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Welsh Government Consultation Document

A future demand-led fuel poverty scheme to succeed *Welsh Government Warm Homes - Nest*

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Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

Overview

The purpose of this consultation is to seek the views of stakeholders on the future of a new demand-led fuel poverty scheme to succeed the *Welsh Government Warm Homes - Nest* scheme.

How to respond

Please complete the consultation questionnaire at the end of this document and send to the e-mail address below. Alternatively, if you do not want to use the consultation response form, please write with your comments to:

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Further information and related documents

Large print, Braille and alternative language versions of this document are available on request.

The Production of Estimated Levels of Fuel Poverty in Wales: 2012-2016, Building Research Establishment
<http://gov.wales/statistics-and-research/production-estimated-levels-fuel-poverty/?lang=en>.

Evaluation of the Nest Energy Efficiency Scheme - Miller Research (UK) Ltd
<http://gov.wales/statistics-and-research/evaluation-nest-energy-efficiency-scheme/?lang=en>.

Understanding the Characteristics of Low Income Households Most at Risk from Living in Cold Homes - Centre for Sustainable Energy
<http://gov.wales/statistics-and-research/understanding-characteristics-low-income-households-risk-living-cold-homes/?lang=en>.

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Data protection

How the views and information you give us will be used

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations.

The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.

Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.

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Introduction

1. Welsh Government has a statutory obligation under the *Warm Homes and Energy Conservation Act 2000* to eradicate fuel poverty, as far as is reasonably practicable, in all households in Wales by 2018.
2. There are three main factors that influence whether a household will be in fuel poverty. These are household income, energy prices and the energy efficiency of the home.
3. Welsh Government has limited powers to tackle low income and energy prices, making the eradication of fuel poverty a real challenge. However, where we can make a significant difference is in improving the energy efficiency of homes in Wales. This is the most sustainable way to reduce energy bills in the long term.
4. Our Fuel Poverty Strategy sets out the actions we will take to reduce the number of households in Wales living in fuel poverty. A key action in the Strategy is to provide a demand-led all-Wales fuel poverty scheme targeted at those householders most in need and living in the most energy inefficient homes, complemented by area-based investment.
5. Demand-led support to improve the energy efficiency of low income homes across Wales is delivered through the Welsh Government Warm Homes - Nest scheme. Support to improve homes in the most deprived areas of Wales is delivered through Warm Homes Arbed schemes.
6. Nest and Arbed are continuing in 2016/17. However, the scheme manager contract for the Nest scheme is due to end on 31 August 2017.
7. The Cabinet Secretary for Environment and Rural Affairs has agreed to continue investing in a demand-led scheme from September 2017 and this consultation seeks the views of stakeholders on the design and delivery of a new scheme.

Background

Fuel Poverty

8. In Wales, a household is defined as being in fuel poverty if it would be required to spend more than 10 per cent of its income (including Housing Benefit, Income Support for Mortgage Interest or council tax benefits) on all household fuel use, in order to maintain a satisfactory heating regime. Households who are required to spend more than 20 per cent are considered to be in severe fuel poverty.
9. The most recent Welsh Government statistics on fuel poverty in Wales are modelled estimates for 2012 to 2016 produced by the Building Research Establishment (BRE). BRE's report, "The Production of Estimated Levels of Fuel Poverty in Wales: 2012-2016", was published on 11 July 2016. The report provides estimates of fuel poverty and severe fuel poverty in all households, fuel poverty in vulnerable households and fuel poverty in social housing from 2012 to 2016. The research also estimates the impact of energy efficiency improvements on levels of fuel poverty. A copy of the report can be found at: <http://gov.wales/statistics-and-research/production-estimated-levels-fuel-poverty/?lang=en>.

10. The table below shows the modelled estimates of fuel poverty in Wales in 2016.

Table 1: Estimated number of fuel poor households in 2016

Fuel Poverty levels, 2016	<u>Without</u> energy efficiency measures (income and fuel price changes only)		<u>With</u> energy efficiency measures	
	Number of fuel poor households (000s)	% of fuel poor households	Number of fuel poor households (000s)	% of fuel poor households
Fuel poor, all households	371	29	291	23
Severely fuel poor	60	5	43	3
Fuel poor in vulnerable group	334	31	261	24
Fuel poor in social housing	77	34	61	27

11. The table shows that the impact of energy efficiency improvements has been to reduce the estimated levels of:

- fuel poverty in all households by approximately 80,000 households (6 percentage points)
- severe fuel poverty in all households by approximately 17,000 households (2 percentage points)
- fuel poverty in vulnerable households by approximately 73,000 households (7 percentage points)
- fuel poverty in social housing by approximately 16,000 households (7 percentage points).

Welsh Government Warm Homes - Nest

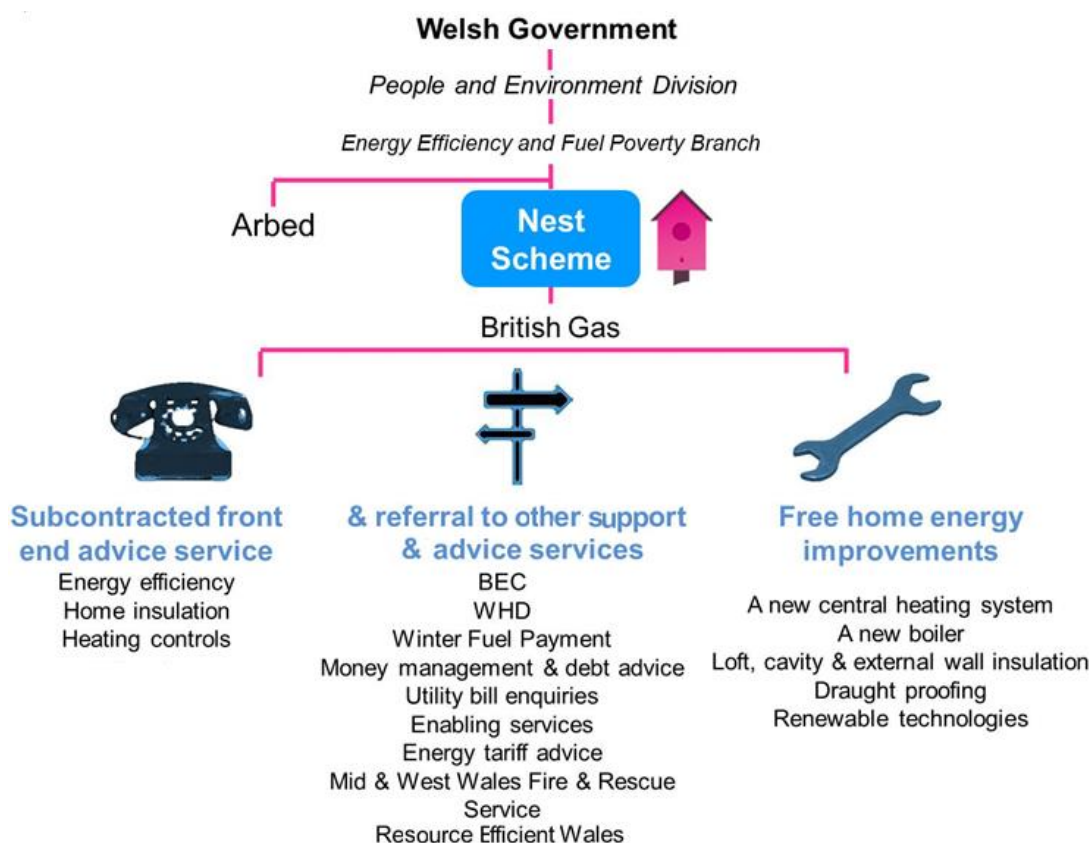
12. The Nest scheme is now in its sixth year. It provides people in Wales with access to a range of advice and support including saving energy, money management, fuel tariffs, and referrals for Benefit Entitlement Checks (BEC) and Warm Homes Discount (WHD) rebates.

13. In addition to advice, Nest offers a package of free home energy improvements to households who meet all of the following criteria:

- they are in receipt of a qualifying means tested benefit (MTB)
- they live in a privately owned or privately rented home
- they live in an energy inefficient home (Energy Performance Certificate (EPC) rating of E, F or G).

14. The current qualifying means tested benefits include:
- Child Tax Credit: money coming in is below £16,105 a year
 - Council Tax Benefit (reductions and discounts do not qualify on their own)
 - Housing Benefit
 - Income-based Jobseeker's Allowance
 - Income-related Employment and Support Allowance
 - Income Support
 - Pension Credit
 - Universal Credit
 - Working Tax Credit: money coming in is below £16,105 a year.
15. Nest also offers partial grant vouchers of £125 for loft insulation and £150 for cavity wall insulation for vulnerable households who do not meet the full eligibility criteria for a package of measures. A vulnerable household is defined as a household with someone who is:
- aged 60 or over
 - disabled or chronically ill
 - pregnant
 - a child or young person under the age of 25.
16. Take up of these grants has historically been very low, with less than 50 vouchers being claimed in the first 5 years of the scheme.
17. The Nest scheme is managed by British Gas, with the Energy Saving Trust (EST) as a sub-contractor. The scheme operates a front-end call handling and advice service, which is delivered by EST, and undertakes an initial assessment of the caller's eligibility for a package of home energy improvements. Where the caller meets the eligibility criteria, based on the information they have provided, EST refer the application to British Gas for a whole house assessment. EST also operate the scheme's advice service, both providing direct advice and referring individuals to partner organisations for advice and support.

Figure 1: Overview of the Nest Scheme



18. Where a household is identified as being potentially eligible for home energy improvements, a fully qualified Nest energy assessor visits the customer's home to confirm their eligibility, and to complete a whole house assessment to identify the most appropriate and cost effective measures for the property and the customer.
19. Nest home energy improvement packages are designed for individual properties so there is no standard package of measures. The most appropriate and cost effective solution recommended might include a new boiler, central heating system, loft insulation or cavity wall insulation, and some may include newer technologies like air source heat pumps and external wall insulation.
20. Central heating systems represent the majority of works undertaken by the Nest scheme. These include multiple measures e.g. a boiler, radiators, room thermostats, thermostatic radiator valves and pipe work, where required.
21. In order to ensure that cost effective measures are prioritised, there are currently spending caps for improvement works in each dwelling. These are caps of £8,000 for on-gas properties and £12,000 for off-gas properties to take the property up to a maximum EPC C, where it is appropriate and cost effective to do so. The higher cap for off-grid properties reflects the high cost of available heating sources for these properties.
22. Applications are currently accepted from owner occupiers and tenants in private rented properties. However, in the case of private rented properties, if the scheme has already improved three properties in the same landlord portfolio, any subsequent applications for that landlord portfolio are referred to the Welsh Government for determination.

23. Under the existing contract, Nest aims to provide advice and support to up to 15,000 householders per annum, with around 4,000 of these householders receiving home energy improvements. In its first 5 years, Nest provided advice to over 85,000 householders, with over 23,700 of these householders benefiting from a package of home energy efficiency improvements. These figures exceeded the original targets.
24. Nest has enabled over 1,200 households to access new or additional benefits, worth an average of over £1,900 of additional income per household per annum and has enabled over 1,000 households to access a Warm Home Discount rebate on their electricity bill. This equates to a total saving on electricity bills in Wales of over £140,000.
25. An important objective of a demand-led scheme is to enable additional funding to be levered into Wales from energy supplier obligations (ECO). In the last five years, Nest has successfully levered in over £10 million of funding from ECO, enabling more households in Wales to benefit from energy efficiency improvements.
26. Nest is a successful scheme and Welsh Government wants to build on that success. However, there is evidence that changes to the existing scheme could further improve the targeting of and support for households most in need and most at risk from living in a cold home. The evidence for change is set out in the following section.

What is the evidence for change?

27. In deciding whether the Welsh Government should continue to offer a demand-led fuel poverty scheme, we have considered the outcome of the BRE research on estimated levels of fuel poverty in Wales. Whilst the research shows that the estimated number of households in fuel poverty has reduced since 2012, around 23 per cent of all households in Wales are estimated to be in fuel poverty in 2016. This supports the case for continued action on fuel poverty, with support prioritised to low income households who are most at risk from living in cold homes.
28. The BRE research highlights the positive impact of home energy efficiency improvements on levels of fuel poverty. This indicates that an all-Wales scheme supporting low income households with such provisions, alongside a comprehensive package of advice and other support, continues to be a highly effective way to further reduce levels of fuel poverty.
29. In considering how a future scheme should be delivered, and which households should be prioritised for support, we have fully considered the findings of the independent evaluation of the Nest scheme, conducted by Miller Research (UK) Ltd. We have also taken account of another piece of research undertaken by the Centre for Sustainable Energy (CSE), which examined the characteristics of households most at risk of the cold. The main findings of these reports are set out below.

Evaluation of the Nest Energy Efficiency Scheme - Miller Research (UK) Ltd

30. In 2014, the Welsh Government commissioned an independent evaluation of the Nest scheme to assess whether or not it had met its objectives. The evaluation looked at the extent to which the scheme had reached households most in need, had resulted in energy savings for householders and had provided value for money. The full report was published in March 2015. The main report and an Executive Summary can be found at: <http://gov.wales/statistics-and-research/evaluation-nest-energy-efficiency-scheme/?lang=en>.
31. The findings of the evaluation were extremely positive, including in relation to scheme management and customer experience, the extent to which the most vulnerable households had been reached, and the benefits to households that received advice and improvement measures. In addition, the scheme had delivered wider economic benefits in terms of support for SMEs and the creation of jobs, apprenticeships and training opportunities.
32. The most significant and widely stated impacts of the scheme have been increased confidence in and reduced concern about heating homes. This resulted from both energy efficiency measures and advice to households. For some households, benefits extended to both mental and physical health improvements. Whilst some benefited from energy bill savings, for others, new systems and increased efficiency have enabled them to use heating and hot water that they could not afford before, thereby improving their living conditions in the home.
33. There was also wide support for the continuation of Nest or a similar scheme from all those consulted as part of the evaluation.
34. However, whilst the findings were very positive, the report also highlighted areas where further improvements could be made. These are as follow:
 - There is a need for improvement in the accessibility of the application process to certain groups such as those with sight and hearing difficulties, disabilities or mental health problems.
 - Eligibility criteria currently risk excluding some households that are equally in need.
 - The majority of households have received only one measure despite the intended 'whole house approach'.
 - Advice provision alone has been less effective than energy efficiency measures in achieving outcomes relating to fuel poverty.
 - The marketing and targeting of the scheme could be improved for socially excluded groups.
35. Several of these improvements have already been taken into account in changes to the current scheme from 2015/16. Actions taken include the following:
 - There has been additional targeted action to remove access barriers for people who lack mainstream communication channels. This focused on targeted engagement through specific partner organisations and the use of information in easy-read, braille, audio, large print and digital formats.

- There has been action to engage with community groups in rural areas and other groups including BAME (black, Asian and minority ethnic) communities.
- Relationships with Local Health Boards and Health sector partners have been developed.

Understanding the Characteristics of Low Income Households Most at Risk from Living in Cold Homes - Centre for Sustainable Energy (CSE)

36. In 2015, the Welsh Government commissioned independent research to help inform the targeting of any future demand-led energy efficiency and fuel poverty scheme. The aim of the research was to explore:

- which low income people would gain a significant reduction in vulnerability through home energy efficiency improvements
- the options for targeting these people / groups effectively
- which groups of people might benefit from a scheme under different budget scenarios. (This was to inform prioritisation, value for money decisions, and the setting of eligibility criteria).

37. The research was conducted by CSE and their full report and executive summary can be found at: <http://gov.wales/statistics-and-research/understanding-characteristics-low-income-households-risk-living-cold-homes/?lang=en>.

38. The key recommendations of the research are set out below:

- **Target Group** – a future scheme should target households with a relative low income and at least one of the following additional markers of vulnerability:
 - Older adults (people aged 65 years and over).
 - Children (particularly children under 5 years old).
 - Disabled people.
 - People with limiting long term health conditions (people with respiratory or circulatory diseases and people with mental health conditions).
- **Definition of ‘Low Income’** – Low income households should be defined as those with a relative low income i.e. an income of below 60% of the median income in Wales before housing costs¹.
- **Demonstrating Eligibility** – the scheme should use a combination of the following options that together represent an advance on current practice:
 - Using the receipt of means tested benefits to build on existing established systems to allow households to demonstrate their eligibility for the scheme.
 - Using some element of self-qualification involving the referral to the scheme by a third party for households where eligibility is complex to evidence.

¹ Determining low income status through the ‘before housing costs’ (BHC) indicator only requires knowledge of income levels, which in most cases will be present on a proof of benefit letter. Calculating ‘after housing costs’ (AHC) income requires additional information about housing costs which may be more difficult to prove, be less reliable and make the process more complex.

- Using a pre-approved third party referral system that allows those with relative low incomes and certain health conditions but who are not receiving means tested benefits to be included.
- **Qualifying Means Tested Benefits** – in order to narrow its focus to low income vulnerable households, the following benefits (and additional qualifying criteria, where relevant) should be used as a method for households to demonstrate their eligibility:
 - Pension Credit (low income, pension age adults)
 - Child Tax Credit (low income households with children)
 - Income related Jobseekers Allowance plus demonstrating responsibility for children (e.g. in receipt of Child Benefit)
 - Employment Support Allowance (and all previous iterations of it, including but not limited to Incapacity Benefit)
 - Income Support paid because of illness or disability
 - Severe Disablement Allowance (SDA)
 - Universal Credit.
- **Spending Caps** - Spending caps should continue to be applied and should be higher for lower SAP rated properties, allowing a proportionally larger resource to be focused on improving the coldest or most inefficient homes occupied by low income households with additional vulnerabilities.
- **Mental Health** – Further work is required to establish best practice and effective ways to engage and target people with mental health conditions.
- **Publicising the Scheme** – In order to ensure a satisfactory level of engagement with vulnerable people, a wide range of agencies and networks should be enlisted to help promote any new scheme. The scheme should also make particular efforts to recruit third party referral agencies working in rural areas.

Additional work on property tenure & energy efficiency rating

39. Under the current eligibility criteria for the Nest scheme, both owner-occupied and private rented households are eligible to receive a package of energy efficiency measures. However, we asked CSE to undertake some additional work looking primarily at the impact on the remaining eligibility criteria if the private rented sector was removed. CSE were also asked to consider the impacts of extending eligibility to include properties rated EPC D, in combination with the above.
40. The findings of this additional work will be used to further develop the eligibility criteria and spending caps per household for the new scheme.
41. Alternatives may need to be found for encouraging investment in energy efficiency measures in the private rented sector. These might include low-cost repayable loans offered through various Welsh Government initiatives for other purposes, for example the 15 year, £10m National Home Improvement Loan Scheme, currently delivered through local authorities in Wales. The scheme enables short to medium term loans to be provided to owners of substandard properties who pass affordability criteria and

who are restricted in terms of other sources of finance. As loans are repaid to the local authority, the funding can be recycled to enable its operation for 15 years.

42. We will look to ensure that any such alternatives are suitable to encourage landlords to fund energy efficiency measures in the private rented sector. This will include ensuring loans are consistently available throughout Wales and at an affordable rate.

What are we proposing?

43. The following section sets out our proposals for a new demand-led scheme, followed by questions seeking stakeholder views on our proposals. These questions are also summarised in the Consultation Response Form at Annex 1.

What support should the scheme offer?

44. We propose the new demand-led scheme should provide support comprising the following two elements:
- A front end service providing **advice** to households on ways to save on energy and water costs, on how to switch to better energy and water tariffs, and on money management supported by Benefit Entitlement Checks and referrals for Warm Homes Discount rebates.
 - Free **energy efficiency measures and in-home advice** for eligible households. In-home advice could include 'handholding' in areas such as energy switching and advice on how to get the full benefits of the measures installed.
45. We propose to remove the provision of Partial Grants in view of the low take-up and because of our proposed changes to eligibility criteria for free home energy improvements.

Question 1

A) Do you agree with the proposed support to be offered by the new scheme?

B) Do you agree that in-home advice should be offered to those meeting the eligibility criteria, where appropriate? What type of in-home advice would be most beneficial and who is best placed to provide such advice? Please provide evidence to support your answer.

Whole House Approach

46. The evaluation of the Nest scheme generally identified strong support from stakeholders for use of the whole house approach, where a qualified energy assessor recommends the most appropriate and cost effective energy efficiency measures to improve specific properties. We propose to continue with the whole house approach and to prioritise our funding for the installation of measures most appropriate and cost effective in improving the energy rating of a property and in reducing household energy bills.

Question 2 – Do you agree that the new scheme should continue with the whole house approach to energy efficiency measures? If not, what approach would you suggest? Please provide evidence to support your answer.

Spending caps on energy efficiency measures per household

- 47. In order to ensure prioritisation of the most cost effective measures and to benefit as many low income households as possible, the current scheme includes spending caps in each dwelling of £8,000 for on-gas properties and £12,000 for off-gas properties. A higher cap is applied to off-gas properties in recognition of the additional costs incurred in improving rural, off-gas homes.
- 48. Spending caps are subject to the recommended improvements being appropriate and cost-effective to bring a property up a maximum energy rating, where possible, of SAP 69 (EPC C equivalent).
- 49. The issue of spending caps was considered in both the evaluation of the Nest scheme and the CSE report. The CSE report highlighted that spending caps in each dwelling help ensure that the most cost effective and suitable measures are installed, whilst allowing less conventional energy efficiency measures to be installed, where they are needed. The report recommended that a greater level of resource is focused on improving, subject to the eligibility criteria, the coldest or most inefficient homes (EPC F and G). Reducing the cap for more efficient dwellings will help to ensure that such dwellings do not disproportionately use up the funding available. It would also accommodate the fact that the least efficient properties require higher levels of investment to bring them up to adequate levels of efficiency. The table below shows the spending caps used for modelling in the CSE research.

Table 2: Maximum spending caps by energy efficiency band as used by CSE under different levels of annual scheme budget

SAP band	£10m/£25m /£50m annual spend		£100 m annual spend	
	Mains gas heating		Non mains gas heating	
D	n/a	£4,000	n/a	£8,000
E	£4,000	£4,000	£8,000	£8,000
F,G	£5,000	£5,000	£12,000	£12,000

- 50. We propose to continue applying a spending cap per property, with higher caps for off-gas properties to reflect the higher cost of improvements. We are minded to apply different spending caps based on the starting SAP rating of a property, with higher caps for properties with the lowest SAP ratings (the most energy inefficient). We will undertake further work as part of an impact assessment of different spending caps, to inform our decision.

Question 3

A) Do you agree energy efficiency measures should continue to be subject to a spending cap per household? If you do not agree, how do you suggest we balance supporting individual households with high cost improvements against ensuring that the scheme benefits as many low income households as possible, with existing budgets? Please provide evidence to support your answer.

B) Should spending caps be proportional to the energy efficiency of the property? If so, what caps should then be applied for on-gas and off-gas properties? Please provide evidence to support your answer.

Who should be eligible for the new scheme?

51. The CSE report considers various annual budget scenarios covering different levels of vulnerability. It will be important, within the constraints of available budget allocations, to ensure, over the lifetime of the scheme, a well distributed delivery of measures to the households identified as being most in need. Therefore the eligibility criteria need to be carefully pitched to avoid over subscription, waiting lists, or in-year closures of the scheme, or conversely, insufficient numbers of households being eligible.
52. Taking account of the recommendations in the CSE report, we propose that the eligibility criteria for energy efficiency measures and in-home advice under the new scheme should be as follow:
- Households with members who are aged over 75 years or under 5 years and who are in receipt of a qualifying means tested benefit, **or** relative low income households with a member who suffers from a respiratory or circulatory disease².
 - Households living in a privately owned home or in private rented property that is used to support homelessness.
 - Households living in an energy inefficient home (EPC rating of E, F or G).
53. A key change from the current Nest eligibility criteria is the proposed removal of the private rented sector. Given that private landlords are effectively running a business and, in most cases, charging rent at a market rate, we consider that the onus for energy efficiency measures in their properties should be placed on landlords, not least because they can offset the cost of some energy efficiency improvements against their tax bill. However, we recognise that the private rented sector plays an important role in supporting implementation of the Welsh Government's homelessness legislation, which aims to ensure that anyone who is homeless or threatened with homelessness is helped to find a home. We are therefore minded to include private rented properties where they are used for that purpose.

² Respiratory disease includes any condition acting upon our air passages and ability to breathe (including both acute and chronic, long lasting conditions) such as chronic obstructive pulmonary disease (COPD). Circulatory (or cardiovascular) disease includes all diseases linked to the heart and circulatory system.

54. For private rented properties not used to support homelessness, we propose that private landlords should instead use alternative funding mechanisms, in the form of repayable low-cost loans such as the Welsh Government's existing 'Home Improvement Loans' scheme, administered by local authorities.
55. The other criteria set out above are similar to those applying to the current Nest scheme; however they allow some extension of eligibility to include households that are both on a relative low income and have a member with a respiratory or circulatory disease (see definition at footnote 2). These conditions have been identified by CSE as being most likely to be aggravated by living in a cold home.
56. This expansion of the criteria also addresses the point made by stakeholders in the evaluation of the Nest scheme that some households equally in need are unable to access support because they do not meet all of the current qualifying criteria (e.g. they are not in receipt of a qualifying means tested benefit).
57. However, the revised criteria will mean that some people on means tested benefits will no longer be eligible, due to the requirement for households to include a member over 75 years or under 5 years. These groups are considered to be most vulnerable to the harmful effects of living in a cold home. For instance, the CSE report identified that those over 75 years account for 78% of excess winter deaths and that children, particularly infants aged under five years, spend an above-average amount of time at home, increasing their exposure to the harmful health effects of cold homes.
58. The CSE report predicts that approximately 49,696 households fall within the vulnerability group that would be eligible under the criteria proposed at paragraph 52. However, this is based on both private owned and private rented properties being eligible and does not take account of our proposal that private rented properties will only be eligible if they are used to support homelessness. Further work is being undertaken to understand the impact of this proposal on the number of eligible households and potential options for the remaining eligibility criteria. For example, it may enable the removal of proposed age requirements (over 75 or under 5 years) to maintain an appropriately sized pool of eligible households.

Qualifying Means Tested Benefits

59. In light of the CSE findings, we propose the qualifying means tested benefits for the new scheme will be as follow:
 - **Pension Credit** (Guaranteed Credit element), which covers low income older people
 - **Child Tax Credit** and with income below a certain threshold, which captures low income households with dependent children
 - Income related **Jobseekers Allowance** and **Child Benefit**, which includes other low income households with dependent children
 - Income related **Employment Support Allowance** (ESA), identifying low income households with additional vulnerabilities
 - Benefits that were replaced by ESA (**Incapacity Benefit**, **Income Support** paid because of illness or disability, **Severe Disablement Allowance** (SDA), which covers some low income disabled people

- **Income support**, for which low income and pregnant mothers, carers, lone parents with a child under 5, or long sick or disabled are all eligible
 - **Universal Credit** which will combine six existing benefits into one: Income Support; income related Job Seekers Allowance; income related Employment Support Allowance; Child Tax Credits; Working Tax Credits; and Housing Benefit. This is being rolled out in stages.
60. The majority of recipients of these benefits will have many of the vulnerability characteristics identified in the CSE report and will generally be on relative low incomes compared with the rest of the population of Wales.
61. The main differences compared to the current qualifying benefits under Nest are as follow:
- Council Tax Benefit, Housing Benefit and Working Tax Credit have been removed as, whilst qualification for these benefits demonstrates low income, it does not demonstrate any of the additional vulnerabilities identified in the CSE work as being most vulnerable.
 - Applicants will need to be in receipt of Child Benefit in addition to Income-related Jobseekers Allowance to be eligible. This is to ensure that only those with dependent children qualify (a vulnerability identified in the CSE work).
62. As Universal Credit is rolled out to combine existing benefits, at some point this will mean that households currently in receipt of Working Tax Credit or Housing Benefit might again become eligible due to receiving Universal Credit. There may then be a need to implement additional eligibility requirements for those in receipt of Universal Credit, in order to ensure the scheme continues to target and prioritise the most vulnerable.

Question 4 – Do you agree with the proposed eligibility criteria and the list of qualifying means tested benefits for the new scheme?

If not, which criteria would you propose? Please provide evidence to support your answer. Any alternative proposal will need to take into account the requirement to maintain an appropriately sized pool of eligible households.

Question 5 – Do you agree that we should continue to provide support to the private rented sector for those whose properties are used to address homelessness, but that all other private landlords should be encouraged to improve the energy efficiency of their properties through the provision of repayable low-cost loans?

How do applicants demonstrate eligibility?

63. Eligible householders will be those in receipt of specified means-tested benefits or those with both relative low incomes and a chronic health condition. They will also need to be in an owner-occupied property or a private rented property used to support homelessness. This section sets out how we propose the householders in each group would demonstrate evidence of eligibility.

Tenure

64. For private owned properties, households would demonstrate eligibility in the same way as through Nest, providing documentation that demonstrates ownership and occupation.
65. For private rented properties used to support homelessness, we expect that eligibility would be demonstrated through proof of an agreement with a local authority to receive referrals of homeless people and where they have placed people in the accommodation under a statutory duty to which the grant applies.

Means tested benefits

66. Householders in receipt of a qualifying means tested benefit would access the new scheme in the same way as under the current Nest scheme. Proof of benefit entitlement will either be confirmed through data matching, where this is available, or through the provision of supporting documentation at the whole house assessment stage.

Relative low income with chronic health conditions

67. Householders in this group would need to demonstrate both relative low income and a qualifying health condition prior to being referred to the scheme. We are, therefore, proposing that householders in this group would be referred to the scheme manager through a pre-approved **third-party referral system**.

Third-party referral system

68. The key priority with this proposal is to ensure that we identify those third party organisations whose work with vulnerable groups would enable them to evidence both low income and a health condition. The third party organisation would confirm that they have undertaken the required verification of eligibility and would refer the client to the scheme manager for support. We would not propose that any further verification is carried out by the scheme manager.
69. Whilst we would look to all organisations working with vulnerable people to be involved in supporting the targeting of eligible households for the scheme, we are proposing that only a small number of organisations will act as pre-approved 'referral partners'.
70. We are keen to ensure that a third-party referral system works effectively in practice and does not deter eligible householders from applying to the scheme. We would therefore welcome the views of stakeholders on how a third party referral system could work in practice, which organisations are best placed to be referral partners and how such a referral system might be funded.

Question 6 – Do you agree with the proposed methods for demonstrating eligibility for the following households:

- a) Households in receipt of a qualifying means tested benefit and with a member over 75 or under 5 years.
- b) Households on a relative low income with a member suffering with a respiratory or circulatory disease?

If you do not agree, how would you propose householders demonstrate eligibility? Please provide evidence to support your answer.

Question 7

- A) Which organisations would be best placed to act as referral partners for households on relative low incomes and with a respiratory or circulatory condition?
- B) How could individuals demonstrate they have a qualifying health condition?
- C) How do you think a referral system might be funded?

Targeting the eligible group

- 71. Given the proposed changes to the eligibility criteria, specifically the inclusion of those with circulatory and respiratory conditions, we would also be interested in stakeholder views on how we best target this new group of people.

Question 8 – Do you have any suggestions for how we can best target those with respiratory or circulatory conditions?