

Public Policy Statement

Fuel poverty

October 2017

Fuel poverty is a significant problem for many older people in Wales. In Wales, fuel poverty is defined as needing to spend 10 per cent or more of household income on fuel to maintain a heating regime adequate to safeguard comfort and health. Around 291,000 households were estimated to be in fuel poverty in 2016, equivalent to 23% of households in Wales¹. This represents a 7% decrease since 2012.

Older people are the group most likely to suffer from fuel poverty. On average there are around 1,600 excess winter deaths each year in Wales. An estimated 2,600 older people died in Wales during the winter of 2014/15² - this is more than double the figure for the previous winter. The increase was largely due to a predominant flu strain that affected older people more seriously than other age groups, however at the root of many deaths are cold, badly insulated homes. Evidence on fuel poverty in Wales remains patchy. The most recent official estimate by the Welsh Government was that 291,000 households were estimated to be in fuel poverty in 2016, equivalent to 23% of households in Wales³. This represents a 7% decrease since 2012.

High prices for domestic energy have frequently made media headlines over recent years, leading to reforms by the UK Government and industry regulator Ofgem. These have sought to make energy bills more affordable and to encourage people to switch suppliers, however in 2015 Wales had the lowest rate of consumers switching supplier at only 17%⁴. The affordability of energy remains an area requiring particular attention given the direct link that energy prices have to levels of fuel poverty.

Existing UK Government schemes which seek to help address fuel poverty include the Winter Fuel Payment, the Warm Home Discount and the Cold Weather Payment. Meanwhile the Welsh Government operates the Nest and Arbed energy efficiency schemes in Wales. Energy suppliers are also obliged to support fuel poor households to improve the energy efficiency of their homes – though the requirements upon them today are less than in the past. These schemes are all welcome but without significant additional investment will not address the true scale of the problem.

¹ The production of estimated levels of fuel poverty in Wales, Welsh Government, July 2016

² Excess Winter Deaths in England and Wales 2014/15, Office for National Statistics, November 2016

³ The production of estimated levels of fuel poverty in Wales, Welsh Government, July 2016

⁴ <http://www.ey.com/uk/en/newsroom/news-releases/15-02-16--almost-a-quarter-of-consumers-switched-gas-or-electricity-supplier-in-2014-ey-survey-reveals>

We believe it is vital that the UK Government maintains its commitment to the Cold Weather Payment, the Warm Home Discount and Winter Fuel Payments until the energy efficiency of homes is radically improved. The Welsh Government has targets to eradicate fuel poverty which were set out in the Welsh Fuel Poverty Strategy in 2003 and reiterated by the Fuel Poverty Strategy 2010. Unfortunately the first two targets – to eradicate fuel poverty amongst all vulnerable households in Wales by 2010 and social housing by 2012 – were missed and there is no realistic prospect of achieving the final target of eradicating fuel poverty completely by 2018. In addition, many of the mechanisms and measures contained within the 2010 Fuel Poverty Strategy are out of date or no longer applicable.

The Welsh Government's continued commitment to funding an energy efficiency programme specifically aimed at reaching fuel poor households has been extremely welcome. However, the relatively small size of the Nest annual budget means that the overall reach of the scheme is small. In fact, NEA Cymru estimates that with the Nest energy efficiency investment programme assisting 6000 homes a year, it will take another 50 years to assist all fuel poor households in Wales.⁵

The time is right for the Welsh Government to refresh its strategic approach to tackling fuel poverty. In light of the numbers of households still living in fuel poverty, it should set out a clear programme and credible evidence base describing how and when it intends to reduce levels of fuel poverty, supported by reasonable timescales. The programme should also include robust and regularly updated data on housing stock quality and introduce annual reporting on fuel poverty levels.

Targets can help to focus the efforts of a range of organisations so we believe the Welsh Government should consider an ambitious new fuel poverty target. Rather than a 'pass or fail' target which is a hostage to fortune when energy prices rise, this should be rooted in delivery and based on improving a number of low income homes to a minimum EPC rating of C each year.

Summary of policy proposals

- Ofgem should actively monitor price differentials between tariffs and payment methods for energy to ensure they accurately reflect costs.
- Ofgem should investigate whether standing charges on energy bills are increasing the bills of low users of energy and revise guidelines to companies if necessary.
- The UK Government should maintain its commitment to the Cold Weather Payment, the Warm Home Discount and Winter Fuel Payments until the energy efficiency of homes is radically improved.
- The Welsh Government should publish a new strategic approach to tackling fuel poverty backed by a clear programme and reasonable timescales.
- The Welsh Government should invest in robust and regularly updated data on housing stock quality and introduce annual reporting on fuel poverty levels.
- Local authorities and other support services should use available data to identify homes which could benefit from energy efficiency measures and make referrals to fuel poverty schemes.

⁵ NEA (2016) NEA response to housing and agein population in Wales

- The Welsh Government should consider an ambitious new fuel poverty target based on improving a number of low income homes to a minimum EPC rating of C each year.
- The Welsh Government and Public Health Wales should adopt the NICE guidelines on tackling excess winter deaths as a priority.
- Given the likelihood that energy prices will continue to rise, the UK and Welsh Governments must put investment into improving the energy efficiency of the housing stock, beginning with the least energy efficient, funded from the new receipts UK Government will receive from carbon taxes.
- The Welsh Government must continue to closely monitor the take-up and impact of Nest.
- The Welsh Government should investigate developing an emergency crisis fund, covering the whole of Wales, for people whose health is at risk because of a breakdown of their heating system.

Fuel poverty

This policy statement covers:

- The scale of fuel poverty in Wales
- Energy prices
- Welsh Government strategy
- Energy efficiency programmes

Note: Broader financial issues are covered in Age Cymru's Income and Finances policy statement.

Public policy proposals

The scale of fuel poverty in Wales

Paying for energy continues to be a major concern for many older people. In Wales, fuel poverty is defined as needing to spend 10 per cent or more of household income on fuel to maintain a heating regime adequate to safeguard comfort and health. This is a particularly important issue for many older people, often as a result of physiological changes which can mean people are more susceptible to the cold and to viruses, and also because older people tend to spend more time at home than younger people.

Living in damp and cold homes has been linked to a number of health conditions including gastric and duodenal ulcers, colds and viruses, increased risk of high blood pressure and coronary incidents, a 30-50% increase in a variety of respiratory symptoms and an increase in hospital admission due to respiratory illness.⁶ The Welsh Government's Fuel Poverty Data Linking Project aims to examine the impact of measures implemented under the Nest Scheme on the health of recipients, including levels of hospital admissions. Initial findings show that the project has decreased the incidence of the health conditions listed above.

Fuel poverty is a significant cause of excess winter deaths. On average there are around 1,600 excess winter deaths each year in Wales but an estimated 2,600 older people died in Wales during the winter of 2014/15⁷ - this is more than double the figure for the previous winter. The increase was largely due to a predominant flu strain that affected older people more seriously than other age groups, however at the root of many deaths are cold, badly insulated homes. 90 per cent of excess winter deaths involve people aged 65 or over. The highest rate is amongst those over 85, who constitute nearly 50 per cent of the total.⁸ The static and often low incomes of older people who are reliant on the State Pension or other state benefits is a cause of fuel poverty. It is also prevalent amongst older people who live in older, energy inefficient properties or rural areas away from the gas network. Recent Welsh Government research identified older people on a low income as 'risk of' fuel poverty and most in need of support from home energy efficiency improvements⁹.

⁶ Welsh Government (2016) The fuel poverty data linking project

⁷ Excess Winter Deaths in England and Wales 2014/15, Office for National Statistics, November 2016

⁸ Excess Winter Deaths in England and Wales 2013/14, Office for National Statistics, November 2014

⁹ Understanding the Characteristics of Low Income Households Most at Risk from Living in Cold Homes, Welsh Government, July 2016

Despite the recent fall in levels of fuel poverty in Wales, it clearly remains a significant problem. There are three main factors which influence whether a household will be in fuel poverty: income, energy prices and the energy efficiency of their property. The first two factors are controlled by the UK Government, whilst the third is within the powers of the Welsh Government, however all three must be addressed in order to tackle fuel poverty effectively. We believe more must be done by both the Welsh and UK Governments to take people out of fuel poverty and support those struggling to adequately heat their homes.

Energy prices

High prices for domestic energy have frequently made media headlines over recent years, leading to reforms by the UK Government and industry regulator Ofgem. The reforms have tried to make energy bills more affordable and to encourage people to switch suppliers. Nevertheless, the affordability of energy remains an area requiring particular attention given the direct link that energy prices have to levels of fuel poverty. The Competition and Markets Authority have now put forward a package of remedies to address problems they identified in the energy market. They plan to cap the amount a prepayment customer can be charged in a year and have recommended that Ofgem set up a database of 'disengaged' customers and make changes to their rules for suppliers and price comparison websites. Ofgem have adopted some recommendations and are consulting on others.¹⁰ In October 2017, the UK Government published draft legislation which will give Ofgem the power to cap variable tariffs. An uncapped default tariff can cost hundreds more than the cheapest deals.

Energy suppliers must also provide an annual statement to every customer and display a Tariff Information Label on all bills. These are intended to show clearly what energy the household is using and an analysis of the different ways of paying. Simplification of the energy market is to be welcomed given the overwhelming complexity which has faced households seeking to find the cheapest energy in the past. This can be seen to have led to many households not being fully engaged with their energy bills and discouraging switching.

Whilst increased information and higher levels of switching should result in a more competitive energy market and cheaper bills for some, previous history would suggest that it may not be of benefit for many older people who tend to be less likely to switch supplier or tariff on a regular basis. In addition, data shows that customer engagement with the energy market is historically low in Wales.¹¹ There are several reasons for this including a lack of online access or confidence, concerns about having to 'pay off' a former supplier and a lack of practical support for people considering switching suppliers.

Tariff simplification will also do nothing to address the underlying issue of the inexorable rise of the cost of energy projected over the coming years. Between 2004 and 2014, the average household's annual energy bill has risen by 88% to £1,340¹². Whilst there have been some small decreases in prices during 2015 due to lower wholesale gas prices, the overall profile of prices over the next few years is still predicted to be upwards.

There is some support available to people to meet their energy bills. The Warm Home Discount scheme replaced the previous social tariffs aimed at protecting the most vulnerable

¹⁰ http://www.ageuk.org.uk/Documents/EN-GB/Factsheets/FS82_Switching_energy_supplier_fcs.pdf?dtrk=true

¹¹ <https://www.ofgem.gov.uk/ofgem-publications/39568/consumer-focus-wales-response.pdf>

¹² <https://www.ovoenergy.com/guides/energy-guides/the-average-gas-bill-average-electricity-bill-compared.html>

customers in 2011. Under this scheme older people on Pension Credit Guarantee Credit should automatically receive rebates off their energy bills (worth £140 in 2015/16), whilst other households may also receive rebates depending on the criteria operated by their energy supplier.

The Winter Fuel Payment is also paid each year by the UK Government to individuals over 60. It is worth £200 to people over 60 and £300 to those aged 80 and above. The Winter Fuel Payment is a vital support mechanism to help older people cope with the costs of energy and provides non-means-tested assistance with the rising costs of energy bills. The UK Government also provides Cold Weather Payments, which are triggered by a seven day period of very low temperatures and are paid to older people in receipt of means-tested benefits. The payment is worth £25 per cold spell. We believe it is vital that the UK Government maintains its commitment to the Cold Weather Payment, the Warm Home Discount and Winter Fuel Payments until the energy efficiency of homes is radically improved.

Key calls:

- Ofgem should actively monitor price differentials between tariffs and payment methods for energy to ensure they accurately reflect costs.
- Ofgem should investigate whether standing charges on energy bills are increasing the bills of low users of energy and revise guidelines to companies if necessary.
- The UK Government should maintain its commitment to the Cold Weather Payment, the Warm Home Discount and Winter Fuel Payments until the energy efficiency of homes is radically improved.

Welsh Government strategy

Of the three main factors which cause fuel poverty the Welsh Government only exerts control over the energy efficiency of homes. The others, household income and energy prices, are largely the domain of the UK Government. Ultimately all three must be addressed in order to tackle fuel poverty effectively; however there is still a lot that the Welsh Government can do to mitigate the impact on people in fuel poverty by ensuring that people receive all the financial support and income that they are entitled to and that properties in Wales are as energy efficient as possible. This is also likely to be most sustainable long term solution.

The Welsh Government has targets to eradicate fuel poverty which were set out in the Welsh Fuel Poverty Strategy in 2003 and reiterated by the Fuel Poverty Strategy 2010.

Unfortunately the first two targets – to eradicate fuel poverty amongst all vulnerable households in Wales by 2010 and social housing by 2012 – were missed and there is no realistic prospect of achieving the final target of eradicating fuel poverty completely by 2018.

In addition, many of the mechanisms and measures contained within the 2010 Fuel Poverty Strategy are out of date or no longer applicable. The Welsh Government's most recent Tackling Poverty Action Plan simply states that it intends to "build on complementary strategies such as the Fuel Poverty Strategy" but is not intended to take its place. In light of the large numbers of households still living in fuel poverty, the Welsh Government must set out a credible evidence base and clear programme describing how and when it intends to reduce levels of fuel poverty, supported by reasonable timescales.

The Welsh Government's continued commitment to funding an energy efficiency programme specifically aimed at reaching fuel poor households has been extremely welcome. However,

we believe that the time is right to refresh its strategic approach to tackling fuel poverty, building on the strengths of the current programme. Refreshed data should be central to this as it is simply not possible to state definitively how many households are fuel poor in Wales or where dangerously cold homes can be found.

The Welsh Government should invest in robust and regularly updated data on housing stock quality and introduce annual reporting on fuel poverty levels. Local authorities and other support services would be able to use this to identify which of their clients' homes could benefit from energy efficiency measures and use it make referrals to fuel poverty schemes. We therefore welcome the Fuel Poverty Data Linking Project which is examining the impact of the Warm Homes Nest Scheme on hospital admissions and general health for recipients of home energy efficiency measures.

Targets can help to focus the efforts of a range of organisations so we believe the Welsh Government should consider an ambitious new fuel poverty target. Rather than a 'pass or fail' target which is a hostage to fortune when energy prices rise, this should be rooted in delivery and based on improving a number of low income homes to a minimum EPC rating of C each year. Action plans produced by the newly formed Public Service Boards and Regional Partnership Boards should detail how they will reduce levels of fuel poverty.

In March 2015, the National Institute for Health and Care Excellence (NICE) published new public health guidance on *Tackling Excess Winter Deaths, Morbidity and the Health Risks Associated With Cold Homes*¹³. This followed an evidence based review into how excess winter deaths could be reduced. The guidance outlined a number of comprehensive recommendations on how health and social care practitioners should act to reduce the risk of death and ill health associated with living in a cold home. NICE guidelines are not automatically applicable in Wales and we believe that the Welsh Government and Public Health Wales should adopt the NICE guidelines as a ready-made model for tackling excess winter deaths as a priority.

Key calls:

- The Welsh Government should publish a new strategic approach to tackling fuel poverty backed by a clear programme and reasonable timescales.
- The Welsh Government should invest in robust and regularly updated data on housing stock quality and introduce annual reporting on fuel poverty levels.
- Local authorities and other support services should use available data to identify homes which could benefit from energy efficiency measures and make referrals to fuel poverty schemes.
- Action plans produced by Public Service Boards and Regional Partnership Boards should detail how they will reduce levels of fuel poverty.
- The Welsh Government should consider an ambitious new fuel poverty target based on improving a number of low income homes to a minimum EPC rating of C each year.
- The Welsh Government and Public Health Wales should adopt the new NICE guidelines on tackling excess winter deaths as a priority.

¹³ Tackling Excess Winter Deaths, Morbidity and the Health Risks Associated With Cold Homes NICE Guidelines (NG6), NICE, March 2015 <https://www.nice.org.uk/guidance/ng6>

Energy efficiency programmes

Nest is the Welsh Government's flagship fuel poverty programme. It seeks to improve household energy efficiency by installing the most appropriate measures and improvements, following a whole house assessment of need. Nest operates tight eligibility criteria and seeks to target households likely to be in fuel poverty. Measures are available to households in receipt of certain means-tested benefits and living in very inefficient homes with an SAP rating of F or G. In 2016, Nest broadened its criteria to include low income groups with qualifying health conditions. To qualify for this benefit, claimants must produce a GP letter. Age Cymru is concerned that charges for GP letters may act as a barrier for some.

Between April 2011 and August 2017, the Welsh Government committed a total investment of over £120 million to improve the energy efficiency of low income households that met the Nest schemes eligibility criteria. It also provided energy advice and support for any householder in Wales by calling the Nest helpline. In 2015 – 16 the Nest scheme received £25.5 million and improved 6162 homes. Nest statistics show that of the number of older householders receiving an energy improvement package through Nest in 2015/16 had increased. In 2015/16, 17,000 households received this support, while over 1,400 households were referred for a Benefit Entitlement Check, of which 348 households were identified as eligible for new or additional benefits averaging £1,774 per household¹⁴.

In 2015-16, Nest aligned with the Energy Company Obligation (ECO), a government energy efficiency scheme to help reduce carbon emissions and tackle fuel poverty. This enabled more fuel-poor households in Wales to benefit from home energy improvements. Nest successfully leveraged over £4.4 million of ECO funding into Wales, which was re-invested in the scheme. Following positive evaluation of the impact of the Nest scheme on health¹⁵, the Welsh Government committed £104million over the next four years to improve up to 25,000 more homes through the Welsh Government Warm Homes Programme.

The Welsh Government should be commended for the continuation of an energy efficiency scheme which is specifically targeted towards reducing fuel poverty. This stands in contrast to the situation in England where equivalent support was ended several years ago and the much-maligned Green Deal, has now also been closed after failing to garner significant interest from households.

Nest is currently supplemented by the Arbed programme in Wales, which uses an area-based approach to target multiple households for energy efficiency improvements. Phase 2 of Arbed finished in 2015 and was due to invest £45m by the end of 2015 to install improvements in a minimum of 4800 homes. This is in addition to 7500 homes which received funded measures under phase 1 of the programme.¹⁶ In 2014/15 Arbed received £19 million and improved 1971 properties.

Given that minor improvements or adaptations to homes and heating systems can have significant impacts on the amount of heating lost from properties it is also important that

¹⁴ https://www.nestwales.org.uk/sites/default/files/Nest-Report_2016_English_04%20Final.pdf

¹⁵ <http://gov.wales/docs/caecd/research/2017/170404-fuel-poverty-data-linking-project-findings-report-1-en.pdf>

¹⁶ <http://wales.gov.uk/topics/environmentcountryside/energy/efficiency/arbed/?lang=en> (accessed 21 August 2015)

people have information about the steps they themselves can take, and sources of support available such as local handyvan schemes operated by Age Cymru and other charities.

None of the energy efficiency programmes currently in existence is designed to react quickly in the event of a household experiencing a heating breakdown. Some energy suppliers have the facility to provide emergency electric heaters, and support can sometimes also be provided by third sector organisations, but this is variable dependent upon demand and geography. We, and the Fuel Poverty Coalition Cymru, believe that the Welsh Government should ensure vulnerable households in Wales have access to a fund for emergency heating. This should operate in circumstances where someone's system fails during a cold snap and they are unable to get it repaired, if they cannot access liquid gas or heating, or if they are unable to be discharged from hospital because their home is too cold.

One local example of such an approach is the Flintshire Affordable Warmth Scheme, which provides a crisis fund set up for people who can't afford to heat their homes and need immediate support – such as boiler repair or replacement, installation of heating systems, and upgrading controls.

Key calls:

- Given the likelihood that energy prices will continue to rise, the UK and Welsh Governments must put investment into improving the energy efficiency of the housing stock, beginning with the least energy efficient, funded from the new receipts UK Government will receive from carbon taxes.
- The Welsh Government must continue to closely monitor the take-up and impact of Nest.
- The Welsh Government should investigate developing an emergency crisis fund, covering the whole of Wales, for people whose health is at risk because of a breakdown of their heating system.