approach to tackling fuel poverty. This strategy aims to change that. As set out in the Community Energy Strategy<sup>33</sup> community-led action can generate energy, reduce energy use, manage energy demand and drive collective purchasing. It can often tackle challenges more effectively than government intervention alone, developing solutions to meet local needs, and involving local people. Community energy is capable of unlocking opportunities for lower energy bills and carbon emissions savings that could otherwise be missed.

5.29. In December 2014 DECC began the process of providing seed investment for a community energy support and advice resource for England, fulfilling one of the commitments in the Community Energy Strategy. It is intended that the development of this resource will, where possible, provide support to community organisations seeking to help fuel poor households.

5.30. In addition DECC has commissioned research into the role of local groups, including trying to gather more quantitative evidence of the role local actors can play in delivering energy efficiency schemes. The research report will be available later this year.

#### CASE STUDY - Integrated fuel poverty service for Cornwall and the Isles of Scilly

Between 2011 and 2015 the Cornwall-based charity Community Energy Plus provided an integrated and holistic fuel poverty service for Cornwall and the Isles of Scilly through the delivery of the *Winter Wellbeing* programme and its Big Lottery funded *Warm Me Up!* project.

*Winter Wellbeing* is a pioneering multi-agency programme bringing together 29 different local agencies and organisations from across the public, community, voluntary and private sectors. It ensures that vulnerable people have direct access to the advice and practical support to stay warm and well in winter. The charity's free-phone advice service provides the primary contact route and 'triage service' for householders in Cornwall living in cold homes to access services from a range of partners, addressing a broad range of issues with just one phone call.

Through the cross-referral process between partner organisations, householders were able to access debt support, routes back to employment, insulation measures and emergency grants. This ensured that the assistance provided was effective while avoiding duplication and maximising long term benefits. 54% of those engaging with *Winter Wellbeing* are supported by more than one organisation. Cornwall Council has calculated an initial Social Return on Investment for *Winter Wellbeing* of £3.39 saved per £1 spent.

One of the most valuable tools of the *Winter Wellbeing* programme is its flexible 'emergency fund' which has enabled heating to be restored to a home within a day through an emergency boiler repair, fuel debt clearance or payment for a delivery of heating oil or coal.

In addition to accessing advice over the phone, householders also received advice in their homes from Age UK Cornwall, the Citizen's Advice Bureau and the charity's own *Warm Me Up!* project caseworker. Advice and support by the caseworker was tailored to the individual needs of householders, for example to apply for suitable grant funded energy efficiency measures, help individuals to understand their energy bills, use heating controls and energy

<sup>33</sup> [www.gov.uk/government/publications/community-energy-strategy](http://www.gov.uk/government/publications/community-energy-strategy)

more efficiently. For the most vulnerable householders the caseworker also provided an advocacy role with landlords and energy suppliers.

The *Warm Me Up!* project also provided training for over 200 frontline workers to help them spot the signs of fuel poverty, provide basic advice on energy and signpost to Community Energy Plus for further support.

By combining the efforts of partner organisations, *Winter Wellbeing* and *Warm Me Up!* enabled vulnerable households that may otherwise slip through the net to be identified and given support to improve the health and wellbeing and outcomes.

5.31. Government is determined to increase opportunities for communities to get involved in delivering energy efficiency. Many community energy projects are thinking about the role they could play in energy efficiency and supporting the fuel poor, for example by using any surplus revenue from generation projects to fund energy efficiency or energy advice. DECC is working with the Community Energy Coalition to increase understanding of how community action can support vulnerable and fuel poor households.

5.32. To incentivise communities to explore innovative approaches to saving energy and money, DECC launched a £100,000 Community Energy Saving Competition in January 2015<sup>34</sup> and has awarded five organisations grants of up to £20,000. The winning projects will be evaluated to inform understanding of how community-based energy efficiency approaches can tackle fuel poverty. **In line with our commitment to pilot innovative local approaches to tackling fuel poverty, DECC will explore the scope to support projects that complement and build upon investment already made in support of the Community Energy Strategy.**

### CASE STUDY - Plymouth Community Energy

Plymouth Energy Community (PEC) is an independent 'not-for-profit' Community Benefit Society established in July 2013 to help local people and organisations in Plymouth transform how they buy, use and generate power in the city. PEC was born out of a will to create a co-operative which enabled residents to access cheaper energy and generate their own energy. Its work focuses around three core energy goals: reducing energy bills and fuel poverty, improving energy efficiency and generating a green energy supply in the city.

Some of the scheme's successes to date have been:

- Over £35,000 of fuel bill debt cleared in only nine months, from over 350 referrals;
- Bespoke tariff advice to over 600 households, offering average savings of £180 pa;
- Trained 30 volunteers, who have provided energy advice visits to more than 200 households at risk of fuel poverty;
- Trained energy champions and 100 frontline staff, who in turn reach hundreds of vulnerable energy consumers.

In terms of identifying the fuel poor, the PEC's fuel debt service invested time to build relationships with existing agencies, including CAB, Age UK, housing associations and benefit and emergency welfare teams within the council. Over 30 different organisations now refer fuel poor customers to the scheme. The creation of these partnerships was also helped by the fact that many of these organisations were involved in the initial call to action to set up PEC. Local residents, existing community groups, and housing associations were asked to attend an initial

<sup>34</sup> [www.gov.uk/community-energy](http://www.gov.uk/community-energy)

founder members meeting. From the attendees the initial board of directors was formed.

Seed funding of £60k grant and £69k loan was used to help get the scheme off the ground. This enabled PEC to pay for staff resource without which many of PEC's current activities would not have happened. The involvement of the local authority also made it easier to forge new partnerships, particularly with housing associations and energy companies.

Long-term, sustainable funding is clearly important for a project of this nature. To this end, PEC Renewables was established, and managed the delivery of its 21 PV installations on schools and community buildings through a solar share offer. This will generate over £900k of FITs income over 20 years, which will be used to develop further programmes.

### *The challenge – increasing effective targeting of fuel poor households*

5.33. Government's ambitious statutory target means that effective targeting is more important than ever. Government is taking forward a number of activities that seek to improve the targeting of existing and future schemes – strategically and operationally – at national and local level.

5.34. **A new service to confirm eligibility for ECO Affordable Warmth<sup>35</sup> is expected to be operational by early summer 2015.** This will reduce the complexity and cost of identifying eligible customers, and improve the customer journey for low income and vulnerable households, who will no longer need to provide documentary benefits evidence. This removes a key barrier for many who find this to be intrusive.

5.35. **The 2015/16 phase of the Warm Homes Discount (WHD) will be simpler and more accessible,** particularly for low income families. This is because we are introducing standard criteria that all participating suppliers will have to adopt for their Broader Group schemes. The adoption of standard criteria will help towards removing disincentives to switch. Suppliers will still be able to offer additional criteria as at present.

5.36. **Energy suppliers are being encouraged to increase the amount of WHD support for low income park home residents, non-gas fuel poor and vulnerable households** through changes to Industry Initiatives element of the scheme.

5.37. **Government is learning from local partners who are maximising the power of their data to help identify households with circumstances that may increase their risk of fuel poverty** – for example, geographical data about the location of non-gas homes, which are known to have a higher propensity for severe fuel poverty (see the non-gas section, below).

5.38. **Government is determined to make the best use of Government data to ensure the right services are offered to the right customers at the right time.** DECC is participating in the Cabinet Office-led open policy making process for Tailored Public Services. This work is very much in keeping with our efforts to improve the targeting of fuel poverty interventions. It is exploring what new data sharing powers could help pave the way for innovative new delivery models – particularly in terms of empowering LAs to play a greater role in channelling support to those in their areas who need it most. Efforts to improve the way we tackle fuel poverty are being explored as a central theme at open policy making workshops.

<sup>35</sup> Known in legislation as the Home Heating Cost Reduction Obligation (HHCRO).

5.39. **Government will seek to improve targeting in the next generation of national fuel poverty schemes** (that is, after 2016). Central to this is a joint project led by DECC and DWP to develop new and more sophisticated ways to harness income data, including opportunities created by the roll-out of Universal Credit. A key theme is how to bridge the gap between central and local delivery by bringing together national data and local knowledge, including through data sharing, software tools and online resources.

5.40. **Government is adopting an open approach to the design of strategies and tools for local delivery**, reaching-out to local authorities, software developers and other relevant stakeholders to better understand where new software, data and guidance could help facilitate their targeting and bridge the gap between central and local delivery.

#### **CASE STUDY – Nottinghamshire and Derbyshire Local Authorities’ Energy Partnership (LAEP)**

The LAEP comprises 18 councils that have worked together since 1996 to deliver domestic energy efficiency measures and affordable warmth projects.

In 2013, DECC awarded the Partnership £2.16 million to run a project aimed at helping vulnerable fuel poor households to upgrade their heating systems. With a limited timeframe for delivery, the project succeeded in delivering energy efficiency improvements to over 700 fuel poor households.

Evaluation of the project highlighted that around 30% of householders felt that their health condition was made worse by living in a cold, damp home. Establishing an effective targeting methodology to identify this very vulnerable group became a priority for the LAEP, and the Derbyshire Healthy Home project was subsequently developed to do this, in partnership with Derbyshire Public Health.

Vulnerable residents are identified by cross-referencing data on benefits, housing and health to find the small number who have a long term health condition made worse by living in a cold home and who are eligible for Affordable Warmth ECO. GP practices then write to this target group, inviting them to contact the project for assistance. This approach increases response rates due to the trust patients have in their doctors’ recommendations and maximises the efficiency of staff interventions by pre-selecting those who can be assisted.

The Government is aware that not all local authorities have access to the resources or expertise required to replicate sophisticated targeting approaches like the one developed by LAEP. We are keen to find ways to address these barriers to make these approaches a realistic option for a greater number of local authorities. We aim to achieve this through a combination of practical steps, such as new data sharing arrangements and the provision of software tools, and by working more closely with delivery agents to help inform the detailed design of future policies.

#### *The challenge – improving the reach of support to certain high cost homes*

5.41. It is important that Government recognises the wide variation in the English housing stock when designing and delivering schemes to meet climate and energy objectives, including the energy efficiency based fuel poverty target. This understanding, alongside an understanding of the risk factors related to fuel poverty, and the learning gained from scheme

delivery – be it qualitative data or qualitative information from partners - will point to areas where Government may want to focus effort to ensure an appropriate reach of support.

### Non-gas homes

5.42. **Government has made action to tackle fuel poverty in non-gas homes a key priority.** This is a response to both analytical and anecdotal evidence highlighting that the risk of being in fuel poverty and the severity of fuel poverty is higher in homes that do not use gas as their main heating fuel. The higher cost of heating fuel can often be coupled with inefficient housing stock. Also, properties may be in areas that pose additional delivery challenges, for example rural areas. The statutory target and interim milestones lead us to look at focusing action on the worst first. **As such, action to increase support to non-gas homes has been put at the centre of our renewed strategic approach in England.**

5.43. In developing this focus on non-gas homes, Government has consulted widely. Work has been concentrated on being able to identify the properties involved and to understand the interventions that will be most effective. We have developed new datasets and maps to ensure our analysis is well-informed (see Box 4). We have reviewed old policy ideas in this area and developed new approaches. It is intended that this area will receive much greater attention as we consider future schemes and initiatives.

5.44. **The Fuel Poverty Advisory Group Industry Working Group on Off-Gas Grid (IWG) has been influential in supporting Government in defining the issues faced by non-gas households.** It has carried out a detailed review of existing schemes to examine the extent to which current policies provide support to non-gas fuel poor homes. The group has also been a key voice requesting additional data from Government that could help drive support to non-gas households. The IWG has also facilitated partnership between Government and industry to improve the tools available to help delivery agents more effectively target non-gas homes. See Box 4 below.

5.45. The regular engagement from the IWG has led to a step-change in information sharing and insight. We are learning in particular from network companies who have been responding to the obligations placed upon them by Ofgem's RIIO framework (see Box 9) to support the fuel poor living in non-gas homes. One example of this is the partnership formed between Northern Gas Networks and the Children's Society to run a 12-month pilot looking at the best ways to reach vulnerable off-grid families. The pilot got underway in November 2014. Vulnerable off-grid families identified may then get an assisted connection to the gas grid via the Fuel Poor Network Extension Scheme. Alongside this Northern Gas Networks will use existing relationships with local authorities and Registered Social Landlords to provide in house measures, and broader advice as appropriate. (See also references below to the Fuel Poor Network Extension scheme.) **In line with our commitment to pilot innovative local approaches to tackling fuel poverty, DECC will explore the scope to support projects that complement and build upon activity already underway to support the fuel poor living in non-gas homes.**

5.46. A core way to assist non-gas homes will of course be improving energy efficiency. As delivery to non-gas homes in the first year of ECO was reviewed, it became clear that this, our primary energy efficiency scheme, was leaving these homes behind. Less than 2% of Affordable Warmth delivery went to non-gas homes in the period January 2013 to the end of September 2014. That's why, **for the next phase of ECO running from 2015-17, Government has introduced new incentives for the market to increase levels of delivery to non-gas homes.** Changes made to Affordable Warmth are designed to create a more balanced profile of delivery, by providing scoring uplifts to allow heating and insulation

measures delivered to non-gas fuelled households to compete with other measures on cost effective grounds.

5.47. **The proportion of Affordable Warmth measures for the next phase of ECO delivered to non-gas households is estimated to increase to as much as 30% for the period 2015 to 2017.** These changes will apply to measures installed from April 2015. However, surplus activity installed prior to April 2015 under the first phase of ECO can count towards the 2017 ECO target and benefit from revised delivery incentives if installed in non-gas fuelled households. This provides more investment certainty and maximises the chance of scheme objectives being realised. Delivery to non-gas homes under ECO will be closely monitored.

#### BOX 4 - Strategic approach in action: mapping non-gas homes

There is a widely recognised need for better and more detailed information on non-gas homes. To meet this need Government and Industry have worked in partnership, facilitated by the Fuel Poverty Advisory Group Industry Working Group, to improve the tools available to help delivery agents more effectively target non-gas homes. This is delivering results.

**In March 2015 Government will publish data at Lower Super Output Area (LSOA) level detailing the proximity of those areas from a mains gas line.** In addition, the following data will be made available at postcode level under license to specific organisations:

- Number of properties with a gas connection
- Number of properties not connected to the gas network, split by:
  - Within 23 meters of distribution network<sup>36</sup>.
  - Within 50m
  - Within 500m
  - Greater than 2km

Government has received files from the main gas network operators, commissioned data production and scoped some initial mapping activity. A test map is already available.<sup>37</sup>

**In agreement with Government and in line with open data principles, industry partners will utilise these data to commission the sophisticated mapping solutions to illustrate the proximity of non-gas areas to a mains gas line. This will be available in spring 2015.**

DECC will continue to work with the IWG and others to maximise the value of the maps by layering, where possible, in wider data sets such as:

- Indices of Multiple Deprivation (LSOA data).
- ECO Carbon Saving Communities Obligation and rural sub-obligation (LSOA data).
- Penetration of energy efficiency measures
- Rural-urban classification (based on Defra definition):<sup>38</sup>

<sup>36</sup> The Gas Act 1986 contains a provision giving consumers a right to be connected to the gas network if they are within 23m of a distribution main

<sup>37</sup> [www.google.com/fusiontables/embedviz?q=select+col3%3E%3E0+from+1Pc8zUyy63Y7GiBOHIQW0\\_i5YMsuQxgWe-Y0F\\_9u4&viz=MAP&h=false&lat=51.046086328970496&lng=-1.0156940307617787&t=1&z=11&l=col3%3E%3E0&y=2&tmplt=2&hml=GEOCODABLE](http://www.google.com/fusiontables/embedviz?q=select+col3%3E%3E0+from+1Pc8zUyy63Y7GiBOHIQW0_i5YMsuQxgWe-Y0F_9u4&viz=MAP&h=false&lat=51.046086328970496&lng=-1.0156940307617787&t=1&z=11&l=col3%3E%3E0&y=2&tmplt=2&hml=GEOCODABLE)

## BOX 4 - Strategic approach in action: mapping non-gas homes

- Census data (aggregate data)
- Main heating fuel (split by: no central heating; gas; electricity; oil; solid; other; two or more types)
- Benefits claimant counts (aggregate data)

The map will be a useful tool for scheme delivery and to guide policy decisions for non-gas households – in line with our ambitions to support non-gas households and target the worst affected households first.

5.48. Our review of existing schemes also highlighted a gap in the delivery of first time central heating systems, the installation of which can make a significant improvement to the energy efficiency of a non-gas fuel poor home (as illustrated in example 1 of Figure 4 above). For this reason we have made delivery of first time central heating systems the focus of the new £25m Central Heating Fund announced at Autumn Statement 2014 (see Box 5 below).

5.49. **Throughout spring 2015 Government and the Industry Working Group will continue to explore ways to overcome the barriers that have restricted the delivery of energy efficiency and heating to non-gas homes.** This partnership will inform design and delivery of the next generation of fuel poverty support schemes, and wider DECC policies notably the continuing implementation of the Heat Strategy.

5.50. Ofgem's Fuel Poverty Network Extension Scheme<sup>39</sup> enables low income customers to switch to natural gas by helping towards the cost of the connection to the gas network. 58,000 gas connections have been made since the scheme began in 2008. A further 63,000 new connections are expected to be delivered by 2021 (a total of approximately 44,000 between 2008 and 2013, with 77,000 forecast for the price control period 2013 to 2021 (RIIO-GD1).

5.51. Ofgem is currently reviewing the Scheme and in August 2014 consulted on potential changes. The review seeks to check the Scheme's alignment with wider energy and fuel poverty programmes, to understand if any changes could be made to maximise its benefits and to improve operational effectiveness. DECC is assisting Ofgem with its review where necessary, for example on the eligibility criteria for the scheme. **Ofgem will publish a response to the Fuel Poor Network Extension Scheme consultation, outlining the next steps for the scheme in spring 2015.**

<sup>38</sup> [www.gov.uk/government/collections/rural-urban-definition](http://www.gov.uk/government/collections/rural-urban-definition)

<sup>39</sup> [www.ofgem.gov.uk/publications-and-updates/fuel-poor-network-extension-scheme-review-consultation-letter](http://www.ofgem.gov.uk/publications-and-updates/fuel-poor-network-extension-scheme-review-consultation-letter)

## BOX 5 - Strategic approach in action: Central Heating Fund

**In the Autumn Statement 2014, the Government announced that £25 million was being made available for a fund to support low income off-grid households.**

To be launched in the coming weeks, the Central Heating Fund will be specifically designed to support the installation of first time central heating systems in up to 8,000 homes in England.

This is a hugely important area, both in terms of **making real change to the lives of those who receive central heating for the first time**, but also in terms of **learning for future fuel poverty support**. The fund will encourage action that will pilot important planks of our strategic approach: getting cost-effective energy efficiency interventions to homes facing some of the most severe fuel poverty; encouraging use of new targeting techniques and local partnership approaches; and making use of newly available datasets and mapping (as described in Box 4). This learning will be captured through on-going engagement and evaluation to underpin future efforts to increase energy efficiency in non-gas fuel poor homes.

There are approximately 385,000 households in England that do not use mains gas and that do not have a central heating system. They face two specific drivers of fuel poverty. Firstly, in order to heat their home, householders have to use more expensive methods, such as electric heaters or solid fuel. This inherently means they are more likely to experience fuel poverty. For example, previous analysis has shown that some 40% of those using solid fuel are fuel poor, four times the rate across all homes. Secondly, the lack of central heating means that these houses are, generally, rated among the most inefficient homes, with the vast majority being F & G SAP rated. They are therefore likely to have fuel poverty gaps which are considerably higher than average and are more likely to be persistently fuel poor.

Our initial analysis indicates that the cost of heating a home adequately could be cut by around £1000 a year through the installation of the new system. However, this comes at a significant upfront cost representing a significant barrier. This fund will help fuel poor households overcome this barrier by funding the installation of complete central heating systems, including the boiler, pipework and radiators.

This funding demonstrates our commitment to tackling fuel poverty in line with the strategic principles – helping the worst first by targeting the highest fuel poverty gaps and installing measures known to be cost effective. This is applying the new fuel poverty framework in the real world.

To disperse the funding, Local Authority competition will be launched shortly. Through this it is expected that the energy efficiency standards of up to 8,000 fuel poor homes will be significantly improved. The detailed scheme application pack including guidance for local authorities on how to apply will be published in the coming weeks.

## Park homes

5.52. DECC completed a call for evidence<sup>40</sup> to examine the nature of park homes and their energy requirements in September 2014. The exercise also sought to understand the costs and benefits of energy efficiency improvements in this particular type of dwelling, to look at the ways residents pay for their energy and how they engage in the energy market. Finally it sought to get a better understanding of income levels of residents so that we can judge how likely it is that they face fuel poverty.

5.53. Responses to the call for evidence provided useful information that will aid Government in considering how the fuel poor living in park homes can benefit from fuel poverty schemes in future. But even so, important evidence gaps remain. Therefore, in 2015 **Government will undertake additional research on the specific drivers of fuel poverty for park home residents.** The findings of this work can be expected to inform future Defra, DECC and CLG policies.

5.54. As well as seeking to ensure that we have the right evidence and understanding of park homes to inform the design and delivery of the next generation of fuel poverty schemes, we have taken action to remove a barrier that makes it particularly hard for park home residents to benefit from existing schemes where they might be eligible for support. As a result **the 2015/16 phase of the Warm Homes Discount (WHD) will make it easier for park home residents to benefit from the rebate.** This learning will be applied to the delivery of the second year of the Government Electricity Rebate.

5.55. **DECC will convene a workshop to engage with park owners and projects that have worked directly with park home residents to improve energy efficiency and cut bills, as well as increase access to energy advice and fuel poverty support. Through this we will explore issues raised in the call for evidence, research on the incidence of fuel poverty in park homes and the potential for new pilot activity in line with our commitment to support innovative local approaches to tackling fuel poverty.**

### CASE STUDY: National Grid Affordable Warmth Solutions, Folly Park development

Folly Park is comprised of approximately 100 residential park homes. The site was not connected to the mains gas grid, so had to use expensive heating fuels, such as bottled LPG.

National Grid Affordable Warmth Solutions (AWS) approached the park owner and held a series of open evenings to get buy-in from residents. Discussions focused on residents' concerns and on helping them understand how to cut bills and get warmer homes through connection to the mains gas grid. Residents reported concern at disruption to normal life, so AWS, the park owners and contractors worked together to develop a construction and installation programme which minimised inconvenience. A key challenge was the negotiation of easements to construct the new gas network over third party land, which was overcome by making changes to the layout of the park. In addition, gas network funding was provided for the installation or conversion of heating systems. Following installation National Energy Action hosted surgery sessions with residents to help them to better understand how to use their new boilers and heating controls, how to switch tariff and how to save energy.

<sup>40</sup> [www.gov.uk/government/consultations/call-for-evidence-on-energy-issues-affecting-park-homes](http://www.gov.uk/government/consultations/call-for-evidence-on-energy-issues-affecting-park-homes)

## Other high cost housing

5.56. While discussion has focused so far on non-gas homes and park homes, we are keen to hear evidence of any other housing types or situations where high heating costs are prevalent. As we develop our partnerships with those on the frontline of tackling fuel poverty we expect to hear of other housing types that may require additional policy flexibility or innovation.

5.57. A leading example is the case of houses in multiple occupation (HMOs). The variety and complexity of such housing means that any fuel poor households living in HMOs may be more difficult to identify and support. From being a type of housing where turnover of residents is higher to the problem of potentially varying fuel poverty incidence within just one building, this housing group poses particular problems. This illustrates how much more granular and “real-life” our understanding must now be.

## *The challenge – improving the reach of support to certain low income households*

5.58. Using a broad brush approach to tackling fuel poverty may create barriers which prevent people accessing the support required or on offer. Over time it may be important for Government to adjust design and delivery of schemes to take account of the different and changing needs of the fuel poor over time – people who vary just as much as the buildings they live in.

5.59. Naturally it follows that we cannot know now all the ways that we will need to factor in these differing needs on the path out to 2030. However, through our work with partners and in developing the fuel poverty evidence base we are clear that one of our key priorities at this time should be in the area of health.

## Supporting fuel poor people who have health conditions linked to living in a cold home

5.60. The links between health and fuel poverty are already widely recognised both at the national and local level. Fuel poverty is a known and recognised risk factor for health: living in a cold home can cause or exacerbate mental and physical (particularly circulatory and respiratory) health problems.<sup>41</sup> Evidence suggests there are significant health benefits to be had from tackling fuel poverty, in terms not only of health outcomes for individuals, but also of health and social care cost savings and wider public benefits.<sup>42</sup> Healthier people not only cost the NHS less money, they are able to contribute more to the workplace<sup>43</sup> and are likely to have higher school attendance and attainment.<sup>44</sup>

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<sup>41</sup> Institute of Health Equity, 2014, Local action on health inequalities: Fuel poverty and cold home-related health problems, [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/357409/Review7\\_Fuel\\_poverty\\_health\\_inequalities.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/357409/Review7_Fuel_poverty_health_inequalities.pdf)

<sup>42</sup> The HIDEEM model tells us that the recent changes to the Energy Company Obligation could deliver health benefits to recipients, from the installation of energy efficiency measures, worth around £225m. Costs to the NHS (primary care and hospital) of treating illnesses caused and exacerbated by cold homes have been estimated at roughly £1.36 billion per year (Age UK (2012) *The Cost of Cold: Why we Need to Protect the Health of Older People in Winter*. London: Age UK). Cost-benefit analysis by Professor Christine Liddell identified that investing £1 in improving affordable warmth delivered a 42 pence saving in health costs for the NHS.

<sup>43</sup> R Layard, D Clark et al. (2007) Cost benefit analysis of psychological therapy. *Natl. Inst. Econ. Rev* 2007;202:90–8 Marmot Review Team, 2011, The Health Impacts of Cold Homes and Fuel Poverty [www.instituteofhealthequity.org/projects/the-health-impacts-of-cold-homes-and-fuel-poverty](http://www.instituteofhealthequity.org/projects/the-health-impacts-of-cold-homes-and-fuel-poverty)

<sup>44</sup> HM Government (2013), ‘An evidence review of the drivers of child poverty for families in poverty now and for poor children growing up to be poor adults’. Suhrcke M., de Paz Nieves C. (2011), ‘*The impact of health and health behaviour*’

5.61. Focusing support on people with a health condition linked to living in a cold home is consistent with our principle of taking account of the needs of the most vulnerable fuel poor households. The evidence shows that health inequalities reflect socio-economic differences.<sup>45</sup> Fuel poverty is itself a contributor to social and health inequalities.<sup>46</sup> As such, joining up health and fuel poverty policy makes absolute sense.

5.62. Government believes that alongside the housing and energy efficiency sectors, the health system has a key role to play in addressing the issue of cold homes and health. Fuel poverty is included as an indicator in the Public Health Outcomes Framework for England. This sets out Government's vision for public health, the outcomes we want to achieve, and the indicators that will help us understand how well we are improving and protecting health.<sup>47</sup> The Cold Weather Plan for England<sup>48</sup> emphasises the importance of tackling fuel poverty to reduce excess winter illnesses and deaths alongside health-led initiatives such as flu jab programmes. The plan details a series of clear actions to help minimise the health impact of winter weather, including action to improve the energy efficiency of homes.

5.63. Building on this, Government wants to enable more and more effective action to support those with health conditions linked to cold homes. To do this **we are working to facilitate local delivery, and considering how support might be delivered at the national level.**

5.64. People delivering or planning to deliver support to those with health conditions linked to cold homes have repeatedly raised the question of how to make a strong case for continued and increased investment in health and fuel poverty schemes. Understanding and being able to demonstrate the impact of interventions, on both health outcomes and health and social care cost savings, is key. **We are finding ways of gathering more and better evidence that allows us to assess the costs and benefits of health and fuel poverty schemes, and allows local partners to demonstrate the impact they are having.**

5.65. Government continues to consider other ways of helping people make the case for action and investment. For example Government is considering whether there are **better ways for us to present and share fuel poverty and population health data.**

5.66. **Government continues to gather and share more detailed information about what has worked well** and what has been challenging, so that the right decisions can be made about the future role of Government in supporting action to tackle fuel poverty amongst those with health conditions linked to cold homes.

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<sup>45</sup> Marmot, M (2010) Fair Society, Healthy Lives, [www.instituteofhealthequity.org/projects/fair-society-healthy-lives-the-marmot-review](http://www.instituteofhealthequity.org/projects/fair-society-healthy-lives-the-marmot-review)

<sup>46</sup> Institute of Health Equity, 2014, Local action on health inequalities: Fuel poverty and cold home-related health problems, [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/357409/Review7\\_Fuel\\_poverty\\_health\\_inequalities.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/357409/Review7_Fuel_poverty_health_inequalities.pdf)

<sup>47</sup> [www.gov.uk/government/collections/public-health-outcomes-framework#history](http://www.gov.uk/government/collections/public-health-outcomes-framework#history)

<sup>48</sup> [www.gov.uk/government/publications/cold-weather-plan-for-england-2014](http://www.gov.uk/government/publications/cold-weather-plan-for-england-2014)

## BOX 6 - Strategic approach in action: Working with partners to explore ways of improving action on health and fuel poverty

In November 2014 **DECC convened a workshop of academics to help us to identify priority evidence gaps**. From that, some of the most pertinent areas for action were identified: better understanding the links to mental health; understanding why some people benefit more than others from interventions; researching the impact of changes to home ventilation on health; and further considering the potential for quantifying some of the wider effects of action linked to health – impacts on an individual’s general wellbeing, on employment, uptake of benefits and Gross Domestic Product (GDP). **We are considering how these gaps might be filled.**

Following a competitive tender process, in December 2014 University College London, with the London School of Hygiene and Tropical Medicine and the Centre for Sustainable Energy, began work to **refine our Health Impacts of Domestic Energy Efficiency Model (HIDEEM)**. The model already allows us to assess health outcomes, placing a monetary value on the change in a person’s health as a result of an energy efficiency improvement.<sup>49</sup>

In future the refined model will also allow us to **quantify the potential cost savings to health and social care services from delivering energy efficiency measures, including to those in fuel poverty with specific health conditions**. We expect that work to be complete in spring 2015.

Effective evaluation of local schemes plays an important role in building the evidence base and informs the design of future delivery methods. DECC held a **workshop on evaluation of health and fuel poverty schemes** in December 2014. Reflecting the conclusions of that workshop, **we are now scoping work to develop a toolkit for evaluation of health and fuel poverty schemes**. This will build on guidance already available, making it easier for local delivery bodies to design and implement effective evaluations that build the case for continued investment.

To further support the detailed design of any future pilots or schemes at national or local level, and help us to determine what else Government can do to facilitate local delivery, **DECC supported an NEA survey of ‘warmth on prescription’ schemes across England**, which ran in January and February 2015. This has pulled together details of what works and the challenges of delivery from 73 schemes across the country. In February 2015 DECC **brought partners together in a large workshop to share experiences in developing effective referral mechanisms**. The enthusiastic and challenging engagement of workshop participants showed the energy and depth of commitment that exists to tackle the problem. Finally, DECC is **working with the London Carbon Action Network Forum to facilitate a workshop looking at how local actors can best identify and engage health sector decision-makers**. This will take place in March 2015.

5.67. Design of future delivery is important locally and nationally. Through consultation and wider engagement, we are learning about the challenges faced by those already delivering

<sup>49</sup> HIDEEM currently allows health impacts to be measured in terms of Quality Adjusted Life Years (QALYs). For further information see

[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/211137/fuel\\_poverty\\_strategic\\_framework\\_analytical\\_annex.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211137/fuel_poverty_strategic_framework_analytical_annex.pdf)

health and fuel poverty schemes, and their successes. Strong messages have been given about the need for additional or more structured, sustained support for vulnerable people and the benefits of a trusted local scheme, delivering a broad range of types of support. This learning is shaping early thinking on future delivery. We have heard too about the challenges of data sharing for identifying whom to target and for monitoring and evaluation. Wider government work on data sharing and targeting will help here. We have also heard a clear message about the difficulty of getting health professionals involved in referrals. Nonetheless, in schemes across the country partners are having success, finding things that work, and learning for the future.

5.68. A ‘warmth on prescription’ type approach – with referrals not just from GPs but from a broad range of health professionals – clearly has potential.

5.69. Recognising this, DECC is working with the Royal College of GPs (RCGP) to explore how we can support their ambition to pilot a new electronic health referral mechanism. We believe that development of such a system could have broad applicability and be used in different settings and by all kinds of health professionals.

5.70. We already know that sustained action by health professionals will rely on a referral process that is quick and simple, that overcomes the challenges of informed consent and data sharing,<sup>50</sup> that results in appropriate support being provided and that ensures that the health professional sees their referral has been acted on. Further innovation on referral mechanisms may make it easier for a wider pool of individuals to make referrals – from pharmacists to health educators to GP receptionists.

#### **CASE STUDY: Cross-sector collaboration on funding and delivery**

Wigan Council and Wigan Borough Clinical Commissioning Group have established a joint investment fund focused on delivering innovative, integrated programmes to tackle the wider determinants of health and wellbeing, including action on fuel poverty and health. £200,000 from the joint fund will be spent over the next two years on up-scaling the council’s existing Affordable Warmth Access Referral Mechanism (AWARM), allowing it to target an extra 2,000 people likely to be in fuel poverty who could face unplanned hospital admissions due to illnesses caused or exacerbated by living in a cold home. Through AWARM referrals, people receive a range of support from different organisations, including energy efficiency and home safety measures in the home together with fuel debt and income maximisation advice.

Wigan Council’s Public Health and Housing teams worked closely together to secure funding from the joint investment fund, focusing on the economic arguments, in particular the potential for action to have impacts on health and social care services. They anticipate savings on hospital admissions could be up to £120,000 pa.<sup>51</sup> Collaboration across the sectors, driven by the Director of Public Health, has also been the key to effective targeting, using a mixture of health, demographic and housing information. Wigan is looking to make use of a broad range of actors to provide advice and refer people for support. While the main source of referrals in the past has been from health, housing and social care professionals from home visits, in future referrals will also come from community health champions, the fire service, hospital discharge team, GP surgeries and Wigan’s healthy living pharmacies, dentists and opticians.

<sup>50</sup> In line with good governance frameworks

<sup>51</sup> £40,000 based on AWARM identifying 10% of people at risk of an excess winter emergency admission for the 65+ age group with the intervention being 40% effective in the first year rising to £120,000 based on AWARM identifying 20% of people at risk with the intervention being 60% effective in the second year.

5.71. To explore further the role of health professionals in making referrals and how this can be facilitated, DECC, with support from the Department of Health, Public Health England and professional bodies, is **developing a programme of engagement with a wider range of health professionals** for spring and summer 2015. This is expected to include, for example, allied health professionals, health visitors, midwives, district/community nurses, mental health nurses, pharmacists and those responsible for hospital discharge. This will allow us to explore why some health professionals have been able to get actively involved in fuel poverty schemes, whether others are well placed to follow their lead and what are the best means of enabling this to happen.

### **BOX 7 - Strategic approach in action: promoting innovation and knowledge sharing through pilot activity**

Government is committed to promoting innovative approaches to referrals, or other effective means of targeting, through future pilot activity. Pilot projects provide a vital test bed that allow us to bring together all of the learning we have gained from partners in recent months in the health and fuel poverty space. DECC is now embarking on a significant new programme of testing and pilot activity.

Firstly, **DECC has identified £1m of funding that will be made immediately available to a small selection of existing local ‘warmth on prescription’ schemes** identified through our partnership working and the recent NEA survey. These are schemes that demonstrate good potential for learning at pace from enhancement of on-going activity.

During this initial phase we will work with the selected projects to build in evaluation and lesson learning activity. This early funding will be followed by future pilot activity, some of which may be supported by DECC fuel poverty innovation funding in 2015/16.

This approach will underpin our ambition to strengthen delivery and to make the case and help others make the case for continued investment in health and fuel poverty activity. We will work with partners to ensure that learning is widely disseminated.

5.72. By mirroring the increase in collaborative working across the housing and health sectors at a local level, involving public, private and voluntary and community organisations, central Government is setting the direction for a collaborative approach nationally. This is being led by close working between DECC, the Department of Health and Public Health England. In addition DECC is actively building links with NHS England. This makes sense given the links between work on fuel poverty and health, and wider work on cold-related illness, public health outcomes and health promotion and protection, health inequalities and social prescribing. A partnership approach is essential to success, and will allow us to realise the full benefits to individuals and to the public sector of tackling fuel poverty amongst those with health conditions linked to cold homes.

### *The challenge – tackling the financial burden of energy bills for those on low incomes*

5.73. Energy efficiency upgrades are the most effective way to support those facing fuel poverty in a lasting way. However, upgrading our housing stock takes time. This is why Government has a number of schemes in place – including the Warm Home Discount (WHD), Cold Weather Payments and Winter Fuel Payments – that provide direct support in the interim.

These policies also have an important role in reducing the energy bill impact of wider Government energy efficiency schemes.

5.74. The WHD provides direct help with energy costs to low income vulnerable households on a mass scale. Over 2 million households have received £140 off their electricity bills this winter (2014/15), with total spending on the scheme reaching more than £1.1bn over four years (from 2011-15). **Government has committed to run the scheme in 2015-16 and will make decisions on the future of the scheme beyond 2015/16 subject to the outcome of the next Spending Review.**

5.75. DECC fulfilled the commitment to consult on potential changes to the WHD scheme rules in order to improve its operability for suppliers and make it simpler for customers to understand. **The formal response to that consultation was published in January 2015.**<sup>52</sup>

5.76. **Through Winter Fuel Payments (WFP), we provide further reassurance to older people that they can afford to keep warm during the colder winter months,** because they know they will receive help with paying their bills. The WFP is a universal pensioner benefit based on age and residence, payable annually at between £100 and £300 (depending on circumstances).

5.77. **Cold Weather Payments provide important, timely respite for those who are particularly vulnerable to the cold** such as pensioners on low-incomes and those on means-tested benefits with young children. In this Parliament we have made the level of Cold Weather Payment permanent at the higher rate of £25 per for each seven day period of very cold weather between 1 November and 31 March each year.

5.78. In addition, Government is committed to ensuring that the costs of energy policies on bills are kept to a minimum. Last year **we introduced a package of measures to reduce the average domestic energy bill by £50** against what it would have been otherwise. This included a direct £12 rebate off domestic electricity bills.

### *The challenge – ensuring the fuel poor are able to get maximum benefit from a fair and functioning energy market*

#### *Competition and switching*

5.79. Government believes that all consumers, including the fuel poor, will get the best deals when suppliers face tough competition. Competition drives innovation and ensures that prices are as low as possible.

5.80. Beyond improving competition generally, the Government believes there are specific initiatives needed to improve the chances of the fuel poor getting a better deal in the market. These included tailored advice services, like the Big Energy Saving Network (see below) and new switching models, such as collective switching, that build trust in the market and reduce the hassle factor for people.

5.81. Government, with Ofgem, has made significant progress in boosting competition. There are currently 21 independent suppliers in the domestic market providing a strong competitive challenge to the large established suppliers and offering consumers more choice. Some of these suppliers are competing hard on price with the large suppliers resulting in cheaper offers to consumers. Others offer more specialised tariffs, such as services that are either not offered

<sup>52</sup> [www.gov.uk/government/consultations/warm-home-discount-extension-to-201516](http://www.gov.uk/government/consultations/warm-home-discount-extension-to-201516)

at all by the larger suppliers, or may be offered to a more limited extent. For instance some smaller suppliers specialise in providing pre-payment tariffs and some are exploring community energy initiatives with other partners to deliver better deals to consumers.

5.82. Government has kick-started collective switching activity. In 2013 DECC awarded £5 million of support through the Cheaper Energy Together competition for the most innovative local authorities or third sector schemes. Since then local authorities and consumer switching sites have continued to run schemes to help consumers switch together. These schemes have boosted competition, with suppliers offering bespoke competitive tariffs, including to prepayment meter customers. Together these have saved households over £19 million since the start of 2013. They have also had success in engaging those who face additional barriers to switching – such as those without internet access – by offering face-to-face and telephone services.

5.83. While awareness of switching energy tariffs or suppliers is quite high, actual switching rates remain relatively modest. In order to prompt action the **Government has launched the ‘Power to Switch’ campaign** which will run across February and March 2015, pressing the message that consumers have the power to switch and that now is the time to take action. We have taken steps to ensure we support vulnerable consumers, particularly those who cannot switch by themselves. This includes extensive work with stakeholders – including the DECC-funded Big Energy Saving Network – who can offer practical support.

5.84. The ability to switch energy company is particularly important for customers who are struggling to afford their bills. However, many consumers, including households in fuel poverty, do not take advantage of the cheapest offers and remain on their supplier’s more expensive standard variable tariff. It is a challenge to get those households that have never switched or have given up switching to take advantage of the better deals on offer, which could save them up to £250. That is why we have backed Ofgem’s reforms to make the market simpler, clearer and fairer for all consumers to find a better deal and why we are making switching supplier quicker and easier.

#### CASE STUDY: harnessing the power of switching in East Riding of Yorkshire

Since January 2013, East Riding of Yorkshire Council has promoted three cheaper energy schemes under the specially created YORSwitch brand, supported by DECC funding from the Cheaper Energy Together scheme. These include collective switching auctions for households on gas and electricity, a business energy switching scheme and a bulk-buying scheme for heating oil. The schemes are targeted to help vulnerable households, particularly the large numbers in East Riding who are rurally isolated and also those who rely on heating oil.

The East Riding scheme has been identified as the most successful of 160 authorities participating in the ichooser led auctions.<sup>53</sup> Of particular note is that 72% of the switchers had never previously switched. Key to this success has been the use of partnerships and local networks – together with effective use of local knowledge and data – to develop tailored, well-targeted marketing campaigns. For example, bespoke customer insight data has been used to identify location hotspots and to tailor marketing methods for the people in those areas. This can range from focussing on public transport advertising to reach groups with low car ownership, to targeting those without internet access.

<sup>53</sup> <http://ichoosr.co.uk/>

The use of local networks and proactive 'Ambassadors' has also been central to achieving wider participation, particularly those more vulnerable or otherwise less likely to switch. For example, face-to-face support from trusted intermediaries, who are able to help vulnerable customers to register and switch, including by taking paper registrations for those without online capability.

These sorts of services are backed-up by a consistent message that using YORSwitch would be "Hassle free, Cost free and No obligation". Proactively following-up where customers have not completed a switch has also contributed to increased take-up.

The Council also partnered with the Humber and Wolds Rural Community Council, which had a fledgling heating oil co-operative. By using a small sum of its DECC Cheaper Energy Together funding to offer free membership of the co-operative (normally a £25 admin fee) they were able to grow the co-operative to have sufficient market leverage that it could consistently demonstrate savings and persuade new entrants into the scheme.

Overall, the schemes have seen more than 3,500 domestic electricity and gas customers switch, collectively saving more than £600k per year on their energy bills; and over 200 members saving about 10p per litre on heating oil through the heating oil co-operative.

### Engaging vulnerable consumers through the Big Energy Saving Network

5.85. The **Big Energy Saving Network** ('the Network') was created in 2013, with £900,000 funding provided by DECC. It has established a coordinated network of voluntary organisations and community groups that provide trained advisers to support vulnerable consumers in engaging with the energy market. During the first year of the Network, DECC funded over 150 projects from more than 90 third sector organisations. DECC provided a further £1m funding to continue the Network into 2014/15. Around 170 projects based across GB have been delivering an expanded programme of outreach autumn/winter 2014/15.

5.86. Each Network project delivers face-to-face outreach, tailored to the needs of communities, through organisations they know and trust. Each project also provides personalised help and advice to some of the most vulnerable consumers on how they can take action to bring down their energy costs, for example by switching to a better deal or accessing support for which they are eligible (such as WHD or ECO Affordable Warmth). Network advisors also train front line workers, such as social care and housing association staff, to enable them to provide similar advice and support to the people they assist in the course of their day-to-day work.

5.87. DECC has published a report evaluating the first year of the Network activity.<sup>54</sup> The report shows that **the Network is estimated to have reached over 90,000 consumers in total – 16,000 participants via workshops and 78,000 through frontline workers.**

5.88. The report validates the two delivery routes set out above as having different yet complementary strengths: workshops reached a broader range of vulnerable consumers but frontline workers were better placed to reach the most vulnerable. The evaluation also provides an indication of the benefits to be gained through this model in providing outreach support to vulnerable and hard to reach groups. Nearly a third of participants (29%) who took part in the research contacted their energy supplier about their tariff, switched supplier, or applied for an ECO assessment following Network engagement. Around half of participants (51%) reported that they now spend less on heating their home as a result of Network

<sup>54</sup> [www.gov.uk/government/publications/evaluation-of-the-big-energy-saving-network-final-report](http://www.gov.uk/government/publications/evaluation-of-the-big-energy-saving-network-final-report)

engagement. Furthermore, participating organisations benefited from the Network in terms of improved staff skillset and knowledge of energy issues (84%), ability to help new clients (75%), and ability to provide a better service to clients (73%).

### **BOX 8 - Big Energy Saving Network: a little bit of help can make a big difference**

The Big Energy Saving Network is there to give people that extra bit of assistance and confidence to take action on their energy bills. These simple success stories illustrate how Network events and face to face chats with trained advisers can make a big difference: for Shirley who helped others, but didn't realise she could also find help for herself; and for Maz who needed a bit of support to try again to switch.

#### **Manor House Development Trust – London – Switched and saved £190**

Shirley is an inspirational local resident, a regular volunteer with Age UK and a community organiser. Shirley helped bring Big Energy Saving Network together with some of the Age UK Caring communities clubs that she was a part of. Through Shirley the Network connected with 29 older members of the community via two Big Energy Saving information sessions.

Through this activity, Shirley also realised she could benefit from the Network as a consumer worried about her rising energy costs and not confident there was anything she could do to tackle the problem.

Shirley attended a Big Energy Saving Event in Haringey, North London and received detailed one to one advice about her situation from Nuray, an expert energy advisor. As Shirley had brought along her latest bills Nuray was able to enter the information on to an online switching site and found she could save almost £190 a year by switching supplier for both her gas and electric and opting to pay by direct debit, based on her current tariff. While the new supplier was not one of the big six, Shirley felt confident that she had received sufficient information and elected to proceed with the switching process.

#### **Dudley – West Midlands – Switched and saved £761**

Maz came to a switching session at a council building in Dudley where he works. Maz had previously had a bad experience with switching, and subsequently had not found time to look at comparisons, even though his bills were high. His unsuccessful switch had made him feel that it was too difficult to do.

Maz has a daughter who is bed bound and reliant upon electrical equipment at home which has led to him having household energy bills that are very high.

Maz brought along his bills and using these the adviser ran a comparison for him using the uswitch website, finding he could switch to a fixed product within his existing supplier and change to online account management - this saved him £761 He was happy to carry out this switch straight away, so the adviser called his supplier and actioned the switch.

Maz was also added to the Priority Service Register for his supplier and the Network Operator – making sure that they both know about his daughter's medical dependency on electrical equipment and checking that he will get regular meter readings.

5.89. Given the strong evidence that the Network has significantly helped many vulnerable some of whom are likely to be fuel poor, we are considering how we can develop similar

approaches further in the future and apply the lessons learned to existing and potential future schemes.

5.90. In particular, we know that many partner organisations have seen the value of the training and learning it has provided and are seeking to integrate this into their ongoing programme of support for fuel poor and vulnerable people in local communities. **In line with our commitment to pilot innovative local approaches to tackling fuel poverty, DECC will also explore the scope to support projects that complement and build upon Network approaches.**

#### Retail market reform and understanding vulnerability in the context of the energy market

5.91. Despite the significant progress made towards delivering a fairer, more competitive energy market, Government believes that more needs to be done to ensure the energy market is working in the interests of all consumers. In October 2013, the Government asked Ofgem and the competition authorities (the Office for Fair Trading and the new Competition and Markets Authority) to conduct an annual competition assessment of the retail energy markets. The first assessment was published in March 2014.<sup>55</sup> In light of the important issues identified in the assessment, Ofgem, in July 2014, referred the electricity and gas markets to the Competition and Markets Authority for a formal investigation. This was a critical step towards stronger competition and restoring trust in these markets.

5.92. On 18 February 2015 the Competition and Markets Authority (CMA) released an Updated Issues Statement for the Market Investigation Reference (MIR) into the energy markets. This is an important milestone in the investigation.

5.93. The CMA is the independent expert competition body and can order far-reaching remedies. The Government has said that it will act on the CMA's recommendations wherever possible.

5.94. Government fully respects the CMA's independence and strongly supports the investigation. It will provide a robust evidence base to secure a market that truly works for the consumer and delivers the investment the sector and country needs. The CMA expects to publish provisional findings in May or June 2015 and conclude the investigation at the end of 2015.

5.95. We want to ensure we are doing all we can to help vulnerable consumers, who are less able to protect their own interests without additional protection or help, to get the most out of the energy supply market. We are working with Ofgem, consumer groups and industry representatives through a working group to look at the barriers which prevent these consumers from engaging with the market and consider what additional action is needed.

5.96. In addition Ofgem have a range of activity in place or under development which seeks to understand vulnerability in the context of the competitive retail market in line with their Vulnerability Strategy.<sup>56</sup> (See Box 9 below.)

<sup>55</sup> [www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/state-competition-energy-market-assessment](http://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/state-competition-energy-market-assessment)

<sup>56</sup> [www.ofgem.gov.uk/about-us/how-we-work/working-consumers/protecting-vulnerable-consumers](http://www.ofgem.gov.uk/about-us/how-we-work/working-consumers/protecting-vulnerable-consumers)

## BOX 9 - How Ofgem uses its role as regulator to support fuel poor and vulnerable consumers – some examples

**Redress action** Under the Energy Act 2013, Ofgem has been given new powers to compel energy companies to provide direct redress to consumers if they don't comply with specific rules. In general, Ofgem expects suppliers to make every effort to directly compensate those impacted. Where this is not possible, the regulator can require them to make payments to consumers not directly affected by the contravention, including those in vulnerable situations and in fuel poverty. Since 2013, Ofgem has secured more than £40million (not including the recently proposed CERT / CESP settlements) in redress to support fuel poor and vulnerable consumers.

**Energy Best Deal** £3.55 million of enforcement settlement money has been provided to Citizens Advice to help fund the Energy Best Deal (EBD) Extra programme. This figure may rise depending on the final outcome of the Spark Energy investigation (currently undergoing a period of consultation), as part of which the company has offered to pay voluntary redress. Regular Energy Best Deal sessions are aimed at low income consumers and fuel poverty advisors to help them switch and access help with issues such as fuel debt, benefits entitlement and energy efficiency. The EBD Extra aims to build on this work by providing one-to-one follow-up advice, support and coaching to consumers who are referred from EBD sessions and other referral paths.

A Citizens Advice EBD Extra pilot took place over 2013 and 2014 using £1million settlement. In 2013/14 99 Citizens Advice Bureaux participated covering 4,318 clients. Independent evaluation carried out by Centre for Sustainable Energy demonstrated that:

- Of 52 people took part in evaluation, 48 people (92%) said that they found the advice appointments helpful.
- 12 people interviewed switched supplier or tariff as a result of the advice appointment and two people switched from prepayment meters to credit meters. Six people had applied for and received the Warm Home Discount.

**RIIO price control** Ofgem's RIIO framework for setting price controls for network companies<sup>57</sup> is designed to drive real benefits for consumers. Network companies are encouraged to put stakeholders at the heart of their decision making processes, providing strong incentives for doing so. This is creating new innovative industry initiatives that could be used to improve support to consumers. For example, at the Gas Innovation Summit in July 2014 the CEOs of the Gas Distribution Networks agreed to undertake a feasibility study to determine how the industry might collaborate on projects which place consumers, particularly fuel poor and non-gas consumers, at the centre of their work.

The output of this work is 'Ignite', a platform that will be developed over the next three years for use by consumers, industry and investors. The platform will form three separate but interconnected digital services designed to deliver the tools, resources and connections needed to identify, build and fund customer-centric energy initiatives across the UK.

<sup>57</sup> Revenue=Incentives+ Innovation+Outputs. [www.ofgem.gov.uk/network-regulation-%E2%80%93-riio-model](http://www.ofgem.gov.uk/network-regulation-%E2%80%93-riio-model)

5.97. Following their review of payment differentials in May 2014 Ofgem hosted a roundtable in October 2014. There was broad consensus from suppliers, consumer groups and fuel poverty groups that payment differentials was a complex issue and that any changes to the rules would create winners and losers with no clear benefit to fuel poor consumers. A significant proportion of fuel poor households pay for their energy through direct debit. For example, of households who were fuel poor in England in 2012, around 48% paid for their electricity through direct debit and 49% of those using mains gas paid for it in the same way. At the same time around 27% paid for their energy (both electricity and mains gas for those that have it) through prepayment meters. Changing the rules in favour of pre-payment meter customers would make fuel poor direct debit and standard credit customers, who make up a greater proportion of fuel poor, worse-off. Therefore the net effect is unclear.

5.98. Ofgem are reviewing a number of services provided by energy suppliers to help ensure that vulnerable consumers get the most out of the energy market. For example Ofgem are reviewing the communications between suppliers and customers in debt. This is to ensure that energy companies are treating customers fairly and clearly communicate customer's rights and choices.

5.99. Ofgem are also undertaking a review of industry telephone service provision. Concerns have been raised about the cost of calling essential services, particularly for those on low incomes and those without access to the internet. Ofcom is introducing new rules around free phone numbers in the summer. This will make calls to free phone numbers (0800, 0808 116) free of charge from mobile phones. Ofgem will consider this change as part of their review, which will include an assessment of what numbers suppliers use for different services, and how easy those numbers are to find both online and on bills and annual statements.

5.100. Monitoring by Ofgem found that the number of free gas safety checks provided by suppliers declined from around 40,000 in 2009 to around 17,000 in 2013. To address this Ofgem are reviewing the service, including ways to improve uptake and targeting.

### Smart meters

5.101. **By the end of 2020 every household in Britain will be offered access to the information they need to control their energy use through a smart meter and in-home display.** DECC's analysis shows that the roll out of smart meters across Britain will deliver net present benefits of £6.2 billion to the economy over the period to 2030.<sup>58</sup>

5.102. Roll-out will require the replacement of 53 million meters with smart electricity and gas meters in all domestic properties, and smart or advanced meters in smaller non-domestic sites, impacting approximately 30 million premises.

5.103. Smart meters, and the offer of an in-home display linked to the smart meter, will enable a range of consumer benefits:

- near real time information on energy use expressed in pounds and pence, will empower consumers to take control of their energy use, budget better and make savings;
- easier switching – it will be smoother and faster to get the best deals;
- new products and services to help better manage energy;

<sup>58</sup> [www.gov.uk/government/publications/smart-meter-roll-out-for-the-domestic-and-small-and-medium-non-domestic-sectors-gb-impact-assessment](http://www.gov.uk/government/publications/smart-meter-roll-out-for-the-domestic-and-small-and-medium-non-domestic-sectors-gb-impact-assessment)

- accurate billing as energy suppliers will have access to up to date data.

5.104. **Smart metering will transform the experience of prepayment customers** through:

- greater convenience and choice in payment top-up including the ability to top-up over the phone or online;
- more competitive prepayment tariffs as a result of supplier efficiency savings;
- a significantly reduced risk of misallocated or unallocated payments;
- the ability to switch remotely between credit and prepayment modes;
- greater supplier and customer visibility of debt repayments; and
- greater visibility of 'self-disconnection', offering the potential for interventions for households who frequently disconnect.

5.105. The smart metering programme is being delivered in two phases: the foundation stage (which started in March 2011) followed by the main installation stage. Most customers are expected to receive their smart meters in the main installation stage, although some will receive smart meters during the foundation stage.

5.106. There is a strong commercial case for suppliers to offer smart prepayment services as early as possible, given the potential for operational savings and more competitively priced services and tariffs. Some prepayment consumers are already receiving the benefits of smart metering as small suppliers have started rolling out smart prepayment meters. Larger suppliers plan to commence offering smart PPM solutions to their customers later this year in the programme's foundation stage. In 2015 DECC will continue to monitor and assess supplier progress towards pre-payment readiness for the main installation stage of the programme and evaluate the experience of customers already using smart prepayment services.

5.107. **The roll out of smart meters creates an opportunity to drive innovation and realise benefits for consumers and the wider energy system.** They will facilitate the development of different approaches to reducing peak demand through time-of-use tariffs and automated demand-side response, helping avoid unnecessary investment in network and generation capacity. They will also support the development of smart grids, by providing network companies with information to help them better understand the local loads on their network, plan activities and respond faster to loss of supply.

### *The challenge – enhancing and improving understanding of fuel poverty*

5.108. In keeping with our drive for better measurement and better understanding DECC is currently undertaking research to better understand the behaviours of those on low income living in high cost homes. As a starting point, DECC is developing a standardised set of questions that can be used by researchers to identify these groups. This should help to ensure sample consistency between research projects, and therefore maximise the potential for the research community to build a cohesive body of evidence over time. This tool will be tested within primary research DECC is carrying out to develop our understanding of the attitudes and behaviours of fuel poor households in terms of routes for engagement; interventions relating to energy use; and coping mechanisms in the absence of interventions. For DECC this will be a valuable source of information in designing schemes that respond to the diversity of consumer needs, and reach the right people. This is a challenging task, but we hope to be able to release a finalised version of the proxy tool and outputs of the research in autumn 2015.

## 6. The strategic approach in the future

6.1. The action described in Chapter 5 shows how this Government has a broad set of policies and schemes in place that are increasingly making a difference to the lives of the fuel poor in line with the improved understanding of the issue. A number of forward-looking commitments have already been set out that will underpin successful delivery of the target. However, we know that action will be needed out to 2030. As has already been said, it is not possible to determine the detailed schemes that will be put in place over the next 15 years. No Government could do that. However, in reflecting on the challenges we expect to face, we are able to set out broad policies for the long-term.

### Applying our strategic approach in the long-term

#### *The challenge – improving energy efficiency standards in fuel poor homes*

6.2. The Government has put energy management at the heart of energy and climate policy. Improving the UK's energy efficiency and reducing waste is a strategic priority. Energy efficiency will continue to play a key role in:

- helping consumers keep the cost of their energy bills down;
- increasing comfort and improving health and well-being;
- supporting secure, sustainable energy systems;
- driving economic growth and supporting jobs in local labour markets;
- reducing greenhouse gas emissions cost-effectively; and
- cutting out energy waste.

6.3. More energy efficient homes make a real difference to the people living in them by cutting their bills and making their lives more comfortable. Achieving this requires focus on enabling consumers to access measures to improve their homes and helping them to manage their energy consumption and bills through the installation of energy saving measures.

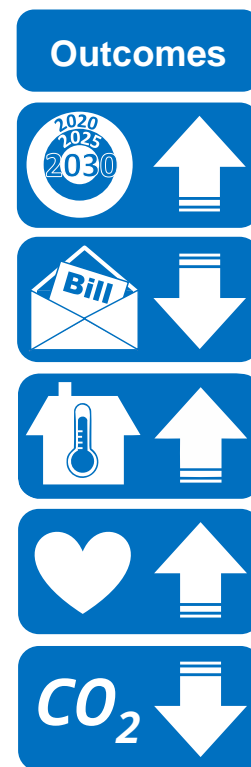
6.4. It is clear that increasing demand for improved energy efficiency is key to improving the housing stock. Helping people to be confident in accessing energy efficiency measures and being prepared to have them installed in their homes is an important over-arching task.

6.5. In response to this challenge, **our policy is to work towards improving energy efficiency standards across the English housing stock, including in the homes of the fuel poor.**

## Commitments

### 6.6. Government will:

- consider action required to meet the fuel poverty target alongside carbon and renewable energy objectives when implementing the fuel poverty strategy, the carbon plan and the heat strategy;
- use better information on scheme delivery costs to ensure the benefits of cost effective delivery are shared with consumers;
- focus any future energy efficiency subsidy where it can make most impact in order to ensure that we are helping those most in need and least able to pay; and
- work with partners to support the development and proliferation of financing mechanisms that make it easier for fuel poor households to meet the up-front of energy efficiency measures, harnessing innovation funding and maximising activity carried out under any social obligations; and
- monitor the delivery patterns of fuel poverty schemes against the action that could be required to make progress against the target and interim milestones, to identify where delivery is at lower than expected levels or where there are gaps not expected or anticipated in the design phase.



### *The challenge – working together to help the fuel poor through partnership and learning*

6.7. Policies and schemes seeking to drive action in homes and communities involve a range of local delivery agents, partners and practitioners. The role that such parties play can vary according to need and objectives, but it is vital that it is well understood. This is particularly true when Government faces barriers in achieving its objectives.

6.8. Helping those on low incomes who face the highest energy bills and live in the hardest to heat homes will require a concerted effort, led by DECC, but with contributions from across Government and, very importantly, beyond. We want to harness all of the expertise and experience across the spectrum of interested parties including Government, industry, academia the third sector and communities.

6.9. Local data, as well as local community networks and knowledge, can help reach some of the most vulnerable.

6.10. DECC's Evidence Strategy sets out three primary reasons to evaluate: first to learn and adapt policy to increase the likelihood of success now and in the future; second for accountability, providing evidence of how the policy or scheme worked in practice and its

impact, to inform public debate and respond to parliamentary and other scrutiny; third to understand ‘what worked’, and use this to inform future policy or scheme development.<sup>59</sup>

6.11. Considering the delivery patterns of fuel poverty schemes against the action that could be required to make progress against the target and interim milestones, it will be possible to identify where delivery is at lower than expected levels for specific support schemes, as well as where there are gaps not expected or anticipated in the design phase of such schemes. Given the long-term nature of the target, any policy gaps are highly likely to change over time.

**6.12. Our policy is to improve scheme design and delivery by engaging partners directly, supporting them in their work and learning from experience. In addition it will be our policy to evaluate the success or otherwise of activities taken, monitoring performance against intended outcomes.**

### Commitments

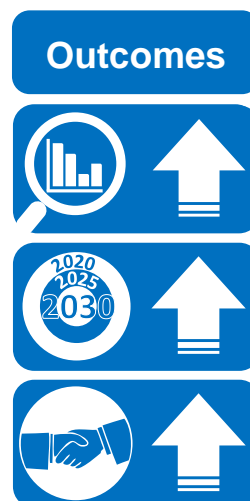
6.13. Government will:

- explicitly examine the potential to involve local partners in delivering support to the fuel poor at the design stage, giving justification for approach in design documents;
- consider which partners are most appropriate to enable delivery to different segments of the fuel poor population, or delivery of different measures, giving justification for approach in design documents;
- further understand the role of partners in delivery by carrying out research on the role of partners, with a particular focus on costs of delivery and supply chains;
- improve capability of partners through collaborative action to improve the evidence base; and
- improve capability of partners by providing guidance, and where particularly valuable, support on evaluation of local delivery schemes.



## 6.14. Government will also:

- work with delivery partners and experts in the field to ensure that future delivery schemes have evaluation built in from the outset. These schemes will as far as possible apply a consistent approach to measuring the fuel poverty impact of support that will inform future design and delivery;
- consider links to wider DECC schemes, including availability of finance products for energy efficiency improvements, ensuring, where possible, that policies and schemes interact, complement and blend with each other;
- ensure that the design of new schemes and reviews of existing schemes have regard for fuel poverty. This includes considering the source of funding, delivery partners, delivery mechanisms, whether certain measures should be deployed in tandem;
- ensure that scheme design appropriately reflects the strategic principles for fuel poverty; and
- develop schemes that are flexible and able to adapt and target different measures over time.



### *The challenge – increasing effective targeting of fuel poor households*

6.15. It is important to ensure that we are maximising the potential of existing fuel poverty schemes and policies to support priority households. Targeting has been a long-standing challenge for the delivery of support to households in fuel poverty. However, it is clear that future support will need to be distributed with greater precision than ever before if the Government is to meet its statutory target in a way that embodies the three guiding principles.

6.16. The challenge is twofold. Firstly, our ambitious target means that we must make best possible use of the resources available and channel them to those with the most pressing need. Secondly, our understanding of fuel poverty and its impact on different segments of the population has continued to improve. Acting on this improved understanding will require smarter and more sophisticated approaches to delivery.

6.17. There are reasons to be optimistic that these delivery challenges can be met. Some of the key historical barriers to targeted delivery, including access to data, are beginning to fall away. Steps will be needed further to realise the untapped potential for utilising Government data to facilitate and streamline delivery both at the central and local level. New data sharing arrangements involving a wider range of actors can contribute to improved delivery, but cannot complete the picture alone.

6.18. A significant cohort of fuel poor households is not currently identifiable using centralised, data-driven approaches, including those who do not claim their benefit entitlements. Also, no comprehensive central source of information exists to identify the energy efficiency status of properties. Reaching these households and verifying eligibility for energy efficiency interventions will likely require a greater role for local authorities and other local actors.

6.19. Local actors will continue to have an essential role in getting support to the right people, particularly those who cannot be reached through centralised delivery. In light of this, we are

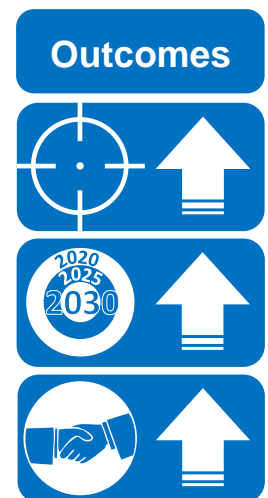
reaching out to a broad range of organisations to build a detailed understanding of the barriers to local delivery and the sorts of everyday practical issues that can make life difficult for those operating on the ground. This will help us to design national policies to work ‘with the grain’ of local delivery wherever possible. It will also help identify where the greatest value can be gained from new software tools, guidance and data sharing, not least in relation to identifying households eligible for support.

6.20. In response to this challenge, **our policy is to bear down on delivery costs, innovating in identifying and targeting households for support.**

### Commitments

6.21. Government will:

- look for opportunities to extend the use of data matching wherever practical and appropriate. This will help targeting and maximise the potential for automated identification of fuel poor homes, as well as delivery of any future energy bill support schemes;
- use the plentiful information held within the benefits systems (and other resources where possible) to build new, smarter proxies that reflect the Low Income High Costs indicator;
- explore more flexible and streamlined processes for establishing data sharing arrangements between public sector organisations involved in delivery of fuel poverty interventions;
- seek to enable and facilitate wider data sharing to support targeting and reduce delivery costs at the national and local level; and to pave the way for new types of referral, for example by GPs and other health care workers;
- engage with and support development of tools to help delivery partners find the fuel poor, assess eligibility, and make referrals;
- continue to build and share insight into the behavioural characteristics of the different groups of fuel poor household, and use this insight to inform the design of schemes, tools and delivery mechanisms; and
- engage with end-users (for examples local authorities, suppliers) from an early stage when developing key elements of scheme design and delivery (such as proxies; target metrics; software) to better align with operational requirements.



## *The challenge – improving the reach of support to certain high cost homes*

6.22. The new framework that has emerged from both Professor Sir John Hills's work and the analysis and consultation for this strategy have highlighted a range of homes and housing types where more work is needed to understand the nature of the problem and the best possible design of the response. These range from non-gas homes to park homes to houses in multiple occupation. We will consider the particular challenges faced in these areas in future research and policy development.

6.23. Low-income households who do not use gas as their main fuel – often referred to as being off-gas grid – frequently face higher heating costs. This is because alternatives to mains gas, in particular electricity, are usually more expensive. With a high proportion of non-gas homes being F and G rated, it will be particularly important to look at focusing effort on these households in line with the first interim milestone. The wider challenges faced by all non-gas homes can be exacerbated in the homes of those on low incomes, through various factors, including extra costs associated with delivery to non-gas households (particularly those in rural areas) and the high upfront costs of specific interventions (such as solid wall insulation and heat pumps).

6.24. Park homes can face similar challenges as many non-gas homes, with a large majority of the park home population being fuelled by LPG and the specific measures to improve the efficiency of park homes, such as external wall insulation, being expensive. However, there are additional specific considerations, such as the lack of a direct relationship with an energy supplier, specialist knowledge requirements for retrofitting energy efficiency measures and the variation in construction quality.

6.25. People living in houses in multiple occupation pose particular challenges. An individual bedsit may, for example, be a fuel poor home while the property overall may not be. From identification to policy design these homes need more detailed research to understand the right response.

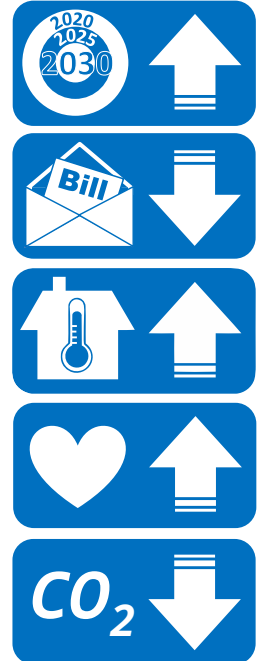
6.26. In response to this challenge, **our policy is to seek to address particular gaps in delivery where appropriate, such as support for non-gas homes, people in park homes and houses in multiple occupation.**

## Commitments

### 6.27. Government will:

- review lessons learned from the delivery of central Government and local schemes on the different approaches needed to ensure efficient and effective targeting of and delivery to urban and rural areas, gas and non-gas households;
- seek to optimise approaches for non-gas homes, in recognition that this is a segment of the fuel poor population with potentially different needs, and where delivery can be challenging;
- better understand the location and characteristics of non-gas fuel poor homes;
- seek to understand the potential of renewable heating to alleviate fuel poverty, taking into account of cost effectiveness;
- seek to ensure that the specific drivers of fuel poverty for those living in park homes are fully understood and that findings are appropriately taken account of in Defra, DECC and CLG schemes;
- seek to ensure that the fuel poor living in park homes can benefit from fuel poverty schemes, where this is in line with the strategic principles;
- seek innovative ways to overcome the challenges of delivering support to the fuel poor living in park homes; and
- commission research and analysis covering the specific challenges posed by houses in multiple occupation as part of our research and analysis work.

### Outcomes



### *The challenge – improving the reach of support to certain low income households*

6.28. The fuel poverty guiding principles state that DECC will reflect vulnerability in fuel poverty policy making decisions. In line with this approach, action on health and fuel poverty makes particular sense, not just in terms of supporting people in managing their energy costs, but also in addressing the wider health and social impacts that are associated with living in a cold home.

6.29. In keeping with Government's approach to fuel poverty more broadly, it is clear that where there are health concerns, a focus on energy efficiency is particularly important. An adequately warm home is a healthier home.

6.30. Those with cold home-related health conditions may be harder to reach. For example they may be socially isolated, less able to actively seek out support, or concerned about people visiting their home to offer them advice or to install measures. Like other fuel poor households, they may have multiple needs. For example they may need advice on debt and

benefits alongside installation of energy efficiency measures. So a holistic approach is likely to be important. In addition they may need more structured support: they may be less well-equipped to negotiate the provision of different support by different organisations, and may benefit more than most from a 'concierge' service which mediates and co-ordinates support. It will be important for any future national schemes with a health aspect to consider such issues.

6.31. Government must learn from organisations delivering fuel poverty support to people with health problems in designing national delivery mechanisms, and in deciding how to support local schemes. Key areas in which improvements can be made are: data sharing, design of referral mechanisms, evaluation (for gathering evidence on impacts and for improving delivery) and making the case for action and investment.

6.32. Efforts to deliver support will be most successful where leadership is strong and a collaborative approach is taken. Partnership working must continue and expand, bringing together those working in housing, energy efficiency, environmental health, the NHS, social care, public health, and other fields such as the fire service. There is an important role for Health and Wellbeing Boards to play in overseeing joint strategic needs assessments (JSNAs) to identify the local challenges, setting priorities for local action, and pulling together disparate agencies to work to reduce excess winter deaths and illnesses.

6.33. With the focus on reducing pressure on health and social care, the role of commissioning is coming to the fore, and Clinical Commissioning Groups (CCGs) are beginning to recognise the benefits of investing in action to tackle cold homes and fuel poverty. CCGs are in a good position to work with local professionals to raise awareness of the impact of cold homes on health and to support local action to develop systematic approaches to supporting fuel poor people with health conditions linked to cold homes. There is more to be done to make the case for this type of investment – including help with evaluation, further building of the evidence base, and finding better ways to share and present data and evidence.

6.34. Finally, providing information and training to a broad range of health and social care professionals, community groups and others engaged in home visits (including those outside the health sphere) and enabling them to identify and assist those at risk of living in a cold home, remains essential in reaching the most vulnerable. Continued focus on raising awareness of the dangers of living in a cold home with professionals and directly with consumers themselves must form part of a broader strategic approach.

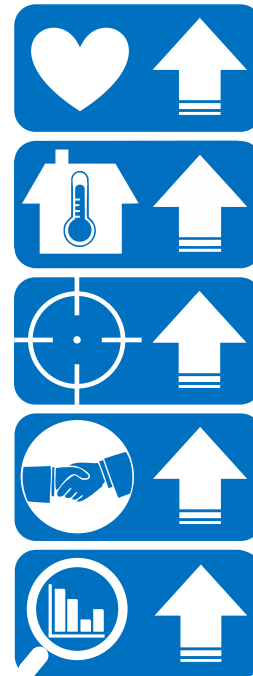
6.35. In response to this challenge, **our policy is to work to tackle fuel poverty among those with health conditions linked to cold homes and to enable others to do the same.**

## Commitments

### 6.36. Government will:

- take account of the particular needs of more vulnerable people, including those with disabilities and long-term health conditions, in developing approaches to delivery of energy efficiency measures and other forms of fuel poverty support;
- recognise that vulnerable households, particularly those where someone has a health condition related to living in a cold home, may be harder to reach, have multiple needs and require more structured support;
- learn from organisations delivering fuel poverty support to people with health conditions, and use this learning to improve the design of national delivery mechanisms, and to support local schemes;
- work to remove barriers to data sharing in the health arena in line with wider activity to improve targeting and enable and facilitate more data sharing;
- work to identify, and help others to identify, the most effective referral mechanisms;
- continue to make the case, and help others to make the case for investment, building the evidence base, helping with evaluation of schemes and finding better ways of sharing and presenting data; and
- consider the potential for, and encourage, broader collaboration for effective delivery of health and fuel poverty support; and continue to influence action on fuel poverty and health by providing appropriate information to housing and health professionals, the voluntary and community sector, members of the public, and others.

### Outcomes



## *The challenge – tackling the financial burden of energy bills for those on low incomes*

6.37. While UK households still pay some of the lowest prices for gas and electricity in Europe, consumer affordability is central to UK energy policy. Rises in energy bills are a cause for concern for many households, not just those that are fuel poor. However, those facing the greatest challenge are those on low incomes with high energy needs. While the fuel poverty target is focused on energy efficiency, the provision of support through energy bills can provide significant support for those facing fuel poverty.

6.38. Direct energy bill rebates, such as those provided under the Warm Home Discount, enable recipient households, whose low incomes may be leading them to under-heat their homes, to increase the level of thermal comfort in their home by turning up their heating or heating for longer periods of time. This approach provides support to vulnerable households through energy bills, while minimising the impact on competition within the

energy markets, and ensuring households retain the incentive to actively engage in the energy market.

6.39. Warm Home Discount rebates are paid directly onto household energy bills, with clear labelling on the household energy bill and accompanied by a letter explaining that they are receiving the discount. As such it is likely that there is a labelling effect which encourages savings to be taken in the way intended.

6.40. The Warm Home Discount provides direct energy bill support for many Low Income High Costs households and many Low Income Low Costs households. This means that the policy both contributes to our fuel poverty objectives and also helps to address broader affordability concerns. For these reasons such direct bill rebates are a highly effective tool for alleviating some of the negative impacts of rising energy prices for many low income households.

6.41. In response to this challenge, **our policy is to support low income households who need help in paying their bills.**

### Commitments

6.42. Government will:

- continue to consider the role of energy bill rebates as a tool for both cost effective progress against the fuel poverty target, and alleviating negative impacts of energy price rises in low income low cost households;
- seek to appropriately align any future bill rebate schemes with other Government policies, including energy efficiency schemes;
- continue to deliver any bill rebates through an automated approach wherever technically feasible and appropriate; and consider further potential to use the matched data to support delivery of other Government policies, including at the local level, through wider data sharing powers; and
- seek to future-proof the design of any future bill rebate schemes by building-in compatibility with the new benefit and pension regimes; and where possible to take early advantage of the new systems during the transition.



### *The challenge – ensuring the fuel poor are able to get maximum benefit from a fair and functioning energy market*

6.43. Vigorous competition and transparency are key to keeping prices as low as possible and to raising consumer confidence and engagement in the energy market. Putting more power in the hands of consumers, changing the way we think about energy and making it more relevant to people’s everyday lives is important. The independent Competition and Markets Authority (CMA) is currently assessing the state of competition and has the necessary powers to take strong action where that is required. The Government supports this work as an important step towards strengthening competition and rebuilding consumer trust in the energy market.

6.44. Government recognises that some households will require more support and guidance in order to help them engage effectively with energy markets and secure the best deal for them. Many vulnerable fuel poor households may require face-to-face advice to give them the confidence to take the right decisions to reduce their bills.

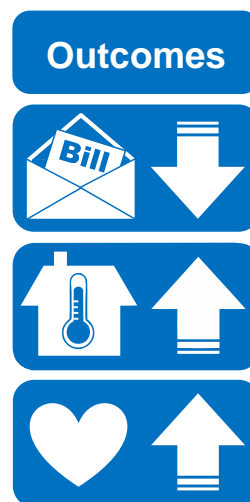
6.45. All other things being equal, as prices rise, fuel poverty gaps rise (the problem faced by households gets bigger) and some households become fuel poor for the first time. While the evidence shows that improving the energy efficiency of homes is the most significant factor in addressing this, helping everyone to pay the lowest possible price for their energy is also important. This holds especially for those on the lowest incomes whose energy spending represents a very high proportion of their total spending

6.46. In response to this challenge, **our policy is to ensure the energy market delivers for all consumers, including the fuel poor.**

### Commitments

6.47. Government will:

- seek to ensure that fuel poor households are able to understand and take control of their energy usage;
- seek to build on the success of the Big Energy Saving Network to consider how face-to-face advice can be made more available, especially for the most vulnerable and fuel poor
- seek to ensure that the fuel poor benefit from efforts to connect consumers with their energy saving potential as we work towards establishing a smart, energy saving society;
- continue to take action to improve competition in the energy market, including working with independent energy suppliers to identify and address barriers to entry and growth;
- continue to take action to help consumers, building on reforms that are already giving people a better deal on their energy; and
- respond appropriately to the conclusions of the Competition and Market Authority's energy market investigation.



### *The challenge – enhancing and improving understanding of fuel poverty*

6.48. Evidence helps Government formulate and deliver effective policies for meeting agreed goals. It is vital for understanding the opportunities for change, assessing options, and managing risks associated with uncertainties. Given the breadth and scale of the energy and climate change challenge, getting the relevant evidence cost-effectively requires us to fully exploit existing knowledge, commission new research in a prioritised way and communicate our interests to others who are seeking to undertake research with impact.

6.49. Addressing complex challenges in climate and energy policy requires combined expertise from across a range of disciplines. DECC routinely uses evidence from, and has

expertise in commercial, customer insight, economics, engineering, operational research and the natural, physical and social sciences.

6.50. The evidence base will need to evolve over time in line with activity to meet the target and interim milestones. Alongside this we must work through partners to broaden our understanding of the interplay between fuel poverty and wider issues, such as health, employment and education.

6.51. One way of doing this in a way that is open and flexible would be to make available a list of priority areas for research that DECC is taking forward, or that Government is taking forward. This might be accompanied by a list of other areas where we feel the evidence base could be enhanced alongside details of how to ensure that research is compatible with a Low Income High Costs approach to understanding the problem.

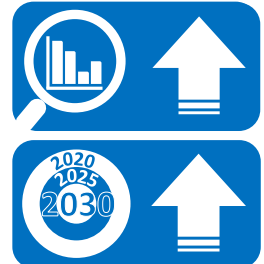
6.52. In response to this challenge, **our policy is to enhance and improve our understanding of fuel poverty over time, including through on-going research.**

### Commitments

6.53. Government will:

- make available a list of priority areas for research that DECC is taking forward, or that Government is taking forward;
- share information on other areas where the evidence base could be enhanced alongside details of how to ensure that research is compatible with a Low Income High Costs approach to understanding the problem;
- continue to identify gaps and work with others to improve the evidence base on health and fuel poverty;
- explore better ways for Government to present and share health and fuel poverty evidence and data;
- support evaluation of local ‘warmth on prescription’ type schemes;
- continue to build the evidence base on the benefits that heating controls, including smart controls and meters, may confer on fuel poor households, and work with the industry to encourage and support innovation in this area;
- actively monitor and share delivery evidence; making in flight adjustments to schemes where it makes sense to do so, and building into continuous improvement of scheme design; and
- develop a standardised set of questions that can be used by researchers, to identify the fuel poor. This should help to ensure sample consistency between research projects, and therefore maximise the potential for the research community to build a cohesive body of evidence over time.

### Outcomes



## 7. Reviewing the strategy and scrutiny of progress

### Reviewing the strategy

7.1. An important aspect of our approach will be to review the content of this strategy document, in light of progress towards the interim milestones and overall target, and revise it accordingly, and as appropriate. In this way, the strategy will be a ‘living document’. It is neither possible nor desirable to produce a one-off strategy setting out exactly how a 2030 target will be met. Rather, Government will want to be able to adjust approaches in light of the latest thinking on how to cost-effectively tackle the problem and to make sure we are on an appropriate path towards fulfilling the target.

7.2. **Government will review the fuel poverty strategy regularly**, for example every three years. The aim of these reviews will be to look at the overall strategy in light of any developments, and decide whether any changes in the overall policy mix are required.

7.3. There are other circumstances in which we would expect to review the strategy. The measurement of energy efficiency is constantly evolving, taking account of the latest developments in science and technologies. Every time the SAP methodology is updated we will review the Fuel Poverty Energy Efficiency Rating to decide whether this should take account of the latest updates to SAP. Fundamental changes could have wide implications which would need careful consideration.

7.4. These review processes will provide an opportunity to check progress against the target. They will also be a chance to consider and take account of developments in the policy and delivery landscape and how these affect our action on fuel poverty. Of course, monitoring performance and progress will not be limited to such reviews – we will keep a constant eye on how we are doing. Nevertheless, more formal review processes will help ensure that we avoid the fuel poverty strategy becoming out of date, with little or no relevance to the action being undertaken to tackle the problem. This is an important lesson we have drawn from the outcome of the Hills Review.

### Scrutiny

7.5. Government is keen for there to be effective levels of public accountability for progress. The Warm Homes and Energy Conservation Act 2000 puts a duty on the Secretary of State to implement this strategy. In this matter, as in all others, the Secretary of State is directly accountable to Parliament. Parliament may decide at any time to ask Ministers to account for progress against the fuel poverty target and strategy implementation. But recognising the level of Parliamentary interest in fuel poverty, **we will hold an annual debate in Parliament on fuel poverty**. We expect the first debate to be held within 12 months of the adoption of this strategy.

7.6. Beyond this, the **Fuel Poverty Advisory Group** for England (FPAG), an advisory Non-Departmental Public Body first established more than a decade ago, **will continue to have a standing role in relation to scrutiny of progress on fuel poverty**.

7.7. The core remit of FPAG, as set out in the 2001 fuel poverty strategy, is to monitor progress against the fuel poverty target, providing support and challenge to the Secretary of State in fulfilling the statutory duties under the Warm Homes and Energy Conservation Act. FPAG has done this by providing expert advice and scrutiny of Government action notably through its regular reports.<sup>60</sup>

7.8. **This new fuel poverty strategy provides the opportunity to reaffirm and strengthen FPAG's remit.** FPAG will:

- Monitor and report on progress towards the interim milestones and 2030 fuel poverty target;
- Support and challenge the Government on its delivery approach to underpin successful implementation of the strategy. This could include considering and reporting on:
  - the effectiveness of policies and schemes aimed at meeting the milestones and 2030 target;
  - the impact of other policies and schemes on fuel poverty, as well as
  - any additional policies and schemes needed to meet the milestones and 2030 target.
- Encourage and foster a partnership approach between a Government and stakeholders, including at local level, to make progress against the milestones and targets, including the identification of barriers to effective joint working; and
- Work where appropriate with the Committee on Climate Change, which has a statutory duty to consider fuel poverty when advising on carbon budgets, to help underpin efforts to ensure that the decarbonisation and fuel poverty agendas work together.

7.9. To support FPAG in fulfilling this vital role, the **Government has embarked on reform of the group.** Changes are being made to FPAG's core membership, to move to a small number of appointed, independent experts, with appointments made in line with the guidance set out by the Code of Practice issued by Office of the Commissioner for Public Appointments (OCPA).<sup>61</sup> The Group's performance will be regularly assessed by DECC. Members will not represent their employers or other organisations, but will represent independent views and will be accountable to the group itself and to DECC.

7.10. It is the responsibility of the Chairman of FPAG to establish and develop the group's initial and subsequent work programmes. The group will also choose how it wishes to engage with further stakeholder experts in fulfilling its work. For example, it may choose to set up sub-groups, along the same lines as the existing Industry Working Group on Off-Gas Grid (which pulls together a wider range of experts to engage specifically on solutions for those in fuel poverty who are not connected to gas networks). FPAG may also choose, given the remit to help underscore a joined-up and local approach, to host an annual partnership forum.

7.11. Through the restatement of the core role for FPAG and the combination of a streamlined core membership and new ways of working to harness wider expertise more

<sup>60</sup> [www.gov.uk/government/organisations/the-fuel-poverty-advisory-group](http://www.gov.uk/government/organisations/the-fuel-poverty-advisory-group)

<sup>61</sup> <http://publicappointmentscommissioner.independent.gov.uk/the-code-of-practice/>

effectively – as well as improved corporate governance – the reforms to FPAG represent a significant strengthening of the accountability framework around the new target.

## Monitoring fuel poverty in England

7.12. The Department of Energy and Climate Change publishes a wide set of data on fuel poverty in the Annual Fuel Poverty Statistics Report. The Low Income High Costs indicator allows us to produce a wide range of statistics that reveal which people and households are affected by fuel poverty. Full breakdowns of the figures are available online.<sup>62</sup>

7.13. Progress against the indicator set will be shown in the Annual Fuel Poverty Statistics Report. We will make use of opportunities to discuss and highlight wider progress in specific contexts, these currently include the DECC Annual Energy Statement, the prices and bills report, and the Government Response to the Committee on Climate Change Annual Report. We will seek to ensure that this information is available to Parliament in advance of the annual debate on fuel poverty.

7.14. We also intend to ensure that impact assessments conducted by the Department of Energy and Climate Change on policies affecting energy prices for domestic customers, as well as policies relating to energy use in the home, specifically consider their impact on fuel poverty. Additionally, we will ensure that reviews of policies and schemes – such as those planned in relation to the deployment of renewable energy – give specific consideration to fuel poverty.

## Devolution and fuel poverty

7.15. Fuel poverty is a devolved issue. Scotland and Wales have statutory targets for tackling fuel poverty and Northern Ireland is also committed to tackling the problem. The move to measure fuel poverty under the Low Income High Costs indicator has not been mirrored in any of these devolved administrations, where the “10% indicator” continues to be in use. Not all of the assumptions underpinning fuel poverty measurement are the same – for example, in Scotland, a different temperature regime is used for some households. Furthermore, data enabling fuel poverty measurement are collected differently in each administration. Despite these differences, DECC’s annual fuel poverty statistics document currently includes an assessment of fuel poverty across the devolved nations.<sup>63</sup>

7.16. Subject to the existing devolution settlement, each devolved administration has its own strategies and policies in this area and can direct spending at fuel poverty alleviation. At the same time, two flagship policies for tackling fuel poverty – ECO and WHD – operate across Great Britain. These policies are both supplier obligations operating in the context of the single GB energy market. Their design has directly engaged Scottish Government and Welsh Assembly Government counterparts, and there has been close co-operation across borders. During this time, formal decision-making has rested with the UK Government. The Smith Commission will, once implemented, give Scottish Ministers powers over the design and implementation of supplier obligations to address fuel poverty and energy efficiency in relation to Scotland. This will herald a new era of close co-operation across Great Britain, ensuring that the benefits of a single, efficient GB market remain open to consumers up and down the

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<sup>62</sup> [www.gov.uk/government/collections/fuel-poverty-statistics](http://www.gov.uk/government/collections/fuel-poverty-statistics)

<sup>63</sup> This approach may be reviewed. It is not clear that reporting UK statistics given fundamental differences in the measurement approach is appropriate.

country, while also giving more direct control over what happens under these policies in different parts of GB.

## International

7.17. Finally, England and the rest of the UK are not alone in facing the challenge of fuel poverty. Across the world, Governments are exposed to the tests of decarbonising their economy making their energy supply secure while fostering growth and competitiveness for business and ensuring consumers get a fair deal and can afford the energy they need. This is the so-called energy trilemma.

7.18. The UK has been in a vanguard position on fuel poverty, establishing a statutory framework for addressing the issue more than a decade ago and investing in a strong evidence base to underpin policy decisions. For example, the UK's survey approach that allows fuel poverty measurement is world-beating. Although the condition of the housing stock is different in every country, there will be ways in which our experience can help other countries dealing with the problem of fuel poverty. At the same time, other countries will also have implemented a range of policies from which the UK Government could also learn.

7.19. As such, we intend to work with international partners, as part of our efforts on climate change and energy, to share experience and learning on fuel poverty, to model and benefit from international best practice for the sake of those households across the world who will otherwise remain on the sharpest edge of the energy trilemma.

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