



Department for  
Business, Energy  
& Industrial Strategy

# COMMITTEE ON FUEL POVERTY

Annual report 2017



October 2017

This document is available in large print, audio and braille on request. Please email [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk) with the version you require.

# COMMITTEE ON FUEL POVERTY

## Annual report 2017

© Crown copyright 2017

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence.

To view this licence, visit [www.nationalarchives.gov.uk/doc/open-government-licence/version/3/](http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Any enquiries regarding this publication should be sent to us at [insert contact for department].

This publication is available for download at [www.gov.uk/government/publications](http://www.gov.uk/government/publications).

# Contents

<b>Executive summary</b>	4
1) Having funding in place to upgrade the energy efficiency of fuel poor homes	5
2) Identifying the most efficient and effective way of delivering assistance to the households in fuel poverty	6
3) Being able to efficiently and effectively identify the address, property type and energy efficiency rating of each household in fuel poverty	7
<b>Introduction and Progress since 2016 Report</b>	8
<b>Part one: Update on progress towards the 2030 target</b>	10
<b>Part two: Update on progress on the three main areas of focus for success from our 2016 report</b>	13
1) Having funding in place to upgrade the energy efficiency of fuel poor homes	13
2) Identifying the most efficient and effective way of delivering assistance to the households in fuel poverty	18
3) Being able to efficiently and effectively identify the address, property type and energy efficiency rating of each household in fuel poverty	19
<b>Part three: Early, highest priorities for Government</b>	20
Energy Company Obligation (ECO)	20
Private Rented Sector (PRS)	21
Warm Home Discount (WHD)	23
<b>Part four: Six priority outcomes – progress and areas for action</b>	24
1. The strategy will be sufficiently funded and existing Government and supplier programme spend will be significantly better focussed on helping households in fuel poverty	25
2. There will be additional finance in place from other sources to help fund household energy saving measures to meet the fuel poverty milestones and target.	37
3. Health agencies, local authorities and practitioners will recognise the impacts of cold homes and will be engaged in delivering solutions	40
4. Regulatory changes will have demonstrably positive outcomes for households in fuel poverty	43
5. The energy market will function for households in fuel poverty	46

6. Households in fuel poverty will be well-informed and advised on assistance available from different sources and actions they can take _____	47
<b>Part five: Update on 2016 recommendations and key focus areas for 2018</b> _____	<b>50</b>
Impact Assessment of updated Recommendations _____	50
Recommendations _____	51
Next steps _____	57
<b>Annex A</b> _____	<b>58</b>
Stakeholder engagement _____	58
<b>Annex B</b> _____	<b>59</b>
Strategic Guidance from the Committee on Fuel Poverty for 2018 and beyond ECO Design – February 2017 _____	59
<b>Annex C</b> _____	<b>62</b>
Impact Assessment of Updated Recommendations _____	62
<b>Annex D</b> _____	<b>65</b>
Glossary _____	65

## Executive summary

This is the second report of the Committee on Fuel Poverty (CFP). Our focus in this report is on what has happened since our first report in September 2016<sup>1</sup>, and what still needs to be done.

It should be noted that this report was prepared prior to the recent publication of Government's Clean Growth Strategy. We have not therefore had time to consider the Clean Growth Strategy in this report, but our initial reaction is that we are encouraged by many of the key points and policy proposals it contains. The CFP will be studying the Clean Growth Strategy in detail to understand how it interacts (or could interact) with delivering the fuel poverty strategy and will make recommendations accordingly.

Living in cold, damp homes impairs the health and wellbeing of householders and is a contributor towards the 25,000 excess Winter Deaths that occur each year in England. NHS England recognises that these deaths are largely preventable and that measures such as increasing energy efficiency in the home through installing insulation and efficient heating systems can have health benefits.

The BEIS Fuel Poverty Statistics published in 2017 report the number of households in fuel poverty has increased from 2.38 million in 2014 to 2.50 million in 2015 (the statistics provide data on a two-year time lag). The average fuel poverty gap (this is the average additional amount that fuel-poor households need to spend to meet their energy needs, compared to the national median spend) has only fallen £18 per year from £371 to £353.

Progress is being made towards the two fuel poverty strategy milestones of upgrading as many fuel poor homes as is reasonably practicable to Energy Performance Certificate Band E (Band E) by 2020 and to Band D by 2025. BEIS projects that the fuel poverty statistics published in 2019 will show 93% of fuel poor households living in homes with Band E or better. Whilst this progress is encouraging, it is important to note that this means there will still be around 175,000 fuel poor households living in Band F and G properties. Many will be suffering from the worst extremes of fuel poverty and have annual fuel needs well in excess of £1,000 per year above the national median spend.

---

<sup>1</sup> [A report on initial positions, Committee on Fuel Poverty, September 2016](#)

Progress towards the 2030 target of upgrading as many fuel poor homes as is reasonably practicable to Band C or above is, however, slow. BEIS projects that the fuel poverty statistics published in 2019 will show only 11% of fuel poor homes at Band C or above. We were therefore very pleased to see the Government's manifesto commitment to upgrade all fuel poor homes to Band C or above by 2030. Government now needs as a matter of urgency to:

- Set out its long term programs for energy efficiency
- Commit to longer term, appropriate levels of funding
- Make changes to regulations and take the necessary actions

If it does so, we are certain that delivering the fuel poverty strategy will also contribute towards achieving other Government objectives: to a successful industrial strategy, supporting small business growth in the regions, achieving carbon emissions reductions, reducing health and social care costs and providing real benefits to households who are struggling financially.

In our 2016 report we set out three main areas of focus for success. We still believe these are the key to progress on addressing fuel poverty and this is reflected in our early, highest priorities for Government and other sections in this report:

### 1) Having funding in place to upgrade the energy efficiency of fuel poor homes

Based on the 2017 BEIS Fuel Poverty Statistics, we estimate that beyond March 2019, £15.4 billion of funding will be required to install the necessary energy efficiency measures in fuel poor households. We welcome the Government's stated intention (in the June 2016 Energy Company Obligation (ECO) consultation) to shift the current ECO programme towards making a bigger difference for fuel poor households. However, even with significantly better targeting, we estimate that only £1.0 billion of funds could be made available up to when the ECO programme ends in September 2022. To provide confidence for energy efficiency manufacturing and installation companies to invest and to avoid a heavy back-loading of delivery, early action is needed by Government to ensure the availability of the necessary funds. We recommend closing the resultant £14.4 billion funding gap by:

- Extending the current ECO programme through to 2030 and focusing it on achieving the fuel poverty strategy. We estimate that this could provide around £3.2 billion of additional funds.
- Ensuring that the Energy Efficiency (Private Rented Property England and Wales) Regulations 2015 will be effective by requiring landlords to fund energy efficiency improvements up to a cost cap of £5,000 for each property.

This legislation requires that from April 2020, all privately rented properties must be at Band E or above. We estimate that such an obligation on landlords could provide around £0.3 billion of additional funds. As an incentive for landlords to invest, we also recommend reintroducing the Landlord's Energy Savings Allowance – a former tax allowance on energy saving expenditure by landlords. To ensure that adequate enforcement of landlords' obligations takes place, we also recommend a national landlord licensing scheme and that local authorities have adequate resources to monitor and take enforcement action.

- Placing an obligation on landlords of rented properties to upgrade the energy efficiency levels of their properties in line with the 2025 milestone and 2030 fuel poverty target. Statistical trends show an increasing percentage of fuel poor living in privately rented, local authority and housing association properties (currently totalling 58%). We believe that by renting out energy inefficient properties, landlords are unfairly forcing tenants to pay a 'hidden rent' through incurring high energy needs. For example, a Band E property has required fuel costs of £400 per year above the national median level. We estimate that such an obligation on landlords could provide around £6.7 billion of additional funds.
- Investigating other sources of funding to secure the remaining balance of £4.2 billion. We believe that funds could come from sources such as National Infrastructure, third parties, better use of the Winter Fuel Payment budget and identifying synergies with other Government budgets (e.g. carbon reduction, renewable heat, health, social care, etc.).

## 2) Identifying the most efficient and effective way of delivering assistance to the households in fuel poverty

We continue to recommend significantly improving the focus of the circa £1.8 billion per year Winter Fuel Payment (WFP) budget and the circa £0.27 billion per year Warm Home Discount (WHD) budget on helping those in fuel poor households. Currently, less than 10% of this money is received by fuel poor households. The majority is received by pensioners who have a median equivalised after housing cost income of twice the level of those in fuel poverty. We were therefore pleased to see that the Government's manifesto included a commitment to means test WFP's and also the previous Government's intention to consider making further improvements to the delivery of WHD's.

We are however concerned that there are no current plans to amend the WFP. Until such amendments are made, we recommend government should take the necessary steps to ensure that fuel poor households receive at least the same levels of assistance to pay their fuel bills, as pensioners.

We recognise the continuing importance of the health sector, social care services, local authorities and charities working together to help identify and engage the 'hard to find' fuel poor households and also the need for appropriate resourcing for their endeavours.

### 3) Being able to efficiently and effectively identify the address, property type and energy efficiency rating of each household in fuel poverty

The CFP were pleased that the progress of developing data sharing powers under the Cabinet Office 'better use of data in government' (Data Sharing) legislation has been on-track for potential implementation in early 2018. Actions now need to be taken to ensure that sharing data between government departments and energy suppliers can take place to significantly improve the ability to focus ECO energy efficiency upgrades on fuel poor households and reduce search costs. Data sharing will also enable significantly better targeting of the WHD programme on households in fuel poverty.

Consistent with the above three main focus areas, we are recommending some urgent short term actions that Government should take, if the 2020 milestone is to be achieved. These actions are:

- Focus the entire post-September 2018 ECO programme on upgrading the energy efficiency levels of households in fuel poverty with an emphasis on Bands F and G properties. Consideration should also be given to introducing new tax-payer funded programmes to upgrade the energy efficiency levels of 'hard to reach' properties, if this is more efficient than adapting ECO.
- Ensure that the Energy Efficiency (Private Rented Property England and Wales) Regulations 2015 will be effective.

Since we formed in 2016, we are fortunate to have engaged with a wide range of stakeholders who have made significant contributions to our work. We are extremely grateful for this input. We believe there is a high degree of consensus emerging about what needs to be done to tackle fuel poverty, a real willingness to work together to overcome the challenges and a steadily increasing understanding of how to do so. The CFP looks forward to further engagement with stakeholders and to building the momentum towards achieving the fuel poverty strategy.

A full set of our recommendations in the report are included in Part 5 of this report.



# Introduction and Progress since 2016 Report

1. This is the second report of the Committee on Fuel Poverty (CFP). This report does not cover the same range of issues that we raised in our first report in September 2016<sup>2</sup>. Our first report was intended to survey the scene, provide the starting point for our work and state our initial positions. Our focus in this report is on what has happened since then, and what still needs to be done:

- Part one: Update on progress towards milestones and target
- Part two: Update on progress on three main areas of focus for success from our 2016 Report
- Part three: Early, highest priorities for Government
- Part four: Six priority outcomes – progress and areas for action
- Part five: Update of 2016 recommendations and key focus areas for 2018

2. Since we formed in 2016, we are fortunate to have engaged with a wide range of stakeholders who have made significant contributions to our work (see Annex A for details). We are extremely grateful for this input. We believe there is a high degree of consensus emerging about what needs to be done to tackle fuel poverty, a real willingness to work together to overcome the challenges and a steadily increasing understanding of how to do so.

3. The 2017 Fuel Poverty Statistics<sup>3</sup>, which report the position at 2015, show that the number of households in fuel poverty has increased from 2.38 million in 2014 to 2.5 million. This includes over one million families living in fuel poverty. Furthermore, the statistics show that the average fuel poverty gap (this is the average additional amount that fuel-poor households need to spend to meet their energy needs, compared to the national median spend) has only fallen £18 per year (4.85%) from £371 to £353. The statistics show progress is being made towards meeting the 2020 and 2025 milestones. The statistical trend shows a decrease in the percentage of fuel poor households in owner-occupied properties and an increase in privately rented, local authority and housing association properties.

4. Living in cold, damp homes impairs the health and wellbeing of householders and is a contributor towards the 25,000 excess Winter Deaths that occur each year in England. NHS England recognises that these deaths are largely preventable and that measures such as increasing energy efficiency in the home through installing insulation and efficient heating systems can have health benefits. The Committee on

---

<sup>2</sup> [A report on initial positions, Committee on Fuel Poverty, September 2016](#)

<sup>3</sup> [Annual fuel poverty statistics report: 2017, National Statistics, June 2017](#)

Fuel Poverty was therefore very pleased to see the Government's manifesto<sup>4</sup> commitment to upgrade all fuel poor homes to EPC (Energy Performance Certificate) Band C by 2030<sup>5</sup>.

5. We made fifteen recommendations in our 2016 report and, whilst there has been progress towards the 2020 target, we remain particularly concerned that there has been no real progress either in addressing the substantial shortfall to meet the 2020 and 2025 milestones and the 2030 target, or setting out a full, long-term programme to achieve the fuel poverty strategy. We recognise that political events may have slowed down progress, but we are strongly advising the Government that time is running out if it intends to reach the milestones and target, and that every day of delay now only increases the challenge later on – not to mention the impact on the health and wellbeing of those who still live in fuel poverty. Government therefore needs as a matter of urgency to:

- Set out its long term programmes for energy efficiency
- Commit to longer term, appropriate levels of funding
- Make changes to existing regulations and take the necessary actions

6. If it does so, we are certain that delivering the fuel poverty strategy will also contribute towards achieving other Government objectives: to a successful industrial strategy, supporting small business growth in the regions, achieving carbon emissions reductions, reducing health and social care costs and providing real benefits to households who are struggling financially.

7. It should be noted that this report was prepared prior to the recent publication of Government's Clean Growth Strategy. We have not therefore had time to consider the Clean Growth Strategy in this report, but our initial reaction is that we are encouraged by many of the key points and policy proposals it contains. The CFP will be studying the Clean Growth Strategy in detail to understand how it interacts (or could interact) with delivering the fuel poverty strategy and will make recommendations accordingly.

---

<sup>4</sup> [Conservative Party Manifesto, June 2017](#)

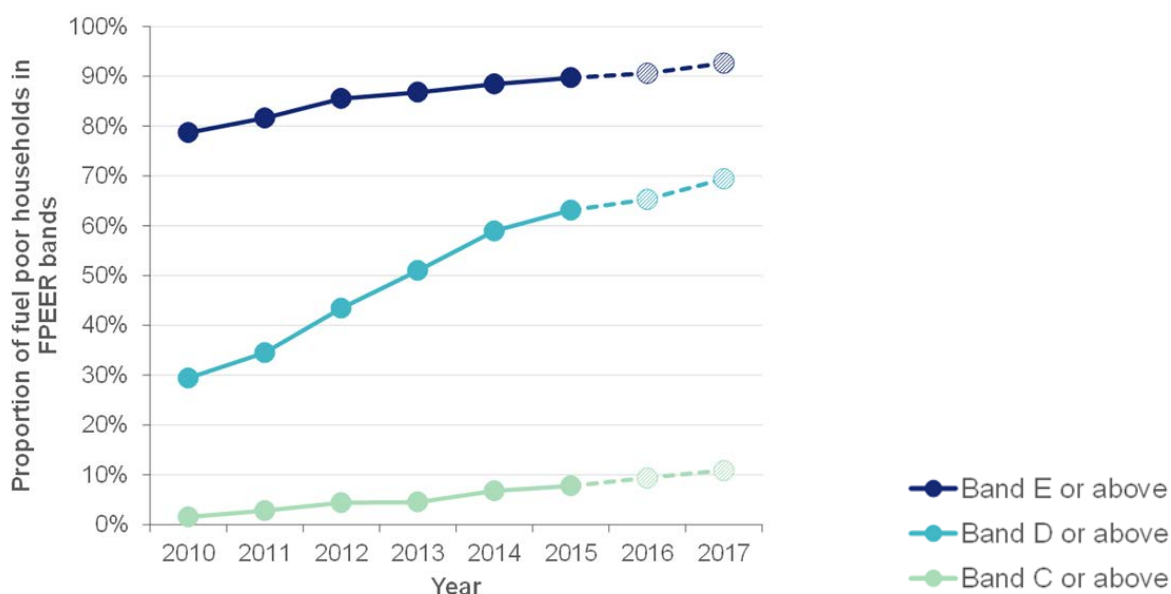
<sup>5</sup> This represent a more ambitious target than the fuel poverty target, because the Fuel Poverty Energy Efficiency Rating, which is used for the fuel poverty target, takes account of adjustments that reflect energy bill interventions.

## Part one: Update on progress towards the 2030 target

1.1 One of the key roles of the CFP is to ‘monitor and report on progress towards the interim milestones and 2030 fuel poverty target’. In June 2017, BEIS published the latest annual fuel poverty statistics, which report on the position at 2015.

Explanatory note: The annual fuel poverty statistics provide data at a two-year time-lag, so the 2017 statistics publication reports on the position in 2015. Each report also includes projections of future progress for the next two years, so for instance the report published this year includes projections of the positions in 2016 and 2017.

1.2 In the 2017 report on the statistics<sup>6</sup>, figure 5.2 provided a helpful indication of the extent to which progress has been made towards the target and milestones in recent years, plus projections for future progress over the next two years (e.g. the 2016 statistics to be reported in 2018, and the 2017 statistics to be reported in 2019).



1.3 Despite a continuing lack of funding to upgrade the energy efficiency of fuel poor households, forecast progress towards the milestones and target is faster than we would have calculated based on the assumptions in our 2016 report. This is of course welcome, but we are working with BEIS to understand the factors that lie behind the projections, and whether this rate of progress can be sustained. For

---

<sup>6</sup>[Annual fuel poverty statistics report: 2017, National Statistics, June 2017](#)

example, one reason for progress up to 2015 has been improvements in boiler efficiencies due to Building Regulations. This, however, is unlikely to be a continuing factor as a saturation point will be reached for the replacement of existing boilers, after which it will no longer impact on the rate of progress.

1.4 Our view on the BEIS forecast of progress towards milestones and targets is as follows:

- *2020 Milestone - as many fuel poor homes as is reasonably practicable to Band E by 2020:* Allowing for the current lack of data to effectively and efficiently identify fuel poor households, there is encouraging progress being made towards the 2020 milestone. The projections suggest that the statistics to be published in 2019 will report that 93% of households in fuel poverty will be in properties at Band E or better (in 2017).

Whilst this is encouraging progress, it is important to note that this will still mean that there will be around 175,000 fuel poor households living in Band F and G properties reported in March 2019. Many will be suffering from the worst extremes of fuel poverty, for instance, fuel poverty gaps of:

- £1,474 per year for the 27% of households with dependent children
- £1,343 per year for the 38% of households who do not use electricity or gas to heat
- £1,291 per year for the 39% of households in villages, hamlets or are isolated dwellings.

We believe that by utilising the improved availability of data resulting from the from data sharing powers provided by the Digital Economy Act 2017<sup>7</sup>, it will be practicable to improve the energy efficiency of many of the remaining 175,000 Band F and G homes in time for the 2020 milestone and have set out in this report what we believe needs to be done to achieve this. We do however accept that upgrading all of the remaining Band F and G homes will not be achievable for a range of reasons.

- *2025 Milestone:* Progress towards the 2025 milestone of upgrading as many as reasonably practicable Band E, F and G homes to Band D or above, is forecast to be broadly on track, according to the projections published this year. These suggest that the statistics to be published in 2019 will indicate that 69% of households in fuel poverty in will be properties at Band D or above (by 2017).
- *2030 Target:* There is clearly a very long way to go to meet the target. The projections suggest that the statistics to be published in 2019 will indicate that only 11% of households in fuel poverty in will be properties at Band C or above (by 2017).

---

<sup>7</sup> [Digital Economy Act 2017](#)

This 2030 target is very challenging and therefore the pace of progress towards it needs to be quickly accelerated. Even when excluding the impact of 'churn' from households in fuel poverty either relocating or from households moving in and out of fuel poverty, about 2.2 million homes will need their energy efficiency levels substantially improving by December 2030. This is a substantial task.

## Part two: Update on progress on the three main areas of focus for success from our 2016 report

2.1 In our 2016 report, we identified our three key areas of focus:

- 1) Having funding in place to upgrade the energy efficiency of fuel poor homes
- 2) Identifying the most efficient and effective way of delivering assistance to the households in fuel poverty;
- 3) Being able to efficiently and effectively identify the address, property type and energy efficiency rating of each household in fuel poverty

2.2 This section reports on progress against these three focus areas.

### 1) Having funding in place to upgrade the energy efficiency of fuel poor homes

2.3 Our latest estimate is that about £15.4 billion of funds will be needed to deliver the 2030 target and that only £1 billion of this is likely to be provided by existing schemes on fuel poverty

2.4 Our estimate of the necessary £15.4 billion funding needed to complete the strategy breaks down as follows.

- 2020 Band E Milestone: In the period up to December 2020, we estimate that up to £0.9 billion worth of energy efficiency measures will be required;
- 2025 Band D Milestone: We estimate that about a further £3.0 billion of funding will be needed to deliver the 2025 milestone;
- 2030 Band C Target: We estimate that about a further £11.5 billion to deliver the 2030 target.

2.5 Box 1 (below) - the funding need - explains the basis for our estimates.

### Box 1 – the funding need

In our 2016 report, we estimated total costs of around £20 billion to achieve the fuel poverty strategy. For this estimate, we drew upon a report for the Committee on Climate Change, Meeting the proposed fuel poverty targets, published November 2014<sup>8</sup>. We used their “lowest cost” scenario for reaching the milestones and targets, and added 10% administration costs to their costs.

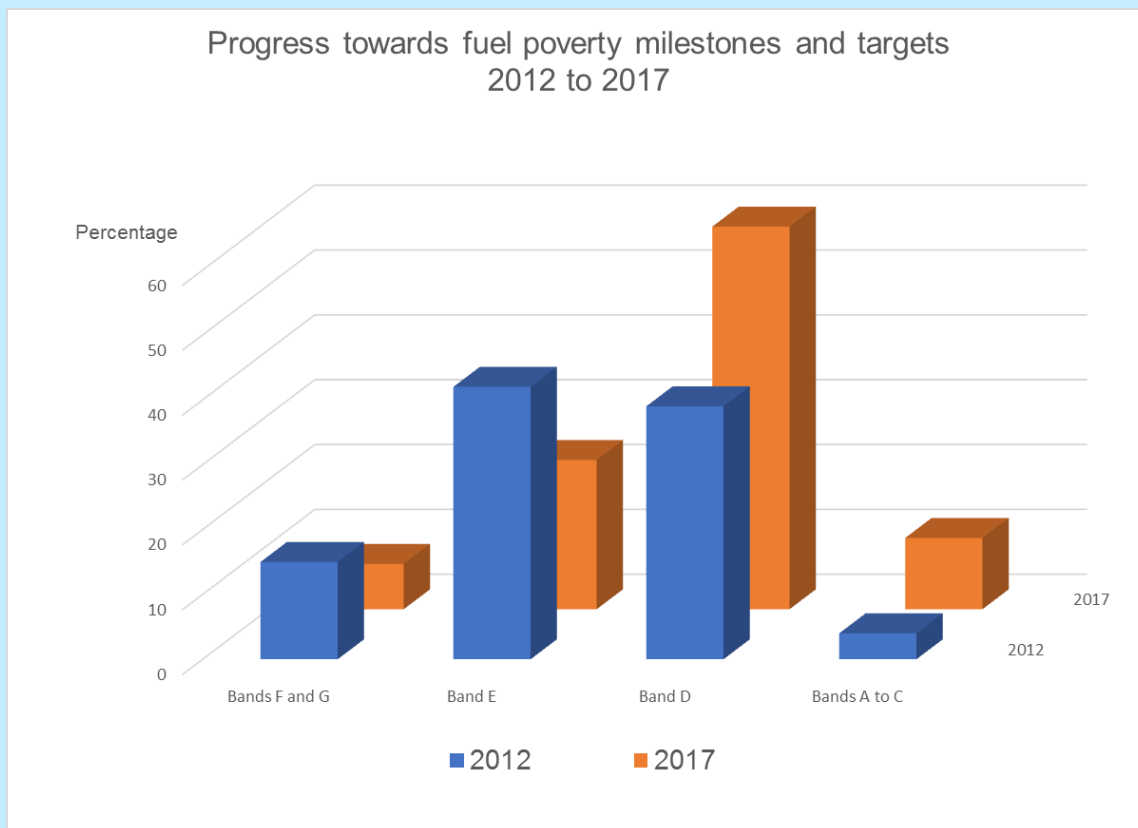
We also noted that other estimates of the overall costs of tackling fuel poverty were of a similar order.

One of the key roles of the CFP is to ‘monitor and report on progress towards the interim milestones and 2030 fuel poverty target’. The Government’s fuel poverty strategy, “Cutting the cost of keeping warm”<sup>9</sup> (which set out the target and milestones) was developed in 2014 to 2015 so we are using the Annual Fuel Poverty Statistics Report published in 2014 as a baseline from which to measure progress. This also enables us to estimate the difference in the funding requirement between our 2016 report estimate (which looked at the needs from the start of the period, that is, when the target was set) and the latest set of statistics. Using projections for the position in 2017 from the Fuel Poverty Statistics Report published this year, the chart below illustrates progress during this period towards the milestones and targets:

---

<sup>8</sup> [Meeting the proposed fuel poverty targets – Modelling implications of the proposed fuel poverty targets using the National Household Model, Centre for Sustainable Energy for the Committee on Climate Change, November 2014](#)

<sup>9</sup> [Cutting the cost of keeping warm – A fuel poverty strategy for England, Department for Energy & Climate Change, March 2015](#)



Considering the above progress, we now estimate that, based on 2017 projections included in this year's Fuel Poverty Statistics Report, £15.4 billion will be needed to improve the energy efficiency ratings of the remaining households and reach the 2030 target, broken down as follows:

	2020 Band E milestone	2025 Band D milestone	2030 Band C milestone
Investment cost £ billions (2016)	1.837	5.610	12.364
Revised investment in cost (2017)	0.9	3.0	11.5
Difference	-0.937	-2.61	-0.8764



2.6 Except for a recently-announced £150 million Warm Homes Fund<sup>10</sup>, launched by National Grid Affordable Warmth Solutions (which is designed to incentivise affordable heating solutions in fuel poor households who do not use mains gas as their primary heating fuel), no significant new funding schemes have been established to support the fuel poverty strategy since publication of our 2016 Report. England continues to be the only part of Great Britain without a Government-funded household energy efficiency programme. Local authorities are investing significant capital in building new housing, but they are not investing any meaningful amount to improve the energy efficiency of fuel poor homes.

2.7 The only programme currently providing substantive funds for household energy efficiency improvements is the Energy Company Obligation (ECO). Funding for ECO is approved through to 2022, and estimated to be £640 million per year, rising with inflation<sup>11</sup>. We estimate that around £550 million per year of this may be spent in England.

2.8 ECO is funded via energy bills. It is estimated to add £27 per year to the average dual fuel bill across all consumers – including bills of fuel poor households<sup>12</sup>. It therefore has regressive impacts on some of the population. Moreover, due to the current challenges of identifying fuel poor households and competition for ECO funds from the previous Government's manifesto commitment to 'insulate one million homes', we estimate that only around 30% of ECO funds will reach fuel poor households in the current period<sup>13</sup>. We welcome, however, the Government's stated intention (in the June 2016 ECO consultation) to shift ECO towards making a bigger difference for fuel poor households.

2.9 In parts 4 and 5 of this report, we recommend ways to deliver our latest estimate of the £15.4 billion funding need. In summary, they are as follows:

**Urgent action is needed to provide up to the £0.9 billion of funds to deliver the 2020 milestone and we recommend:**

- the entire post September 2018 ECO programme is focused on upgrading the energy efficiency levels of households in fuel poverty, with particular emphasis on upgrading Band F and G homes. For example, the ECO redesign needs to recognise that Band F and G fuel poor properties are disproportionately located in non-urban areas and that the majority are not connected to the gas grid:
  - 39% of properties are in villages, hamlets or are isolated dwellings

---

<sup>10</sup> [National Grid Affordable Warmth Solutions, Warm Homes Fund](#)

<sup>11</sup> [Energy Company Obligation: Help to Heat, April 2017 to September 2018 – The Government response to the consultation, January 2017](#)

<sup>12</sup> [ECO Help to Heat, April 2017 to September 2018 – Final Stage Impact Assessment](#)

<sup>13</sup> Our estimate is based on funding allocated to the Affordable Warmth obligation and current efficiency of targeting of fuel poor households in ECO.

- 71% are off-gas grid;
- the Private Rented Sector (PRS), Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015<sup>14</sup> (referred to in the remainder of this report as the “PRS Regulations”) are amended to increase their effectiveness in obligating private landlords to improve their Band F&G properties to at least Band E by 2020;
- maximum use must be made of the data sharing powers provided by the Digital Economy Act 2017<sup>15</sup> to help efficiently and effectively identify the addresses of fuel poor households;
- providing funds from other sources such as:
  - making household energy efficiency a national infrastructure priority;
  - accessing third party finance;
  - utilising part of the Winter Fuel Payment budget;
  - providing fuel poor households with access to the Renewable Heat Incentive.

**For the 2025 Band D Milestone and 2030 Band C Target, we estimate that up to around £3.0 billion of funding will be needed to deliver the 2025 milestone and up to around a further £11.5 billion to deliver the 2030 target. To provide confidence for energy efficiency manufacturing and installation companies to invest and to avoid a heavy back-loading of delivery, early action is needed by Government to ensure the availability of the necessary funds. Our recommendations include:**

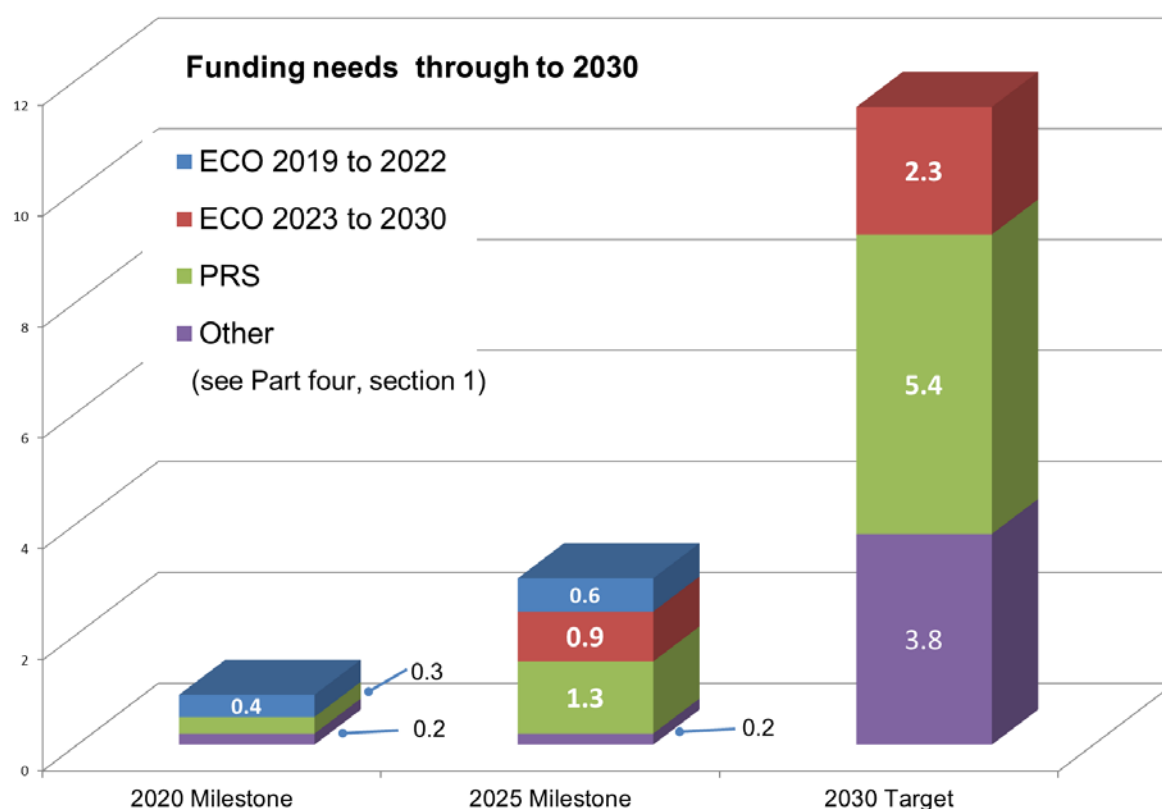
- focusing the entire 2021 to 2022 ECO programme on upgrading the energy efficiency levels of households in fuel poverty, with particular emphasis on upgrading Bands E, F and G homes;
- extending the ECO programme to 2030 and focusing it on upgrading the energy efficiency levels of households in fuel poverty;
- placing an obligation on private landlords, social housing owners and Housing Associations to fund improved energy efficiency levels of their properties in line with the 2025 fuel poverty milestone and the 2030 target;
- providing funds from other sources such as:
  - making household energy efficiency a national infrastructure priority;
  - accessing third party finance;
  - utilising part of the Winter Fuel Payment budget;
  - providing fuel poor households with access to the Renewable Heat Incentive.

2.10 The following chart illustrates how these recommendations could deliver the £15.4 billion funding need:

---

<sup>14</sup> [Energy Efficiency \(Private Rented Property\) \(England and Wales\) Regulations 2015](#)

<sup>15</sup> [Digital Economy Act 2017](#)



2.11 All of the above recommendations require major change in public policy. Due to the scale of work to upgrade the properties to Band C, it is also vital that the recommendations made in the 'Each Home Counts' report<sup>16</sup> are rapidly implemented. This will help provide householders with confidence that energy efficiency measures will be specified correctly by the landlord or agents and installed by companies operating to a high quality standard.

## 2) Identifying the most efficient and effective way of delivering assistance to the households in fuel poverty

2.12 In our 2016 Report we recommended significantly improving the focus of the Winter Fuel Payment (WFP) and Warm Home Discount (WHD) budgets on helping those in fuel poor households. The WFP budget is about £1.8 billion per year for England. The WHD budget is about £0.27 billion for England<sup>17</sup>. Currently, we estimate that less than 10% of the combined WFP and WHD money is received by

<sup>16</sup> [Each Home Counts](#) – An independent review of Consumer Advice, Protection, Standards and Enforcement for Energy Efficiency and Renewable Energy, Department for Business, Energy & Industrial Strategy and Department for Communities & Local Government, December 2016

<sup>17</sup> Our estimate is based on the data on [total WHD expenditure by nation, 2015/16](#), published by Ofgem.

households in fuel poverty. The CFP believes that it is vitally important that households in fuel poverty receive assistance with their energy bills, whilst they await energy efficiency upgrades to their homes.

2.13 We were therefore pleased to see that the Conservative Party's 2017 manifesto included a commitment to means test WFP. However, we wanted to ensure that any savings from the WFP budget would not be diverted away from fuel poverty interventions and capital expenditure on energy efficiency. We believe that the WFP should be retained as a fuel poverty programme and that that the associated improvements in the health and wellbeing of those in fuel poverty will have a direct impact on reducing health and social care costs. Following the election, the issue of refocussing the WFP has dropped off the Government's agenda and, given the strong arguments for a better focus on those in fuel poverty, we would encourage further consideration of how it could be used more effectively to meet the fuel poverty milestones and target.

2.14 We are encouraged by the progress the Government has made towards enabling better targeting for WHD, but it needs to bring forward proposals quickly for how WHD will be improved in this next phase.

### 3) Being able to efficiently and effectively identify the address, property type and energy efficiency rating of each household in fuel poverty

2.15 Progress of developing data sharing powers under the Digital Economy Act has been on-track for potential implementation in early 2018. Sharing data between government departments, local authorities and with energy suppliers will significantly improve the ability to focus energy efficiency upgrades on fuel poor households and reduce search costs. However, we recognise that alongside this it will be important for the health sector, social services, local authorities and charities working together to help identify the 'hard to find' fuel poor households and the need for appropriate resourcing for their endeavours.

## Part three: Early, highest priorities for Government

3.1 The actions detailed in this section are those that we feel need urgent attention by the Government itself. If adopted, they will maximise the chances of achieving the 2020 Band E energy efficiency milestone.

3.2 As noted in Part two, based on the BEIS projections in the 2017 fuel poverty statistics, we estimate that the 2019 fuel poverty statistics will report 175,000 fuel poor households still living in Band F and G properties. We calculate, therefore, that up to a further £0.9 billion of energy efficiency measures will be needed to upgrade as many as reasonably practicable Band F and G households to Band E. This would also contribute to a significant reduction in the fuel poverty gap, which for F and G properties averages £1,069 a year<sup>18</sup>, and would provide a solid start for meeting the 2025 milestone and 2030 target. There are priority actions that need to be in place as soon as possible, in time to have impact well ahead of the 2020 milestone, to provide these funds and to assist households in fuel poverty to pay their energy bills. These are:

- Energy Company Obligation (ECO): Focus the entire post September 2018 obligation on upgrading the energy efficiency levels of households in fuel poverty with an emphasis on Bands F and G properties.
- PRS Regulations 2015: Take action to ensure regulations to require landlords of privately rented homes to upgrade energy efficiency of their Band F&G properties to at least Band E will be effective.
- Targeting of the Warm Home Discount (WHD) scheme towards fuel poor households: Targeting should continue to be improved through the new data sharing powers that allow, for example, Department for Work and Pensions (DWP) data to be shared with energy suppliers so they can better target the assistance they provide for families on means-tested benefits.

### Energy Company Obligation (ECO)

3.3 We discuss ECO in more detail in Part four, but our purpose in this section is to flag the urgency of giving ECO attention in time for the post-September 2018 obligation to be fully focussed on tackling fuel poverty.

3.4 The Government committed in the 2015 Spending Review to maintaining the current level of ECO funding through to March 2022 (which we have estimated will

---

<sup>18</sup> [Fuel poverty statistic detailed tables 2017](#)

provide around £550 million per year for England). The current ECO transition scheme ends in September 2018. Decisions on the form that the next ECO scheme must be taken as soon as possible to allow for a smooth transition, whilst taking into account time to evaluate and consider lessons from the current flexibility trials with local authorities.

3.5 We therefore welcome the Government's stated intention (in the June 2016 ECO consultation<sup>19</sup>) to revise ECO so that it makes a bigger difference for fuel poor households. We estimate that the 2017/18 ECO transition scheme has seen an increase from around 10% to around 30% in the proportion of the ECO budget received by households in fuel poverty, although we would have preferred to have seen the Government move further in this direction during the transition period. Additionally, we would have preferred a shorter transition than 18 months. Earlier this year, we provided strategic guidance to BEIS on the design of the post 2018 ECO (see Annex B).

**We recommend that the Government commits now to give ECO a 100% focus on fuel poor households from October 2018 onwards, with an emphasis on Bands F and G properties.**

3.6 We estimate that for the 2020 milestone, such a commitment would provide £0.4 billion of the £0.9 billion funding requirement for upgrading Band F and G homes<sup>20</sup>.

3.7 We recognise that it may not be possible to redesign ECO to target *all* remaining Band F and G fuel poor households, so consideration needs to also be given to introducing some supplemental programmes to upgrade the energy efficiency levels of those 'hard to reach' Band F and G properties (see Part 4).

## Private Rented Sector (PRS)

3.8 45% of the households in fuel poverty in Bands F and G properties are in privately rented properties. The PRS Regulations 2015 are due to come into force in April 2018. From that date, private landlords in England and Wales will no longer be permitted to let properties in energy efficiency Bands F or G under new tenancies, subject to them accessing financial instruments to make the necessary energy efficiency improvements. From April 2020, all privately rented properties must be at EPC Band E or above, even if there has been no change of tenancy, unless a valid exemption applies.

3.9 The Government had previously envisaged that the Green Deal would provide an appropriate financial instrument, with additional support from ECO. Through the Green Deal, the landlord could fund the improvement using a Green Deal loan, repayable in instalments by the energy bill payer (who in the overwhelming majority

---

<sup>19</sup> [ECO: Help to heat, consultation, June 2016](#)

<sup>20</sup> For this estimate, we have assumed a targeting efficiency of 60% during the period.

of cases would be the tenant) meaning that the landlord would face no upfront costs (and, indeed in most cases, no costs at all). Activity in the Green Deal fell to almost zero following the Government's decision in July 2015 to end public investment in the scheme.

3.10 The Green Deal Finance Company – which was the vehicle through which the Government provided finance – was sold to new owners earlier this year, who are now looking to grow their Green Deal business. Following this, and signs of interest from other stakeholders, it is possible that Green Deal finance will revive to some extent. However, it is clear that this will not return to the levels that could support funding of energy efficiency in line with the original delivery expectation for the regulations. It would also require a rethink in how investment costs are recovered, as fuel poor tenants may be unable and/or unwilling to make such repayments. Making the regulations effective, independent of the Green Deal, is therefore essential if the Government is to reach the fuel poverty strategy 2020 milestone. We are now less than six months away from the date when the PRS regulations come into force, and we are of course not far away from the 2020 milestone date.

**We recommend that the Government ensures the PRS regulations will be effective by requiring landlords to fund energy efficiency improvements up to a cost cap of £5,000 for each property.**

3.11 If the regulations are made effective, we estimate this would provide about £0.3 billion of the £0.9 billion 2020 milestone funding requirement<sup>21</sup>. Alternatively, the Government would need to urgently identify or propose alternative financing tools.

3.12 We see this as a reasonable requirement to place on private landlords, not least because many properties can be improved to Band E with relatively low levels of investment, and because the investments will add to property values and may reduce maintenance costs. Additionally, we do not believe that fuel poor tenants are likely to take out loans to improve the efficiency of the properties, in part due to their lack of ability to make sufficient savings to repay the loans through cost savings on their energy bills. Energy efficiency costs incurred by landlords must be viewed in the context that the tenants of a Band F or G property are effectively paying a 'rent premium' through higher household energy needs which average £918 and £1,568 per year higher respectively than the national median amount (the fuel poverty gaps for Bands F and G respectively). Furthermore, the Committee on Climate Change's report on "Energy Prices and Bills - impacts of meeting carbon budgets"<sup>22</sup> forecasts that costs related to climate policy will add a further £95 per year to the average dual fuel bill by 2030 and wholesale price increases add a further £200 per year. The same report points out that some of the impact from these price increases could be partly mitigated by improvements in the energy efficiency of new household goods

---

<sup>21</sup> Our estimate is based on the numbers of households in fuel poverty in Bands F and G and the assumption is that a cap of £5,000 would result in landlords paying an average of 80% of the energy efficiency measure costs.

<sup>22</sup> [Energy Prices and Bills – impacts of meeting carbon budgets, Committee on Climate Change, March 2017](#)

(boilers, white goods, televisions, etc.). In privately rented accommodation, however, many of these energy efficiency savings, estimated to be worth £150 per year, can only be realised if the landlord replaces old appliances with new ones of higher efficiency. This reinforces our view that it is right to place an obligation on landlords to upgrade the energy efficiency levels of their properties.

**We also recommend reintroducing the Landlord’s Energy Savings Allowance (LESA) – a former tax allowance on energy saving expenditure by landlords – as an incentive.**

3.13 We discuss the LESA in more detail in Part 4. The re-introduction of LESA will in part help to mitigate the landlords’ investment costs.

3.14 Furthermore a mandatory national online licensing scheme should be introduced for private landlords in England so that enforcing their legal obligations can be more efficient and effective. Such schemes exist in Northern Ireland and some local authorities in England and bring with them additional benefits such as transparency on taxation and health and safety.

**We recommend that the Government consults on the scope for developing a nationwide landlord licensing scheme.**

### Warm Home Discount (WHD)

3.15 We discuss WHD in more detail in Part 4 but, as with ECO, we wish to stress the urgent need to give WHD attention now so that it can be extended from April 2018, but with far better targeting towards fuel poor households.

**We recommend that the Government gives urgent attention to extending WHD with far better targeting towards fuel poor households, so that clear proposals to this end can be set out in its forthcoming consultation on WHD.**

3.16 Completing the necessary energy efficiency improvements for households in fuel poverty will take a long time (through to 2030 at least). Whilst the recent prepayment meter price cap and possible future price caps (which we discuss in Part 4) may help, energy bill support will continue to be necessary for millions of fuel poor households, particularly those that have not yet benefitted from energy efficiency improvements. We are encouraged by the progress the Government has made towards enabling better targeting for WHD, but it needs to bring forward proposals quickly for how WHD will be further improved in this next phase. Improvement is especially important as there is no commitment about when to improve the current targeting of Winter Fuel Payments towards households in fuel poverty, which is less than 10% efficient.



## Part four: Six priority outcomes – progress and areas for action

4.1 This section will discuss our proposals to deliver our six priority outcomes outlined in our 2016 Annual Report:

1. The strategy will be sufficiently funded and existing Government and supplier programme spend will be significantly better focussed on helping households in fuel poverty
2. There will be additional finance in place from other sources to help fund household energy saving measures to meet the fuel poverty milestones and target
3. Health agencies, local authorities and practitioners will recognise the impacts of cold homes and will be engaged in delivering solutions
4. Regulatory changes will have demonstrably positive outcomes for households in fuel poverty
5. The energy market will function for households in fuel poverty
6. Households in fuel poverty will be well-informed and advised on assistance available from different sources and actions they can take

4.2 In summary we believe the following proposals listed in this section of the report, if adopted, will:

- help provide the necessary £14.5 billion of funding to achieve the 2025 milestone and 2030 target;
- ensure that the market works for those in fuel poverty;
- significantly improve the efficiency of delivering the fuel poverty strategy;
- assist fuel poor householders to pay their energy bills whilst they await energy efficiency improvements to their homes.

## 1. The strategy will be sufficiently funded and existing Government and supplier programme spend will be significantly better focussed on helping households in fuel poverty

4.3 Based on the 2017 fuel poverty statistics, we estimate a need for about £14.5 billion of funding beyond March 2019 to deliver the 2025 milestone and 2030 target. The only programme currently proposed to run beyond 2020 is ECO and then only until 2022. Furthermore, even if ECO is more accurately targeted, ECO could only provide about £0.6 billion of these funds<sup>23</sup>.

4.4 We recognise that the funding to address the remaining £13.9 billion funding gap (the balance after the ECO contribution) will need to come from multiple sources but undoubtedly the Government has a key role in ensuring adequate funding, improved targeting and effective design of the main schemes to tackle fuel poverty. This section focuses on the main programmes established by the Government.

### Better focusing

4.5 The ability to identify households in fuel poverty is critical for success – both in reaching those in need but also doing so as cost-effectively as possible. We tracked the progress of the passage of the Bill leading to the Digital Economy Act 2017, and supported the Government on the introduction of the Act's provisions for data sharing for tackling fuel poverty<sup>24</sup>. These provisions are expected to enable significantly improved targeting of support for fuel poor households. For instance, we understand that it could improve targeting of WHD so that up to 50% of recipients would be in fuel poor households, as opposed to the current level of about 15%<sup>25</sup>. The company initiatives element of the WHD scheme should be retained to help with further targeting through third party agents.

### Box 2: sharing data to help tackle fuel poverty

The Digital Economy Act 2017 builds on existing use of Government data for identifying households eligible for WHD (rebates under WHD have successfully and securely been provided to pensioner households in this way since 2011).

The Act provides the powers to share public data with specified persons for the objective of improving the wellbeing of individuals, and for the specific objectives of improving public service delivery or the delivery of a benefit to households. Currently Government is consulting on draft regulations which would enable the sharing of data for the specific purpose of alleviating fuel poverty<sup>26</sup>. It includes powers to share data with energy suppliers for the purposes of WHD and ECO, subject to data protection rules.

---

<sup>23</sup> For this estimate, we have assumed a targeting efficiency of 60% during the period.

<sup>24</sup> [Digital Economy Act 2017](#)

<sup>25</sup> [Written Parliamentary Question about WHD, Clive Lewis MP, April 2016](#)

<sup>26</sup> [Digital Economy Act, part 5: data sharing codes and regulations – consultation, UK Statistics Authority, Government Digital Service and HM Passport Office, September 2017](#)

This is how it would work:

- BEIS would obtain data from the Valuation Office Agency on property types, size and age. These will enable a ranking to be developed of properties likely to fall into the 'high cost' category.
- The data would then go to the Department for Work & Pensions (DWP) who overlay social security data which indicates 'low income' households.
- The data passed to energy suppliers would be a simple 'yes or no' eligibility flag for their customers.

Depending on decisions on the future of WHD, the resulting dataset could help to improve the targeting to reach more Low Income-High Cost households, potentially improving the targeting within WHD so that around 50% of the rebates reach fuel poor households.

Further use of the data – for instance to improve ECO targeting – might require further legislation.

4.6 This is a significant step forward by the Government. There is now, however, more to do to secure the full benefits of data sharing. The first requirement is to design WHD so that it can take full advantage of the new powers, with increased targeting on fuel poor households. We would then support the introduction of legislation to enable the use of the data for improved ECO targeting. As well as identifying eligible households, data from BEIS's National Energy Efficiency Database (NEED) could also be overlaid. This would provide some information on whether, and what, measures have already been installed in properties, potentially providing suppliers and their scheme managers with helpful information for more refined and cost effective targeting.

**We recommend that the Government takes the necessary steps, described above, to ensure that the full benefits of data sharing are secured.**

4.7 As noted in our last report, data sharing can only take us so far. Some fuel poor households are harder to identify, and therefore we need to maximise opportunities to improve targeting "on the ground". A multitude of local organisations need to be involved in such an effort. One initiative which opens the way for a multitude of organisations to be involved is the Big Energy Saving Network (BESN), which provides an essential service in helping households engage with the energy market and assistance in accessing the help available to tackle fuel poverty. We were pleased to see BEIS announce in October 2017 funding for BESN for 2017/18. It will be important for longer term funding to be made available so as to provide planning certainty, otherwise this would risk a reduction in the capacity at local level to identify and support fuel poor households – the importance of which is noted at various points in this report.

**We recommend that BEIS continues to support the BESN or future similar local advice networks, and that BEIS ensures that appropriate longer term funding is in place.**

4.8 A further key development this year has been the introduction of a new 'flexible eligibility' in the 2017/18 ECO Transition. Under this, suppliers may use up to 10% of their ECO Affordable Warmth obligation for energy efficiency measures in households identified as fuel poor by local authorities. We understand that most of the ECO-obligated energy suppliers are working with local authorities to make use of flexible eligibility. Though there is limited hard evidence of its success so far, suppliers have indicated they believe it can reduce the costs of identifying eligible households and local authorities are targeting vulnerable households who have missed out on help previously because they are not on eligible benefits. Indeed, there have been early suggestions by some that the 10% limit may be acting as a barrier, with the potential for many more local authorities to refer households if that cap was higher. We have been informed anecdotally that installers have found large numbers of households within one local authority area and have had to split these out across suppliers to ensure no single supplier surpasses their 10% limit - causing an administrative burden to the installer, reducing cost effectiveness. Overall, to date we are aware that only a small number of installed measures have been verified through Ofgem. These measures have been introduced across a range of property types, including park homes.

4.9 We look forward to hearing more fully about the results of flexible eligibility. We will also continue to work with stakeholders such as the NHS and charities to explore other ways of identifying and engaging fuel poor households.

## ECO

4.10 In Part two, we stressed the need for urgent attention by the Government to ECO post-September 2018. This would provide much needed funding towards achieving the 2020 milestone and a further £0.6 billion towards achieving the 2025 milestone. Beyond the end of the current ECO programme in 2022, there is a need for longer term certainty around the design and level of funding of any future programmes.

4.11 ECO is a proven vehicle for the efficient delivery of large numbers of energy efficiency installations. We believe that beyond 2022 ECO should continue to be a major programme for tackling fuel poverty and that Energy Suppliers should remain accountable for its delivery. Given the fuel poverty target, and the Government's manifesto commitment to improve all fuel poor homes to Band C by 2030, there is a clear case for the Government to commit early to a well-funded ECO programme through to 2030. We estimate that by extending ECO at current annual funding levels beyond 2022 and through to 2030 and focusing it on fuel poor households, an additional £3.2 billion of funds would be provided to deliver the fuel poverty strategy<sup>27</sup>.

---

<sup>27</sup> For this estimate, we have assumed a targeting efficiency during the period of 60% rising to 70% after 2022.

4.12 As well as improving the chances for achieving the 2030 target, certainty around a long-term ECO programme would help stimulate the necessary supply chain for energy efficiency measures as well as stimulate third party capital for household energy efficiency. It would also help enable planning and a proper assessment of what other measures will be needed – in addition to ECO – to achieve the 2030 target.

**We recommend that the Government makes a commitment, as soon as possible, to continue ECO funding through to 2030, at least at the current levels, and focuses it on achieving the fuel poverty strategy. This could provide around £3.2 billion towards achieving the 2025 milestone and 2030 target.**

### Redesigning ECO

4.13 To maximise the benefits from a longer-term ECO, certain elements must be redesigned. Foremost among these is an improvement in targeting fuel poor households. Furthermore, it needs to be better focussed on sequentially achieving the fuel poverty milestones and targets (e.g. start with a focus on Bands F and G properties and then move onto E and D). For Band F and G properties, this could mean encouraging a “whole house approach” for at least certain types of property, rather than the current system, which leads to multiple interventions at the same property. Such a move would be more in line with the principle in the Government’s fuel poverty strategy of prioritising the most severely fuel poor.

4.14 From the above, it is possible to conclude that mechanisms should be introduced into ECO to guarantee certain levels of funding for households in certain energy efficiency Bands, or for certain rural areas. The argument against this has been that this would lead to an excessive increase in finding and delivery costs. To date we have been unable to identify any solid evidence to support this, and in Box 3 below we have made an initial estimate of relative costs and benefits of finding and delivering to F and G properties, as opposed to properties in other bands. We do also note, however, that if the “higher cost” argument holds true, given that bill payers fund ECO any increased costs could have further regressive impacts.

### Box 3 – ECO delivery costs to Bands E, F and G

Some parties argue against a sharper focus of ECO on Bands F & G on the basis that the costs of finding the properties and delivery of measures would be higher than for other Bands. We have not tested the following early-stage analysis with stakeholders yet, but our assessment suggests that additional fuel saving benefits could outweigh higher costs of finding.

Data from the report for the Committee on Climate Change, “Meeting the proposed fuel poverty targets”<sup>28</sup>, shows that the cost of energy efficiency measures are broadly the same for upgrading a Band F and G property to Band E and for upgrading a Band E property to Band D:

	<u>Band F/G to E</u> <sup>29</sup>	<u>Band E to D</u> <sup>30</sup>	<u>Band D to C</u> <sup>31</sup>
Average cost per dwelling to meet Band Milestone/Target (£)	3,420	3,290	5,800

Following this, we have sought data on the value of benefits from moving up through these bands. We have not been able to obtain and review this data in the time available, but it might be inferred from the differences between the average fuel poverty gaps for the respective bands<sup>32</sup> in the table below that the benefits may be significantly higher for the move from Bands F and G to Band E than from E to D and D to C.

	<u>Band F/G to E</u>	<u>Band E to D</u>	<u>Band D to C</u>
Average fuel need savings (£/year)	645	222	3

<sup>28</sup> [Meeting the proposed fuel poverty targets – Modelling implications of the proposed fuel poverty targets using the National Household Model, Centre for Sustainable Energy for the Committee on Climate Change, November 2014](#)

<sup>29</sup> Note that this is the cost of moving fuel poor households from Bands F&G to E by 2020.

<sup>30</sup> Note that this is the additional cost of bringing fuel poor households from Band E to Band D from 2020 onwards, that is, having had measures to reach the 2020 milestone and taking account of the fact that some households from the pre-2020 population are no longer fuel poor as a result of having some of the measures installed.

<sup>31</sup> Note that this is the additional cost of bringing fuel poor households from Band D to Band C from 2025 onwards, that is, having had measures to reach the 2020 milestone and taking account of the fact that some households from the pre-2020 population are no longer fuel poor as a result of having some of the measures installed.

<sup>32</sup> Note that the differences in average fuel poverty gaps do not equate to benefits achievable by improving properties through the Bands, for instance because the fuel poverty gap reflects the additional costs that a fuel poor household faces due to being in fuel poverty, and not the difference in fuel costs between bands.

### **Possible need to supplement the ECO programme**

4.15 If ECO cannot be designed to reach all types of fuel poor households, there will be a need for another programme (or programmes) specifically designed to tackle certain types of properties, such as harder-to-reach fuel poor households or perhaps specific types of properties off the gas grid. Consideration could be given to funding such a programme (or programmes) from taxation, to ensure that the associated costs do not fall disproportionately on those least able to afford them.

**We recommend that, if ECO cannot be designed to reach all types of fuel poor households, the Government gives consideration to the design and funding from taxation of a more tightly-focussed programme (or programmes) that can tackle those households that are inadequately covered by existing provisions.**

4.16 We noted in our last report that some of the deepest levels of fuel poverty are found in properties off the gas grid. Earlier this year we set up an ‘Off-gas sub-group’ with the expertise to advise us on how best to identify and upgrade the energy efficiency levels of such properties. 71% of the Band F and G fuel poor households are off-gas grid<sup>33</sup>. The needs of these households could be addressed within an additional programme, which could differentiate between rural and urban off-gas grid properties. The sub-group reported to us last month and highlighted that “specific action could be needed for those properties that are F and G rated and are off gas grid” (see Box 4 for more on the off-gas group’s report).

4.17 We welcome the non-mandated £150 million three year energy efficiency grants programme recently launched by National Grid Affordable Warmth Solutions<sup>34</sup>. Part of this will help deliver energy efficiency improvements to rural Local Authority and Housing Association properties that are off gas grid.

#### **Box 4: report by the CFP’s off-gas grid advisory group**

We commissioned the sub-group to advise us on how best to identify and upgrade the energy efficiency levels of off-gas grid properties. The sub-group reported in September 2017 and we will need to consider in more detail their specific recommendations. It is clear, though, that their recommendations work broadly with the grain of our own thinking. Some of the key points made by the sub-group are as follows:

- The “industry” broadly understands the challenges and remedial solutions needed to address off-gas grid properties, but the sub-group believes there is a lack of urgency and willingness to support some of the measures due to the complexity of installation and possible associated high upfront costs.
- Specific action is needed for those properties that are F and G-rated and are

<sup>33</sup> [Fuel poverty statistic detailed tables 2017](#)

<sup>34</sup> [National Grid Affordable Warmth Solutions, Warm Homes Fund](#)

off-gas grid.

- If there are delays in the provision of support, we recommend an interim programme to target and support off-grid households. Demand for this is also evidenced by the level of interest from stakeholders in the energy efficiency grants programme recently-launched by National Grid Affordable Warmth Solutions.
- Identifying and targeting fuel poor households has always presented a challenge. We suggest this access could be greatly improved by allowing key organisations direct access to information on the support available to eligible households in their areas from central Government. This would allow local authorities, GP Practices, Health and Wellbeing Boards, Clinical Commissioning Groups and energy network companies to match information they hold to allow tailored advice and referrals for affordable warmth interventions.
- The forthcoming consultation on the longer-term ECO scheme should seek stakeholder opinion on how to address the additional barriers to delivering assistance to off-gas properties in both ‘rural’ and ‘urban’ areas. We would encourage Government to:
  - review its definition and use of ‘First Time Central Heating’ (FTCH) to help ensure support can be directed towards off-gas households and those most in need;
  - consider how, in addition to the existing rural safeguard, energy suppliers and the wider supply chain can be better incentivised to cost-effectively install measures, including FTCH, Solid Wall Insulation and hard-to-treat cavity insulation, in off-gas homes (e.g. new measure-based and/or geographical uplifts);
  - learn lessons from other parts of the UK and encourage the delivery of ECO measures in off-gas homes by providing matched funding for measures, which would otherwise be un-attractive or un-economical under ECO alone.

### **Warm Home Discount**

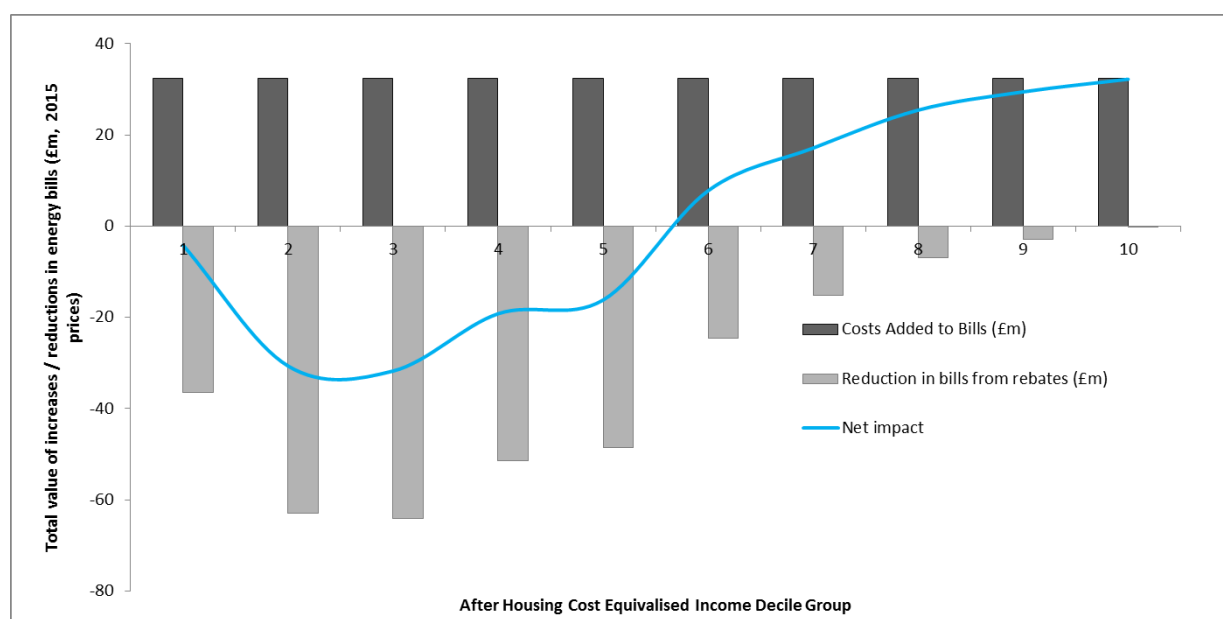
4.18 In Part three, we stressed the need for urgent attention by the Government to improve the targeting of the £0.27 billion per year (England-only budget) WHD on fuel poor households from 2018. Figure 4 of the Impact Assessment for the WHD scheme for 2016-18<sup>35</sup> shows that, despite poor targeting on fuel poor households,

---

<sup>35</sup> [Warm Home Discount scheme 2016-18 Impact Assessment](#), June 2016



WHD does have a positive distributional effect so that the rebates are concentrated on lower income groups. It is, however, also notable that a significant percentage is also received by households with high after-housing cost incomes:



4.19 We were encouraged that the WHD Impact Assessment stated that ‘for 2017/18 and beyond, the Government is considering whether to make further changes to the scheme to improve delivery. This will include consideration of using new data sharing powers under the Digital Economy Act.

4.20 We have outlined in Box 2 how the data sharing powers offer the opportunity to extend the cost-effective payment of discounts to a broader group of beneficiaries. Currently, the focus of WHD is on pensioner households, with only around 15% of the payments going to fuel poor households. Whilst clearly it is right that pensioner households in fuel poverty – or indeed other pensioner households with low incomes – receive the WHD, it is vital that the rebates are also paid to households in fuel poverty. The median annual household equivalised<sup>36</sup> income after housing costs for those in fuel poverty is £10,118<sup>37</sup>. For such households, the £140 rebate can provide significant help.

**We recommend that the Government improves WHD so that it better targets fuel poor households. We recognise that it may not be possible to achieve all of the potential benefits from the new data sharing arrangements immediately, but they should be built into successive phases of WHD as soon as possible.**

<sup>36</sup> Equivalisation is an adjustment factor to standardise spending and energy requirements across households.

<sup>37</sup> [Fuel poverty statistic detailed tables 2017](#)

4.21 The following recommendations for WHD from our 2016 report are also still relevant:

- **reduce the participation threshold for Warm Home Discount to energy suppliers with more than 50,000 customer accounts as soon as is practicable. Switching sites should always alert customers where a smaller supplier does not offer WHD before switching a customer;**
- **entitle park home residents to Warm Home Discount energy rebates like other households (noting that some may already benefit through the Industry initiatives element of WHD).**

4.22 We are also considering how WHD can work more effectively in combination with ECO programmes and other initiatives to provide holistic services to fuel poor households by recognising the different drivers of fuel poverty – energy prices, housing standards and income levels.

4.23 Below we discuss what we see as a missed opportunity to have made better use of the Winter Fuel Payment (WFP). In relation to WHD, it is worth noting that a re-designed WFP potentially provides a far less regressive type of bill support than WHD. Even if our recommendations on WHD are adopted, it will still have the flaw of being a regressive market mechanism, in which too many of the costs are currently met by those on lower incomes particularly those reliant on electricity for heating their homes.

#### **Winter Fuel Payment (WFP)**

**We continue to recommend significantly improving the targeting of the £1.8 billion per year WFP programme towards households in fuel poverty.**

4.24 Prior to the General Election, we and other stakeholders had argued that better use could be made of the £1.8 billion per year WFP budget to tackle fuel poverty<sup>38</sup>. The Department of Work and Pensions describes WFP as being introduced in 1997 with the aim of ‘tackling fuel poverty amongst pensioners’<sup>39</sup>. Currently, we estimate that there are about 7.4 million pensioner households in England who receive WFP, the overwhelming majority of whom are not fuel poor according to the LIHC definition. The WFP, therefore, provides support to millions of pensioner homes but this only includes 550,000 fuel poor pensioner households. It therefore has benefits for fuel poor pensioner households but nearly 2 million non-pensioner households in fuel poverty do not receive a WFP. We estimate that less than 10% of the WFP budget is received by households in fuel poverty, although it is of course also reaching millions of pensioner households that are on low fixed incomes.

---

<sup>38</sup> The WFP budget for Great Britain is £2 billion, of which we estimate £1.8 billion is spent in England.

<sup>39</sup> [Winter Fuel Payment, Great Britain Official Statistics at winter 2016/17, Department for Work & Pensions](#)

4.25 We noted that the latest Annual Fuel Poverty Statistics Report<sup>40</sup> shows that the pensioner groups (to whom the WFP is paid) have median equivalised After Housing Cost (AHC) incomes in 2014 of between £20,867 and £20,989 per year. This compares to the £10,118 median equivalised AHC incomes of households in fuel poverty in 2015<sup>41</sup>, only 20% of whom receive a WFP. Clearly, this is an unjust situation as those in most need are not receiving support.

4.26 We discussed the need to significantly improve the targeting of WFP in meetings with – among others – Government departments, political advisors, Parliamentary select committees and the All Party Parliamentary Group on Fuel Poverty and Energy Efficiency. We noted that the Work and Pensions Select Committee's report on Intergenerational Fairness stated that the WFP '...is not focused on those who need it most. It is a blunt instrument for alleviating fuel poverty...'. The CFP advocates cross-party support to better utilise the £1.8 billion per year to address fuel poverty.

4.27 We recognise that WFP needs to be cost-effective to administer, and that there would be challenges to target it effectively on fuel poor households in the near-future. It would be necessary to use the best available proxies for the fuel poor and we recognise that this would mean targeting would be imperfect. Nevertheless, the likelihood is that this would still result in a far more effective use of the WFP budget, and one that would be much closer to its original purpose.

4.28 Despite the Conservative Party's General Election manifesto commitment to means-test WFP, it is clear that there will not be a change to WFP in the foreseeable future and that there is no support amongst parties in opposition to make changes. Our view is that this is a missed opportunity to help those in most need. Despite the fact that it was originally introduced in 1997 with the aim of "tackling fuel poverty amongst pensioners", it is clear that, with the change in the demographics of fuel poor households, the current eligibility for WFP only captures a small percentage of the fuel poor, and eligibility could be extended within the existing spending envelope if higher income pensioners were excluded.

4.29 We were concerned during the political debates in the run up to the General Election that WFP was seen as a budget that could be used for purposes other than those originally set out. We reiterate our view that it should be maintained as a programme to alleviate fuel poverty and should be used to assist those who require additional help with their fuel bills during winter months and to supplement funding for their household energy efficiency measures.

**Until the WFP programme is significantly better targeted at assisting all households in fuel poverty, we recommend that government should take the necessary steps to ensure that households in fuel poverty receive at least the same levels of assistance to pay their fuel bills as pensioners.**

---

<sup>40</sup> [Annual Fuel Poverty Statistics Report 2017](#),

<sup>41</sup> [Fuel poverty statistic detailed tables 2017](#)

### Renewable Heat Incentive

4.30 Another area of potential leverage to deliver the fuel poverty strategy within existing programmes is to amend the Renewable Heat Incentive (RHI) scheme. With the RHI budget – covering both domestic and non-domestic schemes – increasing by around £120m per year to 2020/21<sup>42</sup>, funding is available to domestic users to invest in low cost, low carbon heating technology. However the householder is currently required to invest upfront capital and this precludes households in fuel poverty from accessing the benefits of the scheme.

4.31 Last year the Government consulted on reform of the RHI. We were encouraged by the following statement made in the Government's response to the consultation<sup>43</sup>:

'To help householders overcome the barrier of the initial capital cost of a renewable heating system, and improve access to the scheme for consumers less able to pay, the Government intends to open up the scheme to allow participants the option to finance their installations through 'assignment of rights'.

4.32 However, this was not included in the subsequent spring 2017 reforms that had to be withdrawn because of the general election. The Government now intends that this will be implemented as part of the reform regulations to be laid in Parliament later in 2017.

**We recommend the Government introduces the option for financing heat installations under the RHI through 'assignment of rights' mechanisms as soon as possible, with the added consumer protection rules clearly set out, so that fuel poor households can also benefit from renewable heat.**

### Improving the overall approach – maximising synergies and reducing tensions

4.33 As mentioned earlier in this section, funding to tackle fuel poverty will need to come from multiple sources but undoubtedly the Government has a key role in ensuring it is in place. The Government seeks to achieve a number of different objectives through programmes and policies which have energy efficiency as a common theme. The principle objectives are: meeting statutory fuel poverty obligations; carbon emissions targets; and keeping household bills down across the wider population through energy efficiency improvements (e.g. through the Conservative Party's previous "million homes" manifesto commitment). In looking across these over the past year we have come to the view that there may be opportunities for a more joined-up approach towards achieving the objectives, so that they could be achieved more efficiently and cost-effectively. Our own particular focus as a Committee is, of course, on tackling fuel poverty. But we are confident that there may be scope for improvement so that this objective can be achieved

---

<sup>42</sup> [Domestic RHI mechanism for budget management: estimated commitments](#)

<sup>43</sup> [RHI: A reformed scheme – Government response to a consultation, December 2016](#)

alongside reducing carbon emissions and keeping energy bills to a minimum across the whole population.

4.34 We have a remit to work with the Committee on Climate Change (CCC), which has a statutory duty to “consider fuel poverty when advising on carbon budgets, to help underpin efforts to ensure that decarbonisation and fuel poverty agendas work together”. Together we have commissioned a research project to understand the extent to which programmes are meeting this objective, what scope there is for improvement and what principles should be applied to bring about such improvement. We hope to be able to publish research findings early next year.

## 2. There will be additional finance in place from other sources to help fund household energy saving measures to meet the fuel poverty milestones and target.

4.35 We discussed in our 2016 report some of the other potential sources of funding for tackling fuel poverty, beyond the main programmes discussed above. Even if our recommendations to:

- better focus and extend ECO to 2030;
- make the PRS regulations effective by requiring landlords to fund energy efficiency improvements up to a cost cap of £5,000 for each property; and
- place an obligation on private landlords, social housing and housing associations to upgrade the energy efficiency levels of their properties in line with the 2025 fuel poverty strategy milestone and 2030 fuel poverty strategy target (see paragraph 4.56 below)

are adopted, we still estimate that there is a £4.2 billion funding shortfall to meet the 2030 target. It is therefore vital to attract more funding to deliver the fuel poverty strategy from sources such as national infrastructure funds and private finance. We discuss these below.

### National infrastructure

4.36 We recommended in our 2016 report that energy efficiency should be included in the National Infrastructure Plan. Key work in this area was undertaken by Frontier Economics, who showed in their 2015 report on “Energy efficiency: An infrastructure priority”<sup>44</sup>, that energy efficiency improvements produced significant net benefits to the economy, even without quantifying many of the key social benefits. More recently, Frontier Economics has completed research for the Energy Efficiency Infrastructure Group<sup>45</sup> which recommends that the Government develops and implements a Building Energy Infrastructure Programme<sup>46</sup>. The aim of the programme would be to lever the investment needed to achieve cost effective energy savings by 2035, to “reduce energy costs, improve affordability and provide for increased comfort and better health outcomes”. It targets 2030 for the “homes of low income households and all homes in the rented sector” to be at EPC Band C, and for all other homes to achieve this standard by 2035.

4.37 There is clearly a high degree of consensus among fuel poverty stakeholders on this subject and we, along with others, have continued to make the case to the National Infrastructure Commission (NIC). In the year following our report, we

---

<sup>44</sup> [Energy efficiency: An infrastructure priority, Frontier Economics, September 2015](#)

<sup>45</sup> The Energy Efficiency Infrastructure Group is a collaboration of over twenty organisations including leading industry and trade bodies, think tanks, environmental NGOs and major engineering, energy, construction and insulation businesses.

<sup>46</sup> Affordable Warmth, Clean Growth – Action Plan for a comprehensive Buildings Energy Infrastructure Programme, Frontier Economics for the Energy Efficiency Infrastructure Group, September 2017.

responded to the NIC's Call for Ideas for future specific studies, met with the NIC and argued that making energy efficiency a national infrastructure priority would:

- contribute towards funding the fuel poverty strategy, if targeted to those households that are most energy inefficient;
- sustainably reduce energy demand, thereby reducing the need to replace existing fossil fuel generating capacity;
- help to reduce carbon emissions at a cost effective price compared to other options and should therefore form a core part of the Government's strategy to decarbonise heating;
- create jobs and employment today across the UK and support many SME businesses;
- reduce health and social care costs as a result of improved physical and mental health.

4.38 We regard the inclusion of energy efficiency as a 'no regret decision' that can save money and reduce carbon today while other technological choices can be developed over time. We were therefore disappointed that no national infrastructure funds were announced for household energy efficiency in either the 2016 Budget or 2017 Spring Budget. We were also disappointed that the NIC's recently-published statement of "top 12" infrastructure priorities<sup>47</sup> did not include energy efficiency. We have written to the NIC asking them to take a holistic view of all benefits from improving household energy efficiency, so that the full benefit is measured. These benefits include:

- lowering the levels of excess winter deaths;
- reducing absence from school and work due to illness from cold homes;
- generating jobs in the local community;
- increasing individual and community resilience;
- reducing the burden on health and social care services, through improved physical and mental health and wellbeing;
- benefiting SMEs.

**We recommend that at a minimum, the Government's current commitments to raise as many households in fuel poverty as possible to Band C by 2030 are embedded in future national infrastructure plans.**

4.39 As all currently available National Infrastructure funds have been committed to 2020, we are focusing on 2021 and beyond and will continue to press for household energy efficiency to be included as part of the current assessment process to identify future infrastructure spending.

---

<sup>47</sup> [National Infrastructure Commission, post-election statement, priority actions for Government, June 2017](#)

### Private sector finance

4.40 We have continued to discuss with stakeholders opportunities to attract more private finance into household energy efficiency to help tackle fuel poverty. In our deliberations, we have been clear that any mechanisms need to have very robust systems of consumer protection. It is also vital that any measures that involve households borrowing to fund improvements have appropriate systems to ensure that debt is not taken on by those who are unable to afford it. These are key considerations for households in fuel poverty.

4.41 Nevertheless, we believe it is right that we explore whether there are suitable opportunities for private sector finance to contribute to solutions. Not least, this is because there appear to be potential sources of funding, and it would be wrong not to explore them: long term funding is at record low levels of interest rates and there is a large appetite for long dated (10 – 20 years) debt. The challenge is to identify and establish the right mechanisms to unlock the funding and deliver in the right way. It is, however, vital to learn the lessons from the failures of the Green Deal.

4.42 We would caution against looking to third party financing measures as an alternative to other sources of funding called for in this report. Such a strategy would be high risk, given the uncertainty of the extent to which private sector finance can effectively contribute to tackling fuel poverty. We plan to investigate appropriate mechanisms for private finance and report on this next year. Options that we are investigating include Pay-As-You-Save and equity release schemes.

**We therefore recommend that the Government investigates ways in which private sector funding can be attracted for the purposes of tackling fuel poverty and improving the energy efficiency of the nation's housing stock, but with the appropriate safeguards for consumers and particularly those on low incomes.**

4.43 Under any third party funding measure, it would be vital to ensure that products are only provided where householders understand them, and where they will receive real benefits. However these measures would also be covered in the changes in the marketing and sales of insulation products recommended by Each Home Counts (see Section 6 below), which should help to raise standards in the market.



### 3. Health agencies, local authorities and practitioners will recognise the impacts of cold homes and will be engaged in delivering solutions

#### Health sector

4.44 The CFP have been seeking to better understand the interrelationships between improving household energy efficiency and the resulting improved health and wellbeing of the householders. In Public Health England's Cold Weather Plan for England, 2015<sup>48</sup>, it states:

- There are around 25,000 excess winter deaths each winter in England. The number of extra deaths occurring in winter depends on temperatures, levels of disease (particularly influenza) in the population and other factors.
- Cold weather deaths are mostly preventable and although largely related to cardiovascular and respiratory diseases, there are deaths due to hypothermia, carbon monoxide poisoning, influenza, and falls and injuries. **Preventative measures such as increasing energy efficiency in the home through installing insulation and efficient heating systems can have health benefits.**

4.45 The document outlines that cold homes impact the health and wellbeing of all ages of householders. Children suffer increased absence from schools, fail to reach their full growth potential and suffer higher incidences of mental health problems. Adults face an increase in mental health problems and health problems related to cold homes can increase the number of days they are off sick from work. Pensioners (particularly those over 75) face the highest risks from cold homes. They may already be suffering from pre-existing chronic illnesses which are exacerbated by cold and they also spend the most time in their homes.

4.46 The National Institute for Health and Care Excellence (NICE) sets standards and guidance to secure continuous improvements in the quality of health services. The NICE guidance and Quality Standards: 'Preventing excess winter deaths and illness associated with cold homes' address the prevention of excess winter deaths and health problems associated with cold homes. The guidance covers people of all ages, and takes into account that some people are particularly vulnerable to the effects of the cold. It specifies that services should be commissioned from and coordinated across all relevant agencies. A person-centred, integrated approach to providing services is fundamental to delivering high-quality care to people who may be vulnerable to the health problems associated with a cold home. We were encouraged by a report from National Energy Action (NEA) on the implementation of NICE guidance which indicated that many Health and Wellbeing Boards are taking

---

<sup>48</sup> [Cold weather plan for England 2015 - Making the case: Why long-term strategic planning for cold weather is essential to health and wellbeing, Public Health England, October 2015](#)

action on fuel poverty under their Cold Weather Plans. The report added, however, that most need to be more proactive in their efforts to coordinate action

### **Local authorities**

4.47 We have continued to engage with local authorities and their representative organisations through the year. A key development, mentioned in Section 1, has been the introduction of ‘ECO flex’. More generally, there appears to be an agreement among many stakeholders that local authorities and other local partners must have a key role in tackling fuel poverty – both in enforcing regulations (for example, see Section 4 on the Housing Health & Safety Rating System), and in facilitating and delivering support to householders. But similarly there is a widely held view that local authorities do not have the resources to fulfil all of these roles. Stakeholders have reported that local authorities have faced challenges such as in the introduction of forced rent reductions across all social housing, reducing revenue for investment, plus restrictions on borrowing to fund new home building.

4.48 The reports submitted by local authorities as required by the Home Energy Conservation Act (HECA) are perhaps illustrative of a lack of full engagement by all local authorities. HECA requires all English local authorities to report on what is being done to improve energy efficiency in residential properties in their areas and to report to the Secretary of State for BEIS on progress in implementing measures. Reports should include updates on tackling fuel poverty (e.g. on whether the authority has dedicated resources for the task, has a strategy in place for doing so and engages with schemes such as ECO), smart meter use and enforcement of energy efficiency standards in the private rented sector. The deadline for submitting reports was the end of March, but we understand that only around half of all local authorities have so far submitted reports. These show a very varied picture in terms of the levels and qualities of activities, but also in terms of resources available to authorities.

4.49 We will continue to engage with stakeholders on this subject area.

### **Cross Sector Benefits**

4.50 During the year, we have discussed with BEIS their ongoing work on understanding the economic benefit from improved health which would result from warmer homes (such as the benefits from reducing the risk of cardiovascular and respiratory diseases). It is widely accepted that there are significant health benefits from improving household energy efficiency and thereby improving the living conditions. We are therefore pleased that BEIS is developing a model with University College London to calculate the health-related monetary benefits from upgrading household energy efficiency levels and has shown some health-related impacts in the ECO Help to Heat Impact Assessment<sup>49</sup> (although these were not included in the main cost-benefit analysis of the policy due to potential overlaps with ‘comfort taking’ - that is, the benefit of having a warmer home, which is already monetised as a benefit in the Impact Assessment). We understand BEIS is still developing its

---

<sup>49</sup> [ECO: Help to heat April 2017 to September 2018, Final Stage Impact Assessment – BEIS, January 2017.](#)

approach to capturing health benefits in their economic appraisal of policies and we look forward to hearing details of the outcomes, as this has the potential to help drive a co-ordinated approach across Departments.

4.51 We also note that the NHS Cold Weather Plan for England also refers to third party economic studies that evaluate the benefits from warmer homes:

- the cost of bringing cold homes up to an acceptable standard can be recouped within 7 years through savings in the NHS;
- for every £1 spent through a scheme to improve cold homes, it may have saved the health service 42p.

4.52 Over the last year, we have recognised that significant budget synergies could be available from an effective cross-government approach to tackling fuel poverty and that effective cross-departmental cooperation is therefore valuable. In addition to BEIS, the following departments also play a vital role:

- Health (impact of cold homes on health),
- Work and Pensions (effective use of WFP budget),
- Communities and Local Government (legislation on private rented sector),
- Treasury (National Infrastructure)

4.53 Local Government also play a vital role in enforcing regulations, understanding where fuel poverty is occurring in their regions and galvanising resources to deliver strategic plans for affordable warmth.

4.54 We will continue to develop an understanding of how best to work across Government Departments and local authorities who have a stake in addressing fuel poverty, so that efforts to reduce the levels of fuel poverty can be optimally coordinated and resourced.

## 4. Regulatory changes will have demonstrably positive outcomes for households in fuel poverty

### Private rented sector

4.55 In Part three, we stressed the need for urgent attention by the Government to ensure that the PRS Regulations 2015 will be made effective, so that private landlords have to take action to improve their properties in Bands F and G to at least Band E ratings. We set out the arguments for this in our last report. There has been no real progress to report since then and, as already noted, time is running out for implementation and results before the 2020 milestone.

4.56 Beyond the urgent requirement to amend the regulations this year for Band F and G properties, we believe there is also a case for introducing on-going higher minimum standards in line with the fuel poverty strategy 2025 milestone and 2030 target for all rented sectors (it should be noted that 58% of all fuel poor homes are rented). We estimate that extending the regulations across all rented sectors would attract a total of £6.7 billion of investment from landlords towards achieving the 2025 milestone and 2030 fuel poverty target<sup>50</sup>.

**We therefore recommend that the Energy Efficiency (Private Rented Property) Regulations 2015 are amended to require private rented landlords, social housing and housing authorities to upgrade the energy efficiency levels of their properties in line with the 2025 milestone and 2030 fuel poverty strategy target. We recommend setting a landlord's cost cap of £5,000 per property for the milestone, and for the target.**

4.57 Generally the picture in the social housing sector is better than the private rented sector. Despite a slightly higher percentage of social sector than private sector households who are fuel poor, the depth of fuel poverty is far greater in the private sector: the average fuel poverty in the private rented sector is gap is £410, compared with £175 in local authority housing and £200 in housing association properties<sup>51</sup>. A key driver of this has been the Decent Homes Standard<sup>52</sup>, which applies to the social housing sector. Nevertheless, 20% of all fuel poor households are in the social housing and housing authority sectors and hence we believe it is right that these sectors are also covered by the recommendation above, to bring properties up to energy efficiency bands in line with the 2025 milestone and 2030 target.

4.58 Last year, we also made the case for the Landlord's Energy Savings Allowance (LESA) to be re-introduced. This was a tax allowance on energy saving expenditure by private landlords. We understand that it was little used but, if the

---

<sup>50</sup> Our estimate is based on the numbers of households in fuel poverty in Bands D and E and the assumption is that a cap of £5,000 would result in landlords paying an average of 80% of the energy efficiency measure costs.

<sup>51</sup> [Fuel poverty statistic detailed tables 2017](#)

<sup>52</sup> [A decent home: definition and guidance, Department for Communities and Local Government, June 2006](#)

above regulations on private landlords are properly implemented, LESA could play a helpful, complementary role. Again, there has been no progress on this since our last report.

### **Housing Health & Safety Rating System (HHSRS)**

4.59 In our last report we discussed the HHSRS, which is designed to help local authorities identify and protect tenants against potential risks and hazards to health and safety from any deficiencies identified in dwellings. We noted the need for a strengthening of the enforcement of the HHSRS, and are pleased to report that there has been some progress. New powers were introduced from April 2017 that permit local authorities to impose civil penalties of up to £30,000 as an alternative to prosecution for a number of offences, including a failure to comply with an improvement notice issued under Section 30 of the Housing Act. They can also seek rent repayment orders for failure to comply with improvement notice of prohibition orders. Local authorities can keep any income from the civil penalties, thus opening up a potential contribution to the costs of enforcement. We look forward to hearing the outcome of these changes.

4.60 We continue to believe that further improvement could be made to the HHSRS by reviewing and, if necessary, updating the hazard guideline scores in line with the latest data. Threats to health from damp and mould growth and threats to health from sub-optimal indoor temperatures are included in the system, but both attract scores which may be too low to trigger enforcement action. This seems at odds with the large number of studies which identify a significant range of detriments to health and wellbeing from cold homes. If the review does identify that these scores should be raised this, along with the new enforcement powers, could help to make HHSRS a far more useful measure for tackling fuel poverty.

### **Landlord licensing**

4.61 We believe a further simple and relatively low-cost measure to help drive-up standards in the private rented sector would be a nationwide private landlord licensing scheme. We would suggest that a prerequisite to being allowed to let a property is that the landlord has to be licensed and appear on a national register. We have discussed this with several stakeholders and we recognise that there are varying opinions on the merits of such a scheme. For instance, in areas where there are fewer problems, local authorities may feel that a scheme adds unnecessary costs – to the authorities to administer, and to the landlords paying the fees. Nevertheless, on balance our view is that a scheme could be introduced at relatively low cost to authorities and to landlords (for instance, one such existing scheme costs landlords £500 for five years per property<sup>53</sup>). A nationwide register would make enforcement and tracking of landlords much more effective, and could help local authorities to keep down their enforcement costs. If a landlord is found to have properties not up to standard and refuses to make the necessary improvements, their licence could be withdrawn and they would be removed from the register and

---

<sup>53</sup> [Private sector licensing in Waltham Forest: Improving quality of life, Waltham Forest Council](#)

hence be unable to let their properties. We think this could be done without being onerous on landlords or forcing up rents.

4.62 A number of local authorities have already introduced their own licensing schemes. If a national scheme were to be established, we recognise that these local authorities may prefer to continue with their existing schemes. In our view a solution could be developed that allows for locally-developed schemes to be integrated within a national scheme.

**We recommend that the Government consults on the scope for developing a nationwide landlord licensing scheme.**

## 5. The energy market will function for households in fuel poverty

### **Tariff caps**

4.63 Last year we discussed the report by the Competition and Markets Authority on its energy market investigation. Since then, new price caps on pre-payment meter tariffs have been implemented with effect from April 2017. 25% of households in fuel poverty use pre-payment meters for gas and 32% for electricity. The cap was updated for the period beginning October 2017. These new regulations are currently expected to reduce average pre-payment bills by around £94 per year compared to tariffs before the introduction of the cap. Ofgem's role as the energy regulator involves monitoring outcomes for prepayment customers since the cap has come into force – including tracking any possible benefits to and unintended consequences for those in fuel poverty, and adjusting the cap every 6 months. We have asked Ofgem to keep us informed.

4.64 Ofgem has stated that it is considering further measures to protect and empower vulnerable consumers who are ill-equipped to take advantage of a competitive energy market, with a further price cap likely to be a feature. We believe that this initiative could help reduce levels of fuel poverty. It will be important to ensure that the eligibility criteria for any such initiatives are well-considered and target fuel poor households as far as is practicable. More recently, following the Government's announcement in October regarding extending an energy price cap across the market, Ofgem has said it will be considering further action. We will write to Ofgem to re-iterate our view recommending that the criteria currently used for Cold Weather Payments are used to define eligibility for the new scheme. In our opinion, CWP is the best proxy to use in the short term for fuel poor homes.

4.65 We emphasise however that price caps are not a substitute for improving the focus of WFP, WHD and ECO programmes on fuel poor households.

## 6. Households in fuel poverty will be well-informed and advised on assistance available from different sources and actions they can take

### Each Home Counts

4.66 Since our report last year, the report of the Each Home Counts review - An Independent Review of Consumer Advice, Protection, Standards and Enforcement for Energy Efficiency and Renewable Energy in the UK (previously referred to as the “Bonfield Review”) has been published. We noted last year that the review should lead to the provision of simpler, more practical and consistent advice on energy efficiency and renewable energy that will be easier for consumers to understand. We believe that implementation of the recommendations can make a fundamental, positive difference to the home energy efficiency and renewable energy measures in the UK.

4.67 During the year, we met with Peter Bonfield prior to the review being published to discuss how this work could assist in meeting the fuel poverty target and ensure high quality services to vulnerable households. The challenge for the review was to help overcome historic problems such as:

“Instances of poor quality installations being made by companies who do not have the skills, quality levels or core values required to operate responsibly in the market”

“Poor quality installations can cause bigger issues than the problems they seek to solve, potentially creating detrimental health impacts on occupants, possible property damage, short term remedial costs, and longer term damage to the industry’s reputation and consumer trust.”

4.68 In particular, the review notes the importance of households, including those in fuel poverty, being able to trust installers of energy efficiency and renewable energy measures:

Focused efforts must be made to ensure these households [in fuel poverty] are engaged in the right way, provided with advice that can be trusted, and that energy efficiency and renewable energy measures are installed that resolve, not exacerbate, the situation.

4.69 The CFP fully supports the review’s recommendations which include setting up and implementing:

a quality mark for the domestic retrofit sector that will enable consumers, who seek to have work done to their property, to know instantly what to look for to receive high-quality installations or advice;

a Consumer Charter which ensures that all consumers receive excellent levels of customer service, a clear redress process and guarantee protection;



a Code of Conduct which sets out how companies behave, operate and report, the requirements of which must be met or exceeded for the company to operate; and

Codes of Practice which are relevant to the installation of each measure under consideration so that the risk of poor quality installation is minimized.

**We recommend that Each Home Counts Workstream Leaders, working with the Government, provide the necessary leadership and ensure resources are in place to implement the recommendations quickly and effectively, so that households in fuel poverty can have trust and confidence in the energy efficiency and renewable energy measures they need in their homes.**

4.70 We believe that, once in place, in order to be able to participate in government or supplier-funded energy efficiency/renewable energy schemes, companies must be fully compliant with the new quality mark, Code of Conduct and Codes of Practice.

4.71 Like everyone, we were immensely saddened by the events at Grenfell Tower and the awful loss of life. We realise that there are many questions to be answered, and that official investigations need to run their course, providing answers as soon as possible, potentially offering new guidance on building codes for insulation products. We hope that the tragedy does not result in any long term erosion of confidence in the market for insulation. We do not believe that the Grenfell investigations should cause any delay in the implementation of Each Home Counts. On the contrary, the Grenfell fire shows how necessary it is quickly to establish a sound basis for consumer confidence.

### **Smart metering**

4.72 Since our last report we have met with Smart Energy GB (the body responsible for the national consumer campaign for smart metering) and officials from the Smart Metering Implementation Programme in BEIS. Following these discussions, our view is that, although smart meters themselves cannot lift households out of fuel poverty, or significantly change the depth of fuel poverty that fuel poor households experience, key objectives of the roll-out – such as providing accurate bills, improving pre-payment systems and helping households to feel confident about their levels of consumption so that they stay warm – are all relevant to the fuel poor.

4.73 As we noted last year, there are risks, however. These are around households not being sufficiently engaged with or understanding their meters; not understanding how best to respond to the data the meters provide; and – particularly for those at risk of vulnerability – responding to the data by turning down their heating when they need to remain warm.

4.74 We will continue to engage with the Smart Metering Implementation Programme. Going forward, there are potentially numerous other opportunities opened up by the data that smart meters can provide. In the right circumstances, data could be used to identify self-disconnection and provide alerts where this occurs, and to help monitor for healthcare purposes. It will be important to ensure

that the right protections, permissions and systems are established, so that any benefits are achieved without unintended harmful consequences.

## Part five: Update on 2016 recommendations and key focus areas for 2018

5.1 The table below lists our recommendations from our 2016 report (in the left-hand column) alongside our current recommendations (right hand column). Most of our 2016 recommendations are still outstanding, so are largely repeated in our 2017 list.

### Impact Assessment of updated Recommendations

5.2 In our 2016 report we set out our understanding of vulnerability. Vulnerability is not an attribute of an individual, but rather a circumstance, or conjunction of circumstances, that combine with an individual's characteristics to render them vulnerable. We identified three key risk factors: personal circumstances (e.g. disability or bereavement), factors in suppliers' control (e.g. complex systems) and external factors (e.g. financial exclusion).

5.3 Our approach to vulnerability is to recognise potential issues in the recommendations we make and identify ways in which they can be monitored and mitigated. We believe that many of our recommendations in this report are wholly positive in this context. We have, however, identified a number of recommendations where we believe there may be adverse impacts and these are set out in Annex C. We will ensure that these are addressed accordingly.

## Recommendations

2016 recommendations	2017: equivalent and new recommendations
<p>(1) We have shown that there are currently significant shortfalls in funding to meet the 2020/25 milestones and 2030 household energy efficiency target and assist households in fuel poverty to pay their energy bills. Given the proximity of the 2020 milestone and the current low level of assistance that those in fuel poverty are receiving to pay their fuel bills, Government needs to take urgent action. We therefore recommend that Government:</p> <p>(a) Identifies the types and costs of household energy efficiency measures (including administration costs) that are required to meet the 2030 fuel poverty target and the 2020/25 milestones. This should take into account such things as the expected levels of inefficiency due to a lack of addresses for some households in fuel poverty and the possible requirement to install some energy efficiency measures in households that do not meet the criteria of being in fuel poverty (e.g. if a communal heating system in a tower block needs upgrading).</p> <p>(b) Identifies the costs for assisting households in fuel poverty to pay their energy bills, whilst they await energy efficiency upgrades in their households.</p> <p>(c) Ensures that funding and programmes are in place to meet the needs in (a) and (b) above. Given the current low level of assistance with fuel bills and the need for industry to quickly set up programmes to install the energy efficiency measures required to meet the 2020 milestone, we request that Government announces their proposals in the 2016 Autumn Statement and their funding proposals in the 2017 March Budget Statement. These could include:</p> <ul style="list-style-type: none"> <li>• significantly improving the targeting of funds towards households in fuel poverty from the existing Government Energy Company Obligation</li> </ul>	<p>Our 2016 recommendation (1) is still relevant, although we have updated our estimates of the funding shortfalls (see Box1) and have further recommendations on ECO, WHD and WFP.</p> <p>Our further WFP recommendations are:</p> <ul style="list-style-type: none"> <li>• We continue to recommend significantly improving the targeting of the £1.8 billion per year WFP programme towards households in fuel poverty.</li> <li>• Until the WFP programme is significantly better targeted at assisting all households in fuel poverty, we recommend that government should take the necessary steps to ensure that households in fuel poverty receive at least the same levels of assistance to pay their fuel bills as pensioners.</li> </ul> <p>See below for our further ECO and WHD recommendations.</p>

2016 recommendations	2017: equivalent and new recommendations
<p>(ECO) programme and the Government programmes included in the Fuel Poverty Delivery Scorecard, e.g. Winter Fuel Payment, Cold Weather Payment, Warm Home Discount;</p> <ul style="list-style-type: none"> <li>• attracting supplemental funding from other sources such as Privately Rented Sector Landlords, third parties, National Infrastructure funds (see Section 2) etc;</li> <li>• plans to ensure a smooth transition between meeting the 2020 milestone and starting work towards meeting the 2025 milestone.</li> </ul>	<ul style="list-style-type: none"> <li>• We recommend that at a minimum, the Government's current commitments to raise as many households in fuel poverty as possible to Band C by 2030 are embedded in future national infrastructure plans.</li> </ul>
<p>2. We recommend that future ECO programmes are designed in such a way so as to deliver the fuel poverty milestones and target in the most cost effective way. This may require such changes as introducing new energy efficiency measures into ECO or adjusting the ECO scoring for different energy efficiency measures. When designing the new ECO schemes, it is important to listen to those involved in the delivery of schemes and what will drive them. Furthermore, the design of future ECO programmes should reflect that the prime objective for ECO is to deliver Fuel Poverty household SAP Band rating improvements and not carbon abatement, achieving Government's manifesto commitment to raise the energy efficiency of over 1,000,000 households or attracting third party contributions.</p>	<p>Our 2016 recommendation (2) is still relevant. Our further ECO recommendations are:</p> <ul style="list-style-type: none"> <li>• We recommend that the Government commits now to give ECO a 100% focus on fuel poor households from October 2018 onwards, with an emphasis on Bands F and G properties.</li> <li>• We recommend that the Government makes a commitment, as soon as possible, to continue ECO funding through to 2030, at least at the current levels, and focuses it on achieving the fuel poverty strategy. This could provide around £3.2 billion towards achieving the 2025 milestone and 2030 target.</li> </ul>
	<ul style="list-style-type: none"> <li>• We recommend that, if ECO cannot be designed to reach all types of fuel poor households, the Government gives consideration to the design and funding from taxation of a more tightly-focused programme (or programmes) that can</li> </ul>

2016 recommendations	2017: equivalent and new recommendations
	tackle those households that are inadequately covered by existing provisions.
<p>3. Given that knowing the addresses of those in fuel poverty is critical for the success of the Strategy, we recommend that high priority is given by Government to ensure that appropriate Data Sharing legislation is introduced within the currently envisaged timeframe of late 2017/early 2018.</p>	<p>Our 2016 recommendation (3) is still relevant, although the legislation has now been enacted (the Digital Economy Act 2017). Our further data sharing recommendation is:</p> <ul style="list-style-type: none"> <li>• We recommend that the Government takes the necessary steps, described above, to ensure that the full benefits of data sharing are secured.</li> </ul>
<p>4. We recommend that households in fuel poverty should receive assistance with paying their energy bills whilst they await installation of energy efficiency measures.</p>	<p>Our 2016 recommendation (4) is still relevant. Our further WHD recommendations are:</p> <ul style="list-style-type: none"> <li>• We recommend that the Government gives urgent attention to extending WHD with far better targeting towards fuel poor households, so that clear proposals to this end can be set out in its forthcoming consultation on WHD.</li> <li>• We recommend that the Government improves WHD so that it better targets fuel poor households. We recognise that it may not be possible to achieve all of the potential benefits from the new data sharing arrangements immediately, but they should be built into successive phases of WHD as soon as possible.</li> </ul>
<p>5. We recommend that Government continue to prioritise assistance to the most severely fuel poor. A ‘targeting efficiency metric’ should therefore be added for each Government programme in the Fuel Poverty Delivery Scorecard (e.g. Winter Fuel Payment, Warm Home Discount, Cold Weather Payment, ECO) which can be used to track the progress of improving programme targeting efficiency on those in fuel poverty.</p>	<p>Our 2016 recommendation (5) is still relevant.</p>
<p>6. We recommend that the Government implements regulations requiring private landlords to upgrade their properties up to</p>	<p>Our 2016 recommendation (6) is still relevant. Our further recommendations</p>

2016 recommendations	2017: equivalent and new recommendations
<p>Band E up to a cap of £5k spend per property supplemented by ECO where additional measures are needed.</p>	<p>regarding the private rented sector are:</p> <ul style="list-style-type: none"> <li>• We recommend that the Government ensures the regulations will be effective by requiring landlords to fund energy efficiency improvements up to a cost cap of £5,000 for each property.</li> <li>• We recommend that the Energy Efficiency (Private Rented Property) Regulations 2015 are amended to require private rented landlords, social housing and housing authorities to upgrade the energy efficiency levels of their properties in line with the 2025 milestone and 2030 fuel poverty strategy target. We recommend setting a landlord's cost cap of £5,000 per property for the milestone and for the target.</li> <li>• We recommend that the Government consults on the scope for developing a nationwide landlord registration scheme.</li> </ul>
<p>7. We recommend that the Landlord's Energy Savings Allowance – a former tax allowance on energy saving expenditure by landlords – is re-introduced.</p>	<p>Our 2016 recommendation (7) is still relevant.</p>
<p>8. We recommend that the current Housing Health and Safety Rating System guideline scores for the health and safety impact of cold homes on children and pensioners are reviewed (and updated if necessary) in light of the latest studies on health effects from cold homes.</p>	<p>Our 2016 recommendation (8) is still relevant.</p>
<p>9. We believe there is a strong case for strengthening enforcement action where regulations exist to protect households potentially at risk from cold homes and we would welcome discussion with stakeholders on the possibilities and an appropriate funding mechanism for enforcement action.</p>	<p>Our 2016 recommendation (9) is still relevant.</p>
<p>10. We recommend that Ofgem report to BEIS on the impacts and contribution the Competition and Markets Authority remedies will have on fuel poverty.</p>	<p>Our 2016 recommendation (10) is still relevant.</p>
<p>11. We recommend that tackling fuel poverty, including improving and replacing the inefficient housing stock, should be part of the devolution agenda. We also</p>	<p>Our 2016 recommendation (11) is still relevant.</p>

2016 recommendations	2017: equivalent and new recommendations
<p>recommend that local authorities should be empowered to support and champion community-based energy efficiency initiatives and local health commissioners to act on the link between cold homes and ill health to commission appropriate interventions.</p>	
<p>12. Given the plans to run a further energy supplier switching campaign this year, this appears to present a clear early opportunity and we recommend that BEIS ensures a proper and effective focus on fuel poor households. We would question the value of spending further public money on one which did not have such a focus.</p>	<p>Our view is that this recommendation is no longer relevant given that there no longer appear to be plans for BEIS to run further supplier switching campaigns for the foreseeable future.</p>
<p>13. We support reducing the participation threshold for Warm Home Discount to 50,000 customer accounts as soon as is practicable. In addition, where switching sites are concerned they should always disclose before switching a customer to a small supplier if that supplier does not offer a Warm Home Discount rebate.</p>	<p>Our 2016 recommendation (13) is still relevant.</p>
<p>14. We recommend that park home residents are entitled to benefit from Warm Home Discount energy rebates like other households.</p>	<p>Our 2016 recommendation (14) is still relevant.</p>
<p>15. We recommend that the Government recognises the importance and different facets of energy advice and ensure adequate resources are in place for high quality services, offered in a bespoke way that results in meaningful outcomes for fuel poor households.</p>	<p>Our 2016 recommendation (15) is still relevant and is supplemented by the following:</p> <ul style="list-style-type: none"> <li>• We recommend that BEIS continues to support the BESN or future similar local advice networks and that BEIS ensures that appropriate funding is in place.</li> </ul>
	<p>Our further 2017 recommendations are as follows:</p> <ul style="list-style-type: none"> <li>• We recommend the Government introduces the option for financing heat installations under the RHI through ‘assignment of rights’ mechanisms as soon as possible, with the added consumer protection rules clearly set out, so that fuel poor households can also</li> </ul>



2016 recommendations	2017: equivalent and new recommendations
	<p data-bbox="858 284 1235 315">benefit from renewable heat.</p> <ul data-bbox="810 344 1401 978" style="list-style-type: none"> <li data-bbox="810 344 1401 618">• We recommend that the Government investigates ways in which private sector funding can be attracted for the purposes of tackling fuel poverty and improving the energy efficiency of the nation’s housing stock, but with the appropriate safeguards for consumers and particularly those on low incomes.</li> <li data-bbox="810 640 1401 978">• We recommend that Each Home Counts Workstream Leaders, working with the Government, provide the necessary leadership and ensure resources are in place to implement the recommendations quickly and effectively, so that households in fuel poverty can have trust and confidence in the energy efficiency and renewable energy measures they need installed in their homes.</li> </ul>

## Next steps

The following are areas that the Committee will investigate over the next year:

1. Funding for energy efficiency measures
  - 2020 milestone
  - 2025 milestone and 2030 target
2. Assistance with paying fuel bills (WFP/WHD).
3. Building understanding of effective targeting (Data Sharing, off-gas, rural, etc.).
4. Link between health and fuel poverty - areas of synergy.
5. Link between carbon reduction and fuel poverty - areas of synergy.
6. Feasibility and benefits of a national landlord register.
7. We will continue to develop an understanding of how best to work across Government Departments and local authorities who have a stake in addressing fuel poverty, so that efforts to reduce the levels of fuel poverty can be optimally coordinated and resource.
8. Ensuring that policies and programmes serve those who are at risk of vulnerability and do not have unintended adverse impacts.
9. Opportunities to align with the fuel poverty strategy with Government's Clean Growth Strategy
10. How future innovation in energy conservation measures could assist on the challenge of meeting the milestones and target.

## Stakeholder engagement

Since we formed in 2016, we are fortunate to have engaged with a wide range of stakeholders who have made significant contributions to our work, including those listed here. The list is not exhaustive – for instance we have attended numerous conferences and events where we have been able to meet with many others – but it provides an indication of the range of inputs to our work.

- Age UK
- All Party Parliamentary Fuel Poverty & Energy Efficiency Group
- Association for the Conservation of Energy
- Association of Local Energy Officers
- Centre for Sustainable Energy
- Citizens Advice
- Committee on Climate Change
- Each Home Counts Review
- End Fuel Poverty Coalition
- Energy UK
- Environmental Change Institute
- Federation of Petroleum Suppliers
- Greater London Authority
- Local Government Association
- National Energy Action
- National Grid Affordable Warmth Solutions
- National Insulation Association
- National Infrastructure Commission
- Ofgem
- Public Health England
- Renewable Energy Association
- Scottish Executive
- Smart Energy GB
- UKLPG
- Welsh Government
- Western Power Distribution

## Strategic Guidance from the Committee on Fuel Poverty for 2018 and beyond ECO Design – February 2017

To deliver the Government's Fuel Poverty Strategy for England, the Committee on Fuel Poverty (CFP) estimate that it will cost £1.9 billion to achieve the 2020 milestone, a further £5.6 billion to meet the 2025 milestone and an additional £12.4 billion to meet the 2030 target. The Energy Company Obligation is currently the only major Government programme that enables household energy efficiency upgrades to be made. For the period 2017 to 2022, England's share of the programme is forecast to be about £550 million per year. We recommend:

1. The design of future ECO programmes should reflect that the prime objective for ECO is to deliver Fuel Poverty household SAP Band rating improvements. Future ECO programmes should be designed in such a way so as to deliver the fuel poverty milestones in the most cost effective way. This may require such changes as introducing new energy efficiency measures into ECO or adjusting the ECO scoring for different energy efficiency measures. ECO also needs to recognise new technologies that open up new ways of improving energy efficiency or lowering costs. When designing the new ECO schemes, it is important to listen to those involved in the delivery of schemes and what will drive them.
2. The three guiding principles of the fuel poverty strategy should be rigorously applied when designing ECO:
  - a. Prioritisation of the most severely fuel poor,
  - b. Supporting the fuel poor through cost-effective measures and
  - c. Ensuring that vulnerability is reflected in policy decisions
3. As there are presently insufficient ECO funds committed to deliver the fuel poverty strategy, where possible, ECO should be designed to leverage in funds for other Government/Local Authority programmes and from third party sources. It is also important that ECO is designed in such a way so as to facilitate access by households in fuel poverty to other energy efficiency, carbon abatement or renewable energy programmes that require up-front financial contributions.
4. When designing ECO for vulnerable households in fuel poverty, the CFP recommends that 'vulnerability' is not an attribute of an individual, but rather a circumstance, or conjunction of circumstances, that combine with an

individual's characteristics to render them vulnerable. We accept that this makes it difficult to point to a group of people and say 'they are vulnerable' in order to choose a particular course of action to benefit that group. We have therefore identified three risk factors that contribute to vulnerability:

- a. Someone's personal circumstances (e.g. health status creating a high demand for fuel and/or low availability of funds temporarily or longer-term);
- b. Things that are largely within suppliers' control and make it hard for someone to manage their fuel consumption and costs effectively (e.g. complex call routing systems or inaccurate, confusing billing);
- c. Things that are largely outside suppliers' control but still make it hard for someone to manage their fuel consumption and costs effectively (e.g. digital or financial exclusion).

The first of these always renders someone potentially vulnerable, but when it combines with (b) or (c) the risk becomes significantly greater. When all three combine, the person in question will definitely be rendered vulnerable.

5. ECO should be designed in such a way so as to deliver the energy efficiency improvements in the most effective and sensitive way for households who are vulnerable. For example, consideration should be given to minimise the number of visits and interfaces as well as use trusted third parties for contact.
6. Given that knowing the addresses of households in fuel poverty is critical for the efficiency of ECO, high priority should be given to ensuring that appropriate Data Sharing legislation is introduced within the currently envisaged timeframe of late 2017/early 2018. The Data Sharing Legislation needs to include the ability to share the required level of data between the key ECO delivery stakeholders, so as to ensure an efficient and effective delivery of ECO measures, whilst providing an adequate level of data protection.
7. We believe that the ECO obligation should continue to be with the energy suppliers, but are open to considering other models. One would be to allow various organisations to "bid in" to deliver ECO. Local authorities would not be obligated to deliver ECO, but if interested they could bid, either on their own or in conjunction with other parties and local partners to provide ECO measures, and become accountable for delivery.
8. The ECO design should recognise the roles that local community groups, local authorities and trusted third parties can play in its effective and efficient delivery. The engagement of local authorities, charities and the health sector is also critical to being able to identify the 'hard to reach' addresses for households in fuel poverty that the Data Sharing Legislation may not be able

to identify. It is also critical to enable the identification of households in fuel poverty who are vulnerable. It should be recognised that there would be costs for local authorities to get involved with assisting ECO implementation and few have readily available resources. ECO design should therefore provide adequate funding/incentives to stimulate their involvement.

9. A degree of pragmatism should be designed into the ECO programme. For example, if we have 90% of households in a tower block who are in fuel poverty and 10% who are not – decisions need to be taken on matters such as 'Should assistance be given to the 10% with solid wall cladding/replacement of the communal heating system? Pragmatism and cost effectiveness of delivery will therefore be needed, especially where communal solutions are needed in a street/community/ building.
10. ECO should be designed in such a way so as to require adherence to the outcomes implemented from the Bonfield 'Each Home Counts' Review.

# Annex C

## Impact Assessment of Updated Recommendations

Recommendation	CFP positive intention	Who may be adversely affected and why?	Monitoring and mitigation?
Significantly improving the targeting of funds towards households in fuel poverty from the existing Government Energy Company Obligation (ECO) programme and the Government programmes included in the Fuel Poverty Delivery Scorecard	Addressing fuel poverty more quickly and using funds more effectively	Those not technically in fuel poverty , but whose personal characteristics (age, disability) render them vulnerable	Monitor levels of fuel poverty and identify whether there are disproportionate increases amongst children, older and disabled people in order to determine next steps
Significantly improving the targeting of the £1.8 billion per year WFP programme towards households in fuel poverty	Addressing fuel poverty more quickly and using funds more effectively	Older people not (currently) technically in fuel poverty who may fall into it (especially those who don't claim benefit entitlements)	Monitor levels of fuel poverty and identify whether there are disproportionate increases amongst older people in order to determine next steps
Until the WFP programme is significantly better targeted at assisting all households in fuel poverty, we recommend that government should take the necessary steps to ensure that households in fuel poverty receive at least the same levels of assistance to pay their fuel bills as pensioners.	Supporting people in fuel poverty until a more permanent solution is provided	Those who are in fuel poverty with personal characteristics (age, disability) that render them potentially vulnerable through greater necessary non-housing expenditure, but with higher incomes	Consider whether the median is sufficient and model what the impacts might look like – adjust if necessary
Future ECO programmes are designed in such a way so as to deliver the fuel poverty milestones and target in the most cost effective way  Government commits now to give ECO a	Addressing fuel poverty more quickly and using funds more effectively	Those with personal characteristics (age, disability) or who are on low incomes who are not technically fuel poor but who would benefit from ECO interventions to improve their	Monitor levels of fuel poverty and identify where the increases (if any) are occurring in order to determine next steps

Recommendation	CFP positive intention	Who may be adversely affected and why?	Monitoring and mitigation?
100% focus on fuel poor households from October 2018 onwards		quality of life	
Government takes the necessary steps to ensure that the full benefits of data sharing are secured	Identifying households in fuel poverty more efficiently	Those who do not claim the benefits they are entitled to, or who 'fall out' of the benefits system as a result of tightening eligibility criteria	Promote awareness of available benefits through public service broadcasting and third parties Fund third party organisations like Citizens Advice to give more support to those who have lost benefits
Government gives urgent attention to extending WHD with far better targeting towards fuel poor households, so that clear proposals to this end can be set out in its forthcoming consultation on WHD Government improves WHD so that it better targets fuel poor households	Addressing fuel poverty more quickly and using funds more effectively	Those who currently receive WHD who no longer will if targeting changes but the budget remains the same	Ensure that current recipients who are in lower decile After Housing Cost equivalised income bands, continue to receive a WHD by increasing the overall budget
The Energy Efficiency (Private Rented Property) Regulations 2015 are amended to require private rented landlords, social housing and housing authorities to upgrade the energy efficiency levels of their properties in line with the 2025 milestone and 2030 fuel poverty strategy target We recommend setting a landlord's cost cap of £5,000 per property for the milestone	Ensuring that responsibility for addressing the 'high cost' element of fuel poverty is appropriately – but fairly – allocated	Those whose rents are raised – and are potentially evicted if they cannot pay – when the improvements are made	Implement CFP's recommendation for a register so that evictions that relate to property improvements can be cross-referenced



Recommendation	CFP positive intention	Who may be adversely affected and why?	Monitoring and mitigation?
and for the target			
Park home residents are entitled to benefit from Warm Home Discount energy rebates like other households	Supporting people in fuel poverty until a more permanent solution is provided		
Government introduces the option for financing heat installations under the RHI through 'assignment of rights' mechanisms as soon as possible, with the added consumer protection rules clearly set out, so that fuel poor households can also benefit from renewable heat	Giving people in fuel poverty the same opportunities as others to improve their homes	Those on low incomes and with low/no assets	Ensure the consumer protection measures are properly implemented and monitored and monitor any unintended consequences (e.g. through third parties such as advice agencies)
Government investigates ways in which private sector funding can be attracted for the purposes of tackling fuel poverty and improving the energy efficiency of the nation's housing stock, but with the appropriate safeguards for consumers and particularly those on low incomes	Addressing fuel poverty more quickly and using funds more effectively and giving people in fuel poverty the same opportunities as others to improve their homes	Those on low incomes and with low/no assets	Ensure the safeguards for consumers are properly implemented and monitored and monitor any unintended consequences (e.g. through third parties such as advice agencies)

# Annex D

## Glossary

BEIS – Department for Business, Energy and Industrial Strategy

BESN – Big Energy Saving Network

CCC – Committee on Climate Change

CMA – Competition and Markets Authority

CSE – Centre for Sustainable Energy

CWP – Cold Weather Payment

ECO – Energy Company Obligation

EPC – Energy Performance Certificate

FTCH – First Time Central Heating

HECA – Home Energy Conservation Act

HHSRS – Housing Health and Safety Rating System

LESA – Landlord's Energy Savings Allowance

NDPB – Non-Departmental Public Body

NEA – National Energy Action

NIC – National Infrastructure Commission

