Welsh Government

Llywodraeth Cymru
Welsh Government

Equality & Social Justice Committee – 27 January 2025

Fuel Poverty in Wales

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Whether there is an accurate picture of fuel poverty in Wales today, given that data is based on the 2008 Living in Wales Survey and 2017-18 Wales Housing Conditions Survey.

On 13 April 2022, Welsh Government published Fuel poverty modelled estimates for Wales as at October 2021[1]. The estimates were calculated using base data from the Welsh Housing Conditions Survey 2017-18, together with modelled information on changes to household incomes and fuel prices between 2017 and October 2021. We made further changes to these estimates to take account of the estimated impact of the COVID-19 pandemic on heating regimes.

Once the energy crisis took hold, Welsh Government, revised the October 2021 estimates, using fuel prices for electricity, mains gas and heating oil from April 2022. We assumed all households were on the price cap and recognised these figures were likely to be an overestimation.

The further we move away from 2017-18, the more uncertainty is associated with the estimates, although historical trends, and administrative data can help reduce this uncertainty. It is not currently possible to produce estimates of fuel poverty based on administrative data alone. While the EPC Register for example can indicate how energy efficient some types of homes are, it cannot accurately represent all types of homes.

Although the cost of energy remains significantly higher than it did pre-crisis, there is far less fluctuation in the price cap than there was a couple of years ago. We are developing updated estimates of fuel poverty relating to October 2024 and anticipate publication in summer 2025. These estimates will be based on the Welsh Housing Conditions Survey 2017-18, together with modelled information from administrative data to reflect recent changes to household income and fuel prices.

Once we receive the revised fuel poverty estimates, we will work with the Fuel Poverty Advisory Panel[2] to agree meaningful interim targets based on EPC ratings for our Fuel Poverty Plan[3].

The potential impact of changes to the eligibility criteria for the Winter Fuel Payment on fuel poverty in Wales

An important way to tackle fuel poverty is to get more money into peoples' pockets, including pensioners. Maximising incomes, building financial resilience, and putting money back into people pockets are top priorities.

Receiving Pension Credits is the key for many older people in Wales that unlocks their entitlement to a Winter Fuel Payment. The Cabinet Secretary for Social Justice, Trefnydd and Chief Whip (CSSJTCW) has met with the Older People's Commissioner in Wales, along with the Minister for Children and Social Care, to discuss joint action to encourage older people in Wales to claim Pension Credit by the 21 December deadline. Officials worked closely with UK Government to reach as many older people as possible before the deadline to increase the numbers of people eligible for winter fuel payments this winter.

[1] Fuel poverty modelled estimates for Wales (headline results): as at October 2021 | GOV.WALES
[2] Terms of reference: Fuel Poverty Advisory Panel | GOV.WALES
[3] Tackling fuel poverty 2021 to 2035 [HTML] | GOV.WALES

Welsh Government has also reshared with stakeholders across Wales the Pension Credit social media messages used in the Welsh Government's "Claim What's Yours" campaign last winter. The message will encourage people to contact Advicelink Cymru for help to claim Pension Credit. This has also been publicised through a poster and a digital screen graphic to display in public areas which many older people access on a regular basis such as GP surgeries.

Using data sets to target information to households on their entitlements can, as Neath Port Talbot Council has demonstrated, bring good results.

As part of the Streamlining Welsh Benefits Welsh Government are funding a 12-month pilot working with Policy in Practice to allow up to 12 Local Authorities to analyse existing income data sets to identify residents who are eligible for benefits, including Pension Credit. The pilot will not only increase take-up of benefits but will also provide valuable learning that will allow us to unravel some of the issues pertaining to data governance that are often cited as barriers that prevent the streamlining of the administration of Welsh benefits. The pilot will commence this month, and its impact will be monitored throughout and there will be a full evaluation of the pilot.

There has been a 145% increase in Pension Credit claims received by DWP in the past 16 weeks compared with the 16 weeks before the Chancellor's Winter Fuel Payment announcement[4].

The detail of the new Warm Homes Programme, including the energy efficiency measures offered, changes to eligibility criteria, the approach to delivering advice services, and the development of an area based approach.

Energy efficiency measures offered

Eligible households will receive a bespoke package of measures to insulate and decarbonise their home, leading to lower energy bills, moving them out of fuel poverty. Key to this is a whole house assessment, undertaken independently by the delivery agent to identify the most appropriate measures for each eligible household.

While it is our intention that all households accessing Nest will transition to low carbon technology immediately, this may not be possible in every circumstance. Installing an air source heat pump can take some considerable time and it is important households meeting the eligibility criteria, often the most vulnerable, are supported through Nest.

If the whole house assessment confirms it is not currently possible to install an air source heat pump, measures will be installed to lift the household out of fuel poverty and make the property ready for an air source heat pump when it is possible for one to be installed.

The Fuel Poverty Advisory Panel raised concern around householders without heating or hot water. The Cabinet Secretary for Housing and Local Government (CSHLG) launched the crisis route to support the most vulnerable householders with a one-off boiler repair . If it is not possible to repair the boiler, it might be more appropriate to install an efficient gas boiler in its place. Moving more householders into repair/replacement may have

[4] Pension Credit applications and awards: November 2024 - GOV.UK

implications for the throughput of customers into the next year of the Programme, therefore we will review and reassess at the end of March 2025.

Where the boiler is repaired, a whole house assessment will be undertaken to identify bespoke measure that can be installed to improve the energy efficiency of the home along the PAS 2035 route. Where the boiler is replaced, a retrofit survey will be conducted, and measures identified to improve the energy efficiency of the home.

Changes to eligibility criteria

One of the findings of the "Next iteration of the Warm Homes Programme: Review and Recommendations Report"[5] was the reliance on means tested benefits as a measure of low income for the previous Nest scheme. This could exclude lower incomes who experience difficulty meeting the cost of their home energy needs.

The Health Conditions pilot suggested low incomes defined as a percentage of the UK median income ensures programmes are targeted not only for households struggling to meet the cost of maintaining a warm home, but also people at risk of falling into fuel poverty. This approach aligns with the Welsh Government's measure of relative low-income poverty more accurately rather than the reliance on receipt of means tested benefits.

The new Warm Homes low-income threshold now grants eligibility to households with an income lower than 60% of the median average. Disability related payments or benefits are not included in this income assessment.

Advice services

The separation between the advice service and delivery is an important element of the new scheme. Energy Saving Trust (EST) provides free and impartial energy savings advice to all households in Wales. As we transition to low carbon technology, it is important that fuel poor households receive the independent advice to allow them the confidence to make the transition.

The new programme has a more joined up approach with complementary schemes, to maximise benefits to Welsh citizens. The independence of the advice service allows them to support households to access the most appropriate scheme for their circumstances, including Nest, the Energy Company Obligation scheme, (ECO), Great British Insulation Scheme, (GBIS) as well as support that may available on householders' local authority area.

EST can direct householders to a range of other support services, including AdviceLink Cymru[6], water efficiency advice and referral partners.

EST has Partnership Development Managers (PDMs) who collaborate with a wide range of organisations to reach more vulnerable households. These partners include local authorities, health boards, the third sector such as regional voluntary councils, food banks and organisations supporting Wales' diverse ethnic minority communities.

Development of an area-based approach

[5] Next iteration of the Warm Homes Programme: review and recommendations report [HTML] | GOV.WALES
[6] Claim whats yours campaign | GOV.WALES

As the new scheme is in its infancy, officials are reviewing progress to ensure the demand-led element of the programme meets its primary objectives in tackling fuel poverty and the climate emergency. Once this review is complete, officials will focus on the area-based approach.

Our ambition is for the 2020s to be a decade of decarbonisation for housing, where we learn how to effectively and efficiently upgrade social housing, owner occupier and private rental housing in ways which reduce carbon emissions, and energy bills.

The development of an integrated approach across all tenures and income levels to drive decarbonisation will be developed from the experiences of Optimised Retrofit Programme[7] and other Welsh housing initiatives.

The Welsh Housing Quality Standard (WHQS) boosts the quality of social housing in Wales. What we learn from upgrading our 230,000 social homes, will drive how we tackle decarbonisation of Wales' 1.2 million privately owned homes and reduce bills for householders across all.

How changes from the previous programme will impact delivery, particularly in terms of the numbers of households that will be supported.

We have increased the budget cap per household reflecting the deeper retrofits required to move homes away from fossil fuels and towards a cleaner, low carbon future.

We have extended the eligibility criteria to ensure we target the least well off, by introducing a low-income threshold, rather than relying solely on means tested benefits.

We have updated the Regulations to allow multiple applications, allowing boiler repairs in exceptional circumstances, allowing our delivery agents to install measures at the most appropriate time for each individual property.

We anticipate supporting 1,500 householders a year through the new Warm Homes Programme, compared with an average of 4,000 under the previous Nest scheme.

The scheme has a budget of over £30 million this year and we recognise the challenges undertaking more expensive, deeper retrofit will have on the number of households supported by the scheme.

The extent to which the Warm Homes Programme is helping to address persistent fuel poverty in Wales, and if not, what further action is needed.

Since 2011, the Warm Homes Nest Scheme has played a pivotal role in tackling fuel poverty and enhancing the energy efficiency of homes across Wales, with its focus on low-income households in the most inefficient homes.

During this period, Welsh Government has invested more than £251million to improve home energy efficiency through Nest. Nest has helped more than 61,000 lower income

[7] Optimised RetroFit Programme | GOV.WALES

households by installing measures in their homes. More than 210,800 have contacted Nest to receive free energy efficiency advice.

During the last year of the Nest scheme, 4,816 households received a home energy improvement package, such as a central heating system, a boiler, insulation, solar panel PV or an air source heat pump These improvements funded through Nest saved each household an estimated average of £595 on their annual energy bill. Benefit entitlement checks undertaken during this period resulted in a £4,233 average potential benefit take-up per household.

Of the 12,809 households who contacted the Nest helpline last year, 64.6% were estimated to have been living in fuel poverty, and of those, 30.6% were living in severe fuel poverty.

Nest is helping improve the thermal efficiency of the properties supported. In the final year of Nest, the SAP ratings of households before the installation of home energy efficiency improvement packages were as follows:

- 5.6% of households had a SAP rating of E;
- 29.8% of households were rated F; and,
- 64.6% of households were rated G.

The SAP ratings of households after the installation of home energy efficiency improvement packages were as follows:

- 20.2% of households had a SAP rating of C;
- 61.2% of households were rated D;
- 14.9% of households were rated E; and
- 3.6% of households were rated F.

Customer satisfaction with Nest has been consistently high over the life of the scheme: 98% of customers reported satisfaction with the advice services and installations provided by Nest in 2023-24.

The effectiveness of support available to households in or at risk of fuel poverty, in addition to the Warm Homes Programme.

Income Maximisation

Welsh Government is committed to ensuring that people in Wales claim every pound they are entitled to. We have a well-established stakeholder group driving forward this work and our benefit take-up campaign is delivering results and awareness of financial support in Wales.

During the period April 2023 to March 2024, the Claim What’s Yours advisors have helped over 36,800 people, with over 120,000 issues, over 9,600 issues were relating to debt problems. People helped were supported to claim over £10.4m in additional income.

Since the Single Advice Fund was introduced in January 2020, services have helped more than 280,000 people deal with over 1.1 million social welfare problems. Those helped were supported to claim additional income of £137 million and had debts totalling £38.5 million

written off. Our work to streamline the Welsh Benefits system is accelerating and a Phase One Route Map was endorsed by all Leaders in Partnership Council for Wales last week and will be published in January 2025.

Discretionary Assistance Fund

Over recent years, demand on the Discretionary Assistance Fund (DAF) has increased and the profile changed with almost 50% of applications now coming from families with children.

The DAF budget will remain at £38.5 million for 2024/25, allowing this level of support to continue, in a time when individuals and families across Wales continue to face extreme financial hardship.

Between 1 April 2024 and 30 October 2024, 115,979 applications have been supported with nearly £16 million in grants. Of these, nearly £9.5 million were cash payments, supporting with the cost of food and gas/electricity.

The CSSJTCW announced in November that new arrangements will come into effect linked to the off-grid fuel element of the DAF. The new arrangements will involve increasing the one-off amount for a tank of oil or gas from £250 to £500 and increasing the amount for gas cannisters by 18% from £70 to £82.50 per award. Applicants can only apply once for the tank of oil or gas. Applicants can apply up to three times in any 12-month rolling period for off-grid gas cannisters. Both off grid oil and gas payments are considered to be an EAP payment and existing DAF qualification criteria will remain unchanged. This uplift will ensure the DAF continues to provide valuable crisis support for disadvantaged people who are living in poverty with no other means of support.

As part of the ongoing engagement with key stakeholders and organisations, officials meet regularly with the Bevan Foundation, Citizens Advice and other key stakeholders to discuss their latest insights regarding the DAF.

An analysis report on the DAF is available and covers the period May 2022 to May 2023[8].

Fuel Bank Foundation

On 15 November, the CSSJTCW announced a further £700,000 to support the work of the Fuel Bank Foundation, bringing our total investment this year to £1.2m. Since June 2022 Welsh Government have allocated more than £6.3 million funding to enable the Fuel Bank Foundation to introduce a national Fuel Voucher and Heat Fund scheme in Wales. The scheme has provided support to eligible households that pre-pay for their fuel and are at risk of disconnection. This includes the provision of fuel vouchers for homes with prepayment meters and deliveries of oil or gas for those not connected to the mains gas network.

72,473 fuel vouchers have been issued and supported 436 households to receive help to purchase off grid fuel. To date, these interventions have supported 180,014 people. Reporting from the Fuel Bank Foundation shows that for 99.6% of individuals they support, they are able to deliver help so that the heating is back on the same day that support is

[8] Discretionary Assistance Fund: analysis report | GOV.WALES

requested. The Fuel Bank Foundations core principle is to ensure this help is sufficient (10 days of help) alongside the financial advice and support of their delivery network to enable the supported household to have space to address the issues driving them into energy crisis in the first place.

How effective local authorities have been at accessing and utilising ECO Flex funding

Our ambition is to maximise access to the ECO Flex scheme in Wales. We are leveraging as much funding as possible into Wales from GB-wide schemes to ensure support is available to those most in need and have provided £350,0000 of funding. We continue working with the Welsh Local Government Association, (WLGA) to encourage local authorities to grow the ECO flex scheme. We are currently looking into providing additional funding for local authorities to support them in mobilising and administering local ECO Flex schemes.

We have worked with the WLGA to ensure every local authority in Wales has an ECO Flex scheme and a Statement of Intent. An early indicator of success of this approach is that every local authority now has an ECO Flex scheme, admittedly at different levels of maturity. The current iteration of the ECO Flex scheme introduced a ‘rural off-gas uplift’ which incentivises ECO suppliers and installers to target remote homes in Wales and Scotland. This has been very successful, to the extent that, to date, ECO4 LA Flex investment, has been concentrated in the most rural areas, and it has been local authorities in more urban areas that have struggled to attract ECO Flex and support for fuel poor households

Officials have worked with the WLGA and representatives of each local authority to explore how we can best support authorities during 2024/25 on ECO Flex and a further grant award will be made shortly to each local authority.

How the Welsh Government is working with the UK Government to address fuel poverty

The UK Government have important levers to help alleviate fuel poverty. A holistic response is required to help households struggling winter after winter to pay their bills and we welcome a close working relationship with UK Government to achieve our shared ambitions.

The CSSJTCW wrote to the new Secretary of State for Energy, Security and Net Zero shortly after he took up the role. The Cabinet Secretary expressed her willingness to work closely with the new UK Government on our shared ambition of tackling poverty to develop a permanent, effective form of protection for households in need.

The Cabinet Secretary had a very productive meeting with the Minister for Energy and Consumers in early October to clarify the direction of travel from UK Government to enable both governments to work together. The Cabinet Secretary welcomed us working together on an open basis to share policies to better protect Welsh households. It is important

Welsh Government can provide feedback on the impacts any proposals have for struggling householders in Wales.

We will work with UK Government to consider the possibility of a social tariff and other forms of social discounting. We believe a social tariff can be funded in a progressive way that supports the most vulnerable without having significant negative impacts on other households. The severity and longevity of the affordability crisis demands the consideration of new, progressive approaches

Officials regularly engage with counterparts in the Department for Energy Security and Net Zero (DESNZ). These meetings provide an opportunity to consider the impact UK Government policy has on householders in Wales. It is important the impact of policy changes is viewed through the lens of vulnerable people, people who often cannot afford to change their energy consumption, for medical reasons, or simply cannot afford to meet their rising energy bills.