



Llywodraeth Cymru  
Welsh Government

Welsh Government

## Plan to tackle fuel poverty

### Consultation outcome report and integrated impact assessment

Date of Publication 2 March 2021

ISBN 978-1-80082-945-9

**OGL** © Crown Copyright

# Contents

- INTRODUCTION** ..... 4
  - Responding to the Pandemic..... 4
  - Brief history of fuel poverty in Wales..... 5
- LEGISLATIVE AND POLICY FRAMEWORK**..... 6
  - Warm Homes and Energy Conservation Act 2000..... 7
  - Energy Conservation, Wales - The Home Energy Efficiency Schemes (Wales) Regulations 2011 as amended..... 7
  - Minimum Energy Efficiency Standards (MEES)..... 7
  - The Well-being of Future Generations (Wales) Act 2015. .... 8
- POLICY OBJECTIVES**..... 9
  - Taking Wales Forward ..... 9
  - Prosperity for All - *Taking Wales Forward*..... 9
  - The Welsh Government’s Advisory Committee on the decarbonisation of housing ..... 12
  - The Welsh Government’s Energy Efficiency Strategy ..... 12
  - Rights based approach – children and young people ..... 13
  - Ageing well..... 13
  - Disability ..... 14
  - Support to priority groups (Veterans, children, older people aged 60 and over, disabled, travellers and care leavers and apprentices)..... 14
- CONSULTATION ON THE DRAFT PLAN TO TACKLE FUEL POVERTY – SUMMARY OUTCOME**..... 15
  - Question 1 – Possible additional actions to reduce fuel poverty in Wales ..... 16
  - Welsh Government response to question 1 ..... 20
  - Question 2 – Definition of fuel poverty ..... 23
  - Welsh Government response to question 2 ..... 24
  - Question 3 – Proposed lower income level ..... 25
  - Welsh Government response to Question 3 ..... 26
  - Question 4 – Definition of vulnerable households..... 26
  - Welsh Government response to Question 4 ..... 28
  - Question 5 – Measures of fuel poverty ..... 28
  - Welsh Government response to question 5 ..... 29
  - Question 6 – Measuring impact of Warm Homes Programme investment by Kilowatt hour (KWh) reductions ..... 31
  - Welsh Government response to Question 6 ..... 33

In conclusion .....	33
<b>DETERMINANTS OF FUEL POVERTY .....</b>	<b>34</b>
Household incomes .....	34
Cost of energy .....	37
Domestic energy efficiency .....	42
<b>INTEGRATED IMPACT ASSESSMENT .....</b>	<b>44</b>
Equality and Human Rights .....	44
Older people – summary .....	44
Disabled people – summary.....	46
BAME Communities .....	47
Support to priority groups (Veterans and Gypsy traveller communities).....	49
Children and Young People.....	50
Welsh Language.....	51
Health Impact Assessment.....	52
Future Generations and Well-being .....	54
Rural Proofing .....	56
Tackling Poverty.....	57
Third Sector Impacts .....	58
Climate Change.....	59
Economic Impact.....	60
State Aid Regulations and competition markets assessment.....	61
Privacy impact assessment .....	62
Impact Assessments not progressed.....	63
Regulatory Impact Assessments.....	64
<b>POTENTIAL COST ANALYSIS OF NEW PLAN.....</b>	<b>65</b>
Targets .....	65
Advice and Outreach Support Pilot.....	69
Reporting on fuel poverty.....	70
Winter Resilience .....	70

# INTRODUCTION

## Responding to the Pandemic

1. In October, the First Minister and the Counsel General/Minister for European Transition set out the priorities for reconstruction as we emerge from the pandemic<sup>1</sup>. Much of our reconstruction effort is aimed at helping many of the people and businesses, whose livelihoods have been lost or turned upside down by COVID19, to find work and secure their future. Our most important role, through our Economic Resilience Fund and wider skills support, is to help individuals and Welsh firms transition to the economy and the jobs of the future. Helping to keep people in jobs through this turbulent period and supporting people, particularly young people, by building on our existing skills programmes and creating an environment of lifelong learning is a priority.
2. Whether it's building new homes, retrofitting existing homes, the re-energising of our local town centres, changes to the way we travel and how we work or how we secure our cherished public services like the NHS and social care for the future, we have the opportunity to continue to create jobs and sustain employment, to build stronger, fairer communities and respond to the climate emergency.
3. As reported by the Welsh Government's Chief Economic Officer in 2020<sup>2</sup>, excluding COVID-19 funding, and depending on future decisions by the UK Government, the Welsh Government's resource budget per person is not expected to recover to its 2010-11 level in real terms until 2023-24<sup>3</sup>. The impact on the labour market, and on incomes, has been severe but very much less than the impact on output, as a result of the various support schemes put in place by the UK and Welsh Governments.
4. Prospects are highly uncertain; if effective vaccines are rapidly rolled out, as currently appears quite likely, an early and sharp recovery appears possible. However, on the basis of the less positive "headline" scenario described by the Office for Budget Responsibility (OBR), the number in Wales who are unemployed could increase from 70,000 today to approximately 114,000, with unemployment not returning to pre-crisis levels until the end of 2024.
5. This plan to tackle fuel poverty is published at a time when the economic outlook remains uncertain. During the public consultation, a number of stakeholders made representations regarding targets and actions which, in their view, needed to be included in the plan. The Welsh Government has listened. In some cases, changes have been made. In others, whilst the sentiments and ambitions expressed by stakeholders is shared, to include the changes suggested would, in our view, be unrealistic at this time.

---

<sup>1</sup> <https://gov.wales/coronavirus-reconstruction-challenges-and-priorities-html#section-52303>

<sup>2</sup> <https://gov.wales/sites/default/files/publications/2020-12/chief-economists-report-2020.pdf>

<sup>3</sup> <https://gov.wales/sites/default/files/publications/2020-12/chief-economists-report-2020.pdf>

6. Further research is being commissioned to assess the impact of COVID 19. Until this assessment has been completed, the setting of interim targets to be highly speculative and we do not recommend their inclusion at this time.
7. Some respondents also suggested additional actions in the very short term to respond to the COVID 19 pandemic, and in the longer term (beyond 2023), should be included in the plan. Additional measures by the Welsh Government have already been introduced to support households through the pandemic, including additional fuel payments through the Discretionary Assistance Fund to help with the purchase of liquid gas and heating oil.
8. Minor amendments to the draft plan have been made.
  - (1) The proposal to measure the benefit of energy efficiency measures delivered through the Warm Homes Programme has been amended, adding the retention of EPC targets in addition to KWh reductions as a measure for improvement under the programme.
  - (2) The policy goals in the plan have been amended to make explicit reference to the principles of a “fabric first” approach to the installation of home energy efficiency measures, and a “worst first” approach to prioritise lower income households most in need of Welsh Government support.

### Brief history of fuel poverty in Wales

9. Statutory targets for eradicating fuel poverty in Wales were first published in 2003 in the Fuel Poverty Commitment for Wales. The target was to eradicate fuel poverty, as far as reasonably practicable, amongst;
  - Vulnerable homes by 2010;
  - Social housing by 2012; and
  - All homes by 2018.
10. These targets were included in the Welsh Government’s Fuel Poverty Strategy published in 2010. Despite the considerable investment provided by the Welsh Government as part of the Warm Homes Programme, and the previous Home Energy Efficiency Scheme, together with the investment generated by Welsh consumers to fund UK Government initiatives, the targets have not yet been achieved.
11. Since 2000, the Welsh Government has invested in homes where people have been struggling to meet the cost of their domestic energy needs. Under the Home Energy Efficiency Scheme operating between 2001 and 2009, more than 108,600 homes benefitted from energy efficiency measures. Investment has continued under the Warm Homes Programme. As at the end of March 2020, investment of more than £366m<sup>4</sup> in the Warm Homes Programme (Nest and Arbed) has improved the energy efficiency of more than 61,400 homes in Wales.

---

<sup>4</sup>Includes European, UK and Welsh Government funding delivered through the Warm homes Programme

12. On 21 May 2019 new headline estimates for fuel poverty in Wales were published, with detailed analysis following in August 2019 and local area estimates in April 2020. <https://gov.wales/fuel-poverty-estimates-wales>

13. In 2018, the latest date for which data is available, it is estimated:

- 155,000 households in Wales were living in fuel poverty, equivalent to 12% of households.
- Of these households, 32,000 were living in severe fuel poverty<sup>5</sup>, equivalent to 2% of households.
- 130,000 vulnerable<sup>6</sup> households in Wales were living in fuel poverty, equivalent to 11% of vulnerable households.
- 19,000 vulnerable households were living in severe fuel poverty<sup>7</sup>, equivalent to 2% of vulnerable households

14. The estimated reduction in levels of fuel poverty since 2008 is the result of increased household incomes and reduced household energy requirements due to energy efficiency improvements outweighing increases in fuel prices. Between 2008 and 2018, the lowest 30% of household incomes are estimated to have risen by 26% (unadjusted for inflation), whilst improved energy efficiency has led to an estimated 37% decrease in average energy consumption required to maintain a satisfactory heating regime. Whilst mean fuel prices across heating types has increased by 47%, the reduced energy consumption taken with increased incomes has driven down the percentage of households in fuel poverty to approximately half compared to 2008.

## LEGISLATIVE AND POLICY FRAMEWORK

22. Energy, including generation, transmission, distribution and supply of electricity, oil and gas are matters reserved to the UK Government, together with consumer protection, product standards, weights and measures.

23. Heat and cooling networks, (but not the regulation of them) and schemes providing incentives to generate or produce, or to facilitate the generation or production of, heat or cooling from sources of energy other than fossil fuel or nuclear fuel, together with the encouragement of energy efficiency otherwise than by prohibition or regulation are devolved matters to Wales.

---

<sup>5</sup> The sample sizes for severe fuel poverty are small and these estimates are not considered as robust as those for fuel poverty.

<sup>6</sup> A vulnerable household is defined as those with a person aged 60 years or over, a child or young person under the age of 16 years and/or a person who is disabled or has a long term limiting condition.

<sup>7</sup> The sample sizes for severe fuel poverty are small and these estimates are not considered as robust as those for fuel poverty

## Warm Homes and Energy Conservation Act 2000

24. The Act imposed a requirement on the Welsh Ministers in relation to Wales to publish and implement a strategy for reducing fuel poverty; to require the setting of targets for the implementation of that strategy and for connected purposes.

25. The strategy must:

- describe the households to which it applies,
- specify a comprehensive package of measures for ensuring the efficient use of energy, such as the installation of appropriate equipment or insulation,
- specify interim objectives to be achieved and target dates for achieving them, and
- specify a target date for achieving the objective of ensuring as far as reasonably practicable persons in Wales do not live in fuel poverty.

## Energy Conservation, Wales - The Home Energy Efficiency Schemes (Wales) Regulations 2011 as amended<sup>8</sup>.

26. These regulations are made by the Welsh Ministers in relation to Wales by section 15(1) of the Social Security Act 1990. The Principal Regulations made in 2011 make provision for eligibility criteria to be applied to define persons for support under the scheme (regulation 5), the purposes for which a grant may be approved (regulation 6), the maximum amount of grant (regulation 7), information to be provided in an application for grant (regulation 8) and the conditions to be attached to the grant (regulation 9). The Principal Regulations were amended in 2013 to amend the definition of income related support based on changes being made to the UK benefits system.

27. A further amendment was made in 2018 to remove partial grant applications and the criteria used for people applying for those partial grants, updated the minimum asset rating for eligible dwellings and the method for assessing the maximum amount of grant payable under the scheme, and added low energy light bulbs to the purposes for which a grant may be approved.

## Minimum Energy Efficiency Standards (MEES)

28. As of 1 April 2018 there is a requirement for any properties rented out in the private rented sector to have a minimum energy performance rating of E on an Energy Performance Certificate (EPC). The regulations came into force initially for new lets and renewals, but extended to existing tenancies on 1 April 2020. As of now it is unlawful to rent a property which breaches the requirement to have at least an E rating, unless there is an applicable exemption. While most properties in the private rented sector meet this level comfortably, for some landlords this means that they will no longer be able to rent out their property if it has a rating of F or G.

---

<sup>8</sup> Amended by the Home Efficiency Schemes (Wales) (Amendment) Regulations 2013 and 2018

29. The UK Government concluded a consultation regarding revisions to the MEEES Regulations in January 2021. The consultation sought views on the government's proposal to improve the energy performance of private rented sector homes in the 2020s, in order to:

- Deliver significant emission reductions, which will contribute to UK Carbon Budgets 4 and 5 and support a decarbonisation pathway consistent with our joint net zero 2050 targets
- Decrease bills for low income and vulnerable tenants, in support of the UK Government's statutory fuel poverty target;
- Increase the quality, value and desirability of landlords' assets;
- Reduce energy bills for tenants and ensure warmer homes;
- Support investment in high quality jobs and skills in the domestic retrofit supply chain across England and Wales;
- Provide greater energy security through lower energy demand on the grid and reduced fuel imports.

#### The Well-being of Future Generations (Wales) Act 2015.

30. The purpose of the Well-being of Future Generations (Wales) Act is to improve the social, economic, environmental and cultural well-being of Wales, protecting our country's assets for the future. Through five ways of working, the Act requires public bodies (as listed in the Act) to think more about the long-term, work better with people, communities and each other, look to prevent problems and take a more joined-up approach.

31. The Well-being of Future Generations (Wales) Act was the first piece of legislation in the world to link with the United Nations' Sustainable Development Goals by putting in place seven goals for Wales to make sure we are all working towards the same vision. All public bodies have a responsibility to contribute towards reaching these goals.

32. All seven are important when thinking about the need to improve home energy efficiency and reduce harmful carbon emissions, but some are more relevant in considering why and how best we take action to reduce Fuel Poverty.

33. A prosperous Wales requires we develop measures designed to encourage people to consider how energy is used in the home and what action can be taken to reduce their demand for energy. Supporting measures to improve the thermal and energy efficiency in the home not only helps reduce the cost of meeting energy needs, but also supports the supply chain and skills needed to stimulate the dynamic economy Wales needs to compete in a 21<sup>st</sup> Century global economy.



34. A healthier Wales demands action is taken to avoid the perils associated with living in a cold home. Evidence tells us people living in a cold home are at higher risk of avoidable ill health, older people are at a higher risk of premature death and children's ability to meet their full potential is undermined if a safe and comfortable home environment cannot be maintained at an affordable cost.
35. Creating a more equal Wales is relevant to people living on lower incomes and struggling to meet the cost of their home energy needs. This includes people who do not have access to the best domestic energy deals available on the market, because they are excluded from the financial services market, have fallen into arrears with their energy supplier or simply prefer to pay for their energy when used to avoid the fear of unmanageable fuel debt.
36. Increasing incidents of severe and out of season weather events, increasingly attributed to the effects of a changing climate, requires Government support to maintain a resilient Wales. Increased cost of domestic fuel in winter and the energy demand for cooling and ventilating homes during the summer can undermine peoples' financial resilience to deal with life's unexpected events. Additionally, there is growing evidence peoples' ability to improve their personal and family's winter preparedness is constrained by their financial resilience, resulting in avoidable crisis during extreme weather events.
37. A globally responsible Wales – Reducing the level of the natural resources we consume for our own needs is the principled approach the Welsh Government is adopting in relation to our housing, and includes reducing the energy we need to consume to maintain a safe and comfortable home environment.

## POLICY OBJECTIVES

### Taking Wales Forward

The programme for Government sets out how the Welsh Government (2016/2021) will deliver more and better jobs through a stronger, fairer economy, improve and reform our public services, and build a united, connected and sustainable Wales.

### Prosperity for All - *Taking Wales Forward*

38. The strategy provided immediate clarity about the Government's pledges for this Assembly term. Set out in four chapters, it outlined the main commitments which will make a difference to the people of Wales. The National Strategy *Prosperity for All* sets out how the commitments will be delivered.

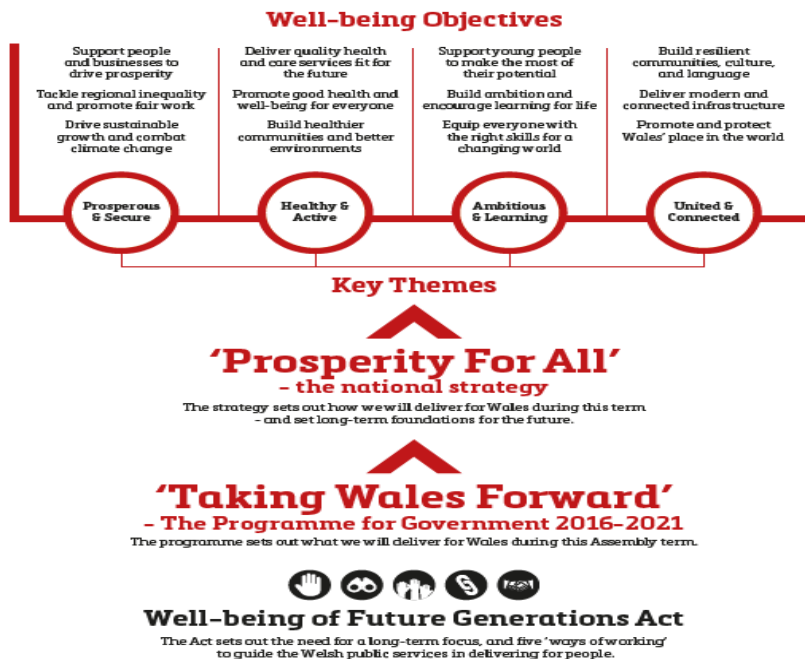


Figure 1 – Programme for Government 2016-2021

39. The four key themes of this Strategy are the same as those in *Taking Wales Forward*, which illustrates how the commitments will contribute to prosperity for all. Delivering commitments in a more integrated and collaborative way can enhance the well-being of the people of Wales.
40. Prosperous and Secure – The aim is to drive a Welsh economy which spreads opportunity and tackles inequality, delivering individual and national prosperity. The intention is to enable people to fulfil their ambitions and enhance their well-being through secure and sustainable employment, by breaking down the barriers to getting a job, and create an environment for businesses to grow and thrive.
41. Healthy and Active – The aim is to improve health and well-being in Wales, for individuals, families and communities, helping to achieve our ambition of prosperity for all, taking significant steps to shift our approach from treatment to prevention. Living in a warm home has a positive impact on people’s health and wellbeing.
42. Ambitious and Learning – The aim is to instil in everyone a passion to learn throughout their lives, inspiring them to be the best they possibly can be. A prosperous Wales needs creative, highly skilled and adaptable people, so education from the earliest age will be the foundation for a lifetime of learning and achievement. Living in a cold home inhibits children’s ability to fulfil their potential. It undermines their longer term health and well-being, inflicts avoidable risk of ill health and has a negative impact on educational attainment<sup>9</sup>.

<sup>9</sup> [Understanding the Characteristics of Low Income Households Most at Risk from Living in Cold Homes](#) -pg. 16

43. United and Connected – The aim is to build a nation where people take pride in their community, in the Welsh identity and language, and in our place in the world. Vital links are being built making it easier for people to come together, for the economy to grow, and for us to become a confident nation at ease with itself.

44. In developing the national strategy designed to implement the Programme for Government, five priority areas initially emerged as having the greatest potential contribution to long-term prosperity and well-being.

- **Early Years:** an individual's experiences in childhood play a significant part in shaping their future, and are critical to their chances of going on to lead a healthy, prosperous and fulfilling life.
- **Housing:** the bedrock of living well is a good quality, affordable home which brings a wide range of benefits to health, learning and prosperity.
- **Social Care:** compassionate, dignified care plays a critical part in strong communities, ensures people can be healthy and independent for longer, and is a significant economic sector in its own right.
- **Mental Health:** one in four people in Wales will experience mental ill health at some point in their lives, getting the right treatment at an early stage, coupled with greater awareness of conditions, can in many cases prevent long term adverse impacts.
- **Skills and Employability:** the better people's skills, the better their chances of getting fair, secure and rewarding employment, and the stronger the skills base is in Wales, the more chance we have of attracting new businesses and growing existing ones to improve prosperity.

45. In the 2018 Annual Report, the Welsh Government reported the development of a set of actions which will contribute to these ambitions. A key message was to increase the focus on decarbonisation as the benefits of reducing emissions will be felt widely and contribute to many of our priorities, leading to improved health and well-being and opening up new economic opportunities. As a Government, we have therefore agreed decarbonisation will also be an area for priority cross-Government action. To drive sustainable growth, combat climate change and improve housing, the national strategy commits the Welsh Government to:

- Set out a low carbon pathway providing clarity and certainty for action and investment around the low carbon economy through setting targets for 2020, 2030 and 2040;
- Invest in homes to improve their warmth and energy efficiency, to improve health and reduce the costs of fuel;
- Accelerate our support for new and innovative housing designs to meet challenges including pressing housing need, Fuel Poverty, climate change and demographic change.

## The Welsh Government's Advisory Committee on the decarbonisation of housing

46. The advisory committee has made recommendations on how best the decarbonisation target of achieving a reduction of 95% by 2050<sup>10</sup> can be achieved in the domestic housing sector in Wales. The recommendations published by the group on 18 July 2019 were:

- Political parties in Wales should make a strategic commitment to national residential decarbonisation and stick to it;
- The Welsh Government should set ambitious housing targets to meet its ambition of achieving net zero carbon by 2050;
- The Welsh Government should put in place the right quality system and delivery mechanisms across all tenures to help achieve the targets;
- The Welsh Government, working with others, should develop a holistic package of support across all tenures to motivate and facilitate action;
- The Welsh Government should collect data about the status and condition of the housing stock to inform decisions and measure progress towards targets;
- The Welsh Government should continue to monitor and test new solutions to decarbonise homes; and
- The Welsh Government and its partners should make maximum use of communities, networks, associations and Third Sector organisations in helping to decarbonise homes.

## The Welsh Government's Energy Efficiency Strategy

47. Published in 2010<sup>11</sup>, the Energy Efficiency Strategy sets out an approach for the next 10 years to achieve the vision of ensuring '*... Wales is in the best possible position to realise its full energy efficiency potential, becoming a major exporter of energy efficiency technology and know-how*'.

48. The Strategy sets out five key areas of actions to achieve this aim:

- People, communities, businesses and other organisations, recognise the benefits of energy efficiency and take action;
- A supply chain throughout Wales to deliver energy efficiency improvements: to buildings, products and processes, and those businesses go on to grow and export their expertise and know how;

---

<sup>10</sup> In May 2019, Advice from the UK Committee on Climate Change (UKCCC) recommended a reduction of 95% in carbon emissions on the 1990 baseline

<sup>11</sup> <https://gov.wales/topics/environmentcountryside/energy/efficiency/energy-efficiency-strategy-for-wales/?lang=en>

- A well-educated and skilled workforce, capable of responding to the energy efficiency challenge and this is supported by engagement and investment from employers;
- Innovation in new energy efficiency products to deliver solutions in Wales and our businesses to benefit from the opportunities presented by this global challenge, and
- Clear funding mechanisms, a clear pathway to reduced carbon emissions and a stable framework which is attractive to investors and consumers.

#### Rights based approach – children and young people.

49. The Welsh Government was the first Government in the UK to enshrine the United Nations Convention on the Rights of the Child into our domestic legislative framework. In doing so, the principle of a Children's Rights Based Approach has been adopted. This requires all public sector organisations to prioritise children's rights in their work with children and families to improve children's lives. Policy and legislation on children in Wales is underpinned by the UNCRC.

50. The Rights of Children and Young Persons (Wales) Measure 2011, the Social Services and Well-being (Wales) Act 2014 and the Well-being of Future Generations (Wales) Act 2015 all establish duties on public authorities that contribute toward the realisation of children's rights.

51. A Children's Rights Approach is consistent with these duties. Living in a cold home blights the lives of our children and inhibits their ability to fulfil their full potential. It undermines their longer term health and well-being, inflicts avoidable ill health and has a negative impact on educational attainment<sup>12</sup>.

#### Ageing well

52. The Welsh Government is committed to creating age friendly communities based on the World Health Organisation's nine themes<sup>13</sup>. On this basis, housing must be affordable, accessibly designed and within easy reach of services. Older people, defined as being aged 60 and over, are at greater risk of avoidable ill health and premature death from living in a cold home. Often living on fixed incomes, investing in homes to improve home energy efficiency runs the risk of undermining longer term financial resilience and ability to live independently for longer.

---

<sup>12</sup> [Understanding the Characteristics of Low Income Households Most at Risk from Living in Cold Homes](#) -pg. 16

<sup>13</sup> <https://www.who.int/about/who-we-are/constitution>

## Disability

53. The actions of the Welsh Government must be compatible with international obligations, as set out in section 82 of the Government of Wales Act 2006, including the UN Convention on the Rights of Persons with Disabilities <sup>14</sup> (UNCRC). The UNCRC is an international treaty which promotes, protects and ensures the full and equal enjoyment of all human rights by disabled people.
54. The articles of the Convention cover a wide range of areas including accessibility, independent living, education, health, and work and employment. With regard to independent living, Article 19 (Living independently and being included in the community) includes reference to:
- Disabled people having an equal right to live in and take part in the community.
  - Disabled people having the right to the same choice and control as non-disabled people.

## Support to priority groups (Veterans, children, older people aged 60 and over, disabled, travellers and care leavers and apprentices)

55. The Welsh Government prioritises support to certain groups in society when developing and delivering funded programmes. Veterans who meet the current eligibility criteria set out for the Warm Homes Schemes can access support to better meet their needs in winter months, but this does not ensure full coverage.
56. There are a number of compensation schemes administered by Veterans UK on behalf of the Ministry of Defence available to serving and former serving personnel who are injured as a result of their service in the Armed Forces. The scheme that applies to each individual will depend on when and where the veteran served. The Armed Forces Compensation Scheme (AFCS) can be claimed where illness or injury was caused as a result of service on or after 6 April 2005.
57. The War Pensions Scheme (WPS) can be claimed if an individual is no longer serving and disablement was caused as a result of service in the Armed Forces before 6 April 2005. The Criminal Injuries Compensation (Overseas) Scheme can be claimed if the veteran or dependants are the innocent victim of violent crime while serving overseas.
58. Traveller communities are identified as a Welsh Government priority group but the current eligibility criteria presents a barrier to this community. A project under the current Arbed Scheme has been proposed but has not yet been developed. There were 1,092 Gypsy and Traveller caravans reported in Wales on 23 January 2020<sup>15</sup>. There were 136 sites across Wales. Comparing the January 2019 and January 2020 counts, the number of caravans has increased by 6% (59 caravans) on authorised sites. There were 405 pitches on Gypsy and Traveller sites provided by local authorities in

---

<sup>14</sup> <https://www.un.org/development/desa/disabilities/convention-on-the-rights-of-persons-with-disabilities.html>

<sup>15</sup> <https://gov.wales/gypsy-and-traveller-caravan-count-january-2020>

Wales on 23 January 2020. Efforts to improve energy efficiency using this capital fund would potentially yield greater benefits.

59. Apprentices and Care Leavers are identified as needing additional support through Government Programmes. The Welsh Government is in the process of amending legislation governing payment of council tax for people leaving care.

## CONSULTATION ON THE DRAFT PLAN TO TACKLE FUEL POVERTY – SUMMARY OUTCOME

60. The Welsh Government launched its consultation on a plan to tackle fuel poverty in October 2020. The draft plan proposed revised targets to be achieved by 2035, together with ten short term actions to be delivered by the end of 2023. The consultation started on 30 September. The Minister for Environment, Energy and Rural Affairs published a written statement regarding the consultation on 20 October. The consultation concluded on 31 December 2020.

61. A copy of the statement is available at <https://gov.wales/written-statement-draft-plan-tackle-fuel-poverty>

62. The draft plan was informed by extensive engagement with the third sector supporting our communities, including a Ministerial round table held in June 2019. It was further informed by the Landscape Report into Fuel Poverty in Wales published in October 2019 by Audit Wales, and by the work undertaken by the Senedd’s Committee for Climate Change, Environment and Rural Affairs (CEERA) inquiry into fuel poverty tabled in April 2020. These significant reports provided the backbone of the draft plan, which proposed to reduce estimated levels of fuel poverty over the next fifteen years.

63. During the consultation period, bilateral meetings were held between the Welsh Government and statutory consultees, including the Office for Gas and Electricity Markets and the Welsh Local Government Association. Three virtual workshops, hosted by National Energy Action Wales, were held in November attended by 79 delegates (Figure 2). One workshop focused on fuel poverty in rural areas.

	Local Gov	Social Housing	Academia	Industry	Third Sector	Other	TOTAL
<b>10 Nov</b>	5	5	1	5	7	1	24
<b>16 Nov</b>	8	2	1	8	9	2	30
<b>17 Nov</b>	4	1	0	2	16	2	25
<b>TOTAL</b>	17	8	2	15	32	5	79
<b>%</b>	21.5%	10.1%	2.5%	19.0%	40.5%	6.3%	

Figure 2 – Delegates attending workshops to discuss the consultation on the draft plan to tackle fuel poverty

64. A number of methods were made available for people to respond during the consultation, including by email or by completing an on line form. No responses were received by post to the Welsh Government offices at Cathays Park in Cardiff.

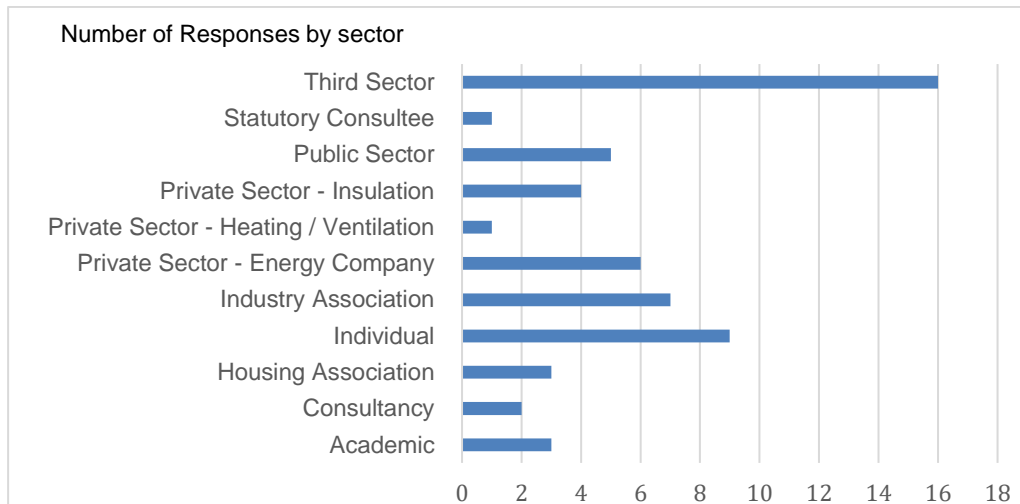


Figure 3 – Number of responses received by 31 December 2020 by sector

65. As at 31 December, we had received 57 individual responses to the consultation, of which 16 were from Third Sector Organisations. By far the largest number of consultation responses were received from organisations operating on an all Wales basis.

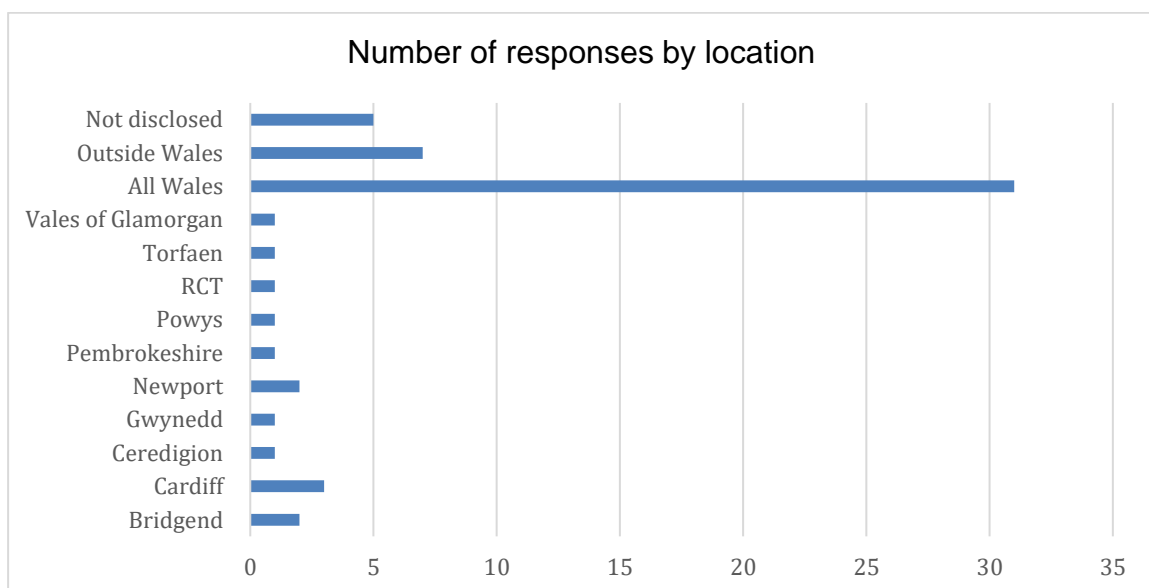


Figure 4 – Number of responses received by 31 December 2020 by location

### Question 1 – Possible additional actions to reduce fuel poverty in Wales

66. In the consultation, the Welsh Government proposed to deliver 10 actions over the next two years as part of our efforts to tackle fuel poverty. We asked people if they were aware of additional actions the Welsh Government could take, which could contribute to our efforts to reduce fuel poverty in the next two years?



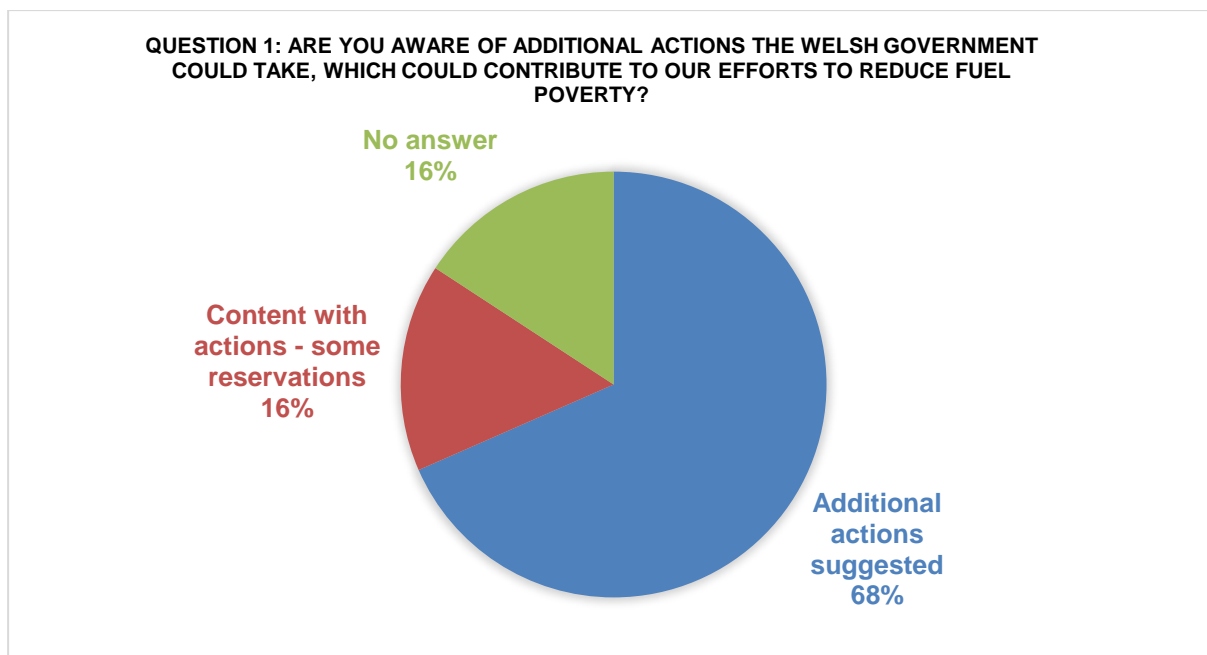


Figure 5 – Response to question 1 – Actions proposed by the Welsh Government

67. All but one respondent answering this question welcomed the actions proposed by the Welsh Government. Whilst 16% considered the actions were reasonable, a significant majority believed the Welsh Government should take additional actions, or provide more detail in relation to the proposed actions included in the draft plan. A number of respondents, although not a majority, expressed concern the plan did not include interim targets and the actions did not extend beyond 2023.

68. One respondent suggested the debate on energy affordability must to be turned on its head, claiming ***“Too much effort goes into avoiding or reducing fuel poverty (there is now even an annual debate in Westminster!) and not enough into promoting and securing energy wealth. With a focus on energy wealth we can all start to look at both reducing demand for energy AND increasing local, community and especially home ownership of energy, which in turn will result in reducing, or even eradicating, fuel poverty”***.

69. One respondent wrote ***“one concern about all of these positive action points is that many lack detail, will only be truly implemented post-2023, or will only operate in the period 2021-23. A successful fuel poverty strategy requires a comprehensive set of actions to improve home energy efficiency, reduce energy prices and boost household incomes”***. This view was reflected in a majority of responses.

70. Whilst the continued investment in the Warm Homes Programme was welcomed, many considered the income eligibility criteria based on means tested benefits to be too restrictive. One respondent suggested extending schemes to improve energy efficiency to all householders rather than means tested. ***“It's not just people who are on benefits who struggle with fuel bills and some people don't want to be stigmatised by poverty when using a scheme. This would help our targets for the environment as well as helping fuel poverty”***. Three respondents suggested more action was needed to raise awareness of the Warm Homes Programme.

71. Another respondent said more support was needed for Gypsy Traveller communities saying ***“Many of my clients live in fuel poverty and are not eligible for any support under the current schemes because they live on council run sites and are not on mains gas supplies so they cannot get any financial support to buy gas bottles. The other issue is that as they are not the customer for their electricity (the local authority who owns the sites is the energy supplier’s customer, not individual pitch residents). What this means is that again residents are not eligible for any of the warm home discount schemes. They have no say in how they get their energy and are not allowed to change providers”***.
72. Some respondents representing social housing providers and private landlords suggested a meaningful package of funding was needed to support both the private and social housing sectors to deliver improvements to housing stock energy performance. They suggested funding should firstly be targeted at fabric improvements, secondly heating upgrades and finally renewable energy solutions.
73. Seven respondents suggested more action is needed to support rural areas. One respondent suggested liquid gas can play a key role in helping off grid properties improve their energy efficiency and reduce (carbon) emissions. ***“As the lowest carbon, conventional energy source for off-grid homes and businesses, encouraging switching to LPG from oil and coal, provides clear and immediate emissions savings”***
74. Six respondents considered the proposal for biennial reporting on progress to reduce estimated levels of fuel poverty to be insufficient, suggesting annual reporting as an alternative. One respondent articulated this by saying ***“The Welsh Government should produce annual fuel poverty statistics and consider good practice in other nations when designing the way in which Welsh fuel poverty data is presented. The first review of performance towards the fuel poverty objectives should be complete by the end of 2022 so any findings can be implemented for work in 2023 and beyond”***.
75. Seven respondents also expressed concern regarding the lack of interim targets and longer term actions within the draft plan. One response submitted on behalf of ten organisations working to tackle fuel poverty emphasised the point. ***“The new targets do not yet meet the Welsh Government’s statutory obligations set out in the Warm Homes and Energy Conservation Act (WHECA) 2000, as amended by the Energy Act 2013 to “specify interim objectives to be achieved and target dates for achieving them”. The proposed plan does not include any such interim targets, which we think would provide a clearer pathway to 2035 and ensure the Welsh Government is accountable for progress. Further, with 15 years between now and the target date, we are concerned that non-statutory targets, spanning three Senedd terms, with no interim milestones, seriously risk not driving the sustained and necessary action and investment required to address this crisis in Wales”***.

76. ***“In addition, having all three proposed non-statutory targets, each with a target end date of 2035, does not prioritise the ‘worst first’ – those most in need who should take priority. Supporting the ‘worst first’ was a key principle embedded in the 2010 strategy and should continue to be a primary focus in the new updated plan. We therefore believe that the Welsh Government should bring forward the target to eliminate severe fuel poverty to 2028. This can ensure the plan meets statutory obligations and accelerates action for those most in need”.***

77. Another respondent highlighted other measures discussed in the technical annex accompanying the plan, which they considered should be included in the final plan. ***“The technical annex commits the Welsh Government to two pilots being delivered as part of the plan. These would cover: An innovation fund to explore how energy consumption can be reduced in ‘hard to reach’ houses such as those in off-grid areas. Providing more energy efficiency products to lower income households to lower their energy consumption by installing induction hob cookers and providing appropriate cookware”.***

78. A respondent representing an energy company suggested the final plan to tackle fuel poverty should set out in more detail how the Welsh Government intends to work with partners to secure funding through schemes, such as the Energy Company Obligation Scheme. ***“The final Plan needs to include further details on how the Welsh Government will seek to maximise deployment in Wales under supplier obligation schemes such as the Energy Company Obligation (ECO) through the use of match funding from public resources and steps to work with local authorities in helping to identify those households who are eligible for support. In this context, we note that the proposed Plan rightly identifies the need to better support local authorities in developing and promoting effective ECO LA Flex statements to facilitate the delivery of ECO measures to those in need in their local authority areas. The Plan should also set out how the Welsh Government will work with local authorities, as well as the UK Government’s Department for Business, Energy and Industrial Strategy (BEIS) and the Ministry for Housing, Communities and Local Government (MHCLG), on the best steps for promoting an improvement in the energy efficiency of the Social Rented and Private Rented sectors”.***

79. Taking all the responses into account, the suggested changes arising from responses to question 1 were:

- Targets and actions
  - i. Longer term targets and interim milestones are needed
  - ii. Advance severe fuel poverty target to 2028/Targets to treat worst first
  - iii. Include EPC targets in line with UK Government by 2030
  - iv. Make targets statutory
- Stronger link to decarbonisation and meeting net zero
- Monitoring and evaluation needed annually and to Local Authority level
- Warm Homes Programme

- i. Additional support for social housing and PRS, possibly expanding the Welsh Housing Quality Standard to PRS
  - ii. Welcome continued investment in WHP and proposed changes, but some suggested including replacement windows, doors and enabling works and repairs to heating systems
  - iii. Innovation new technology - better education on its use
- More support for rural areas including financing for fuel purchasing
  - Seek devolution of Warm Homes Discount and Cold Weather payments – introduce cold weather payments as part of winter resilience plan
  - Introduce Green Homes Voucher scheme, or improve support to middle income households
  - Support for Gypsy and Traveller sites
  - Pilot scheme to encourage purchasing of energy using products.

#### Welsh Government response to question 1

80. **Targets and actions** - The Welsh Government welcomes suggestions put forward during the consultation in relation to interim targets which could be included in the plan to tackle fuel poverty.
81. The events of 2020 serve only to undermine the reliability of the fuel poverty estimates published in 2018 on which future projections can be based. The ongoing global pandemic and its impact on households, together with the potential impact to economic activity resulting from the UK's departure from the EU exacerbate the uncertainty of our current context. Whilst respondents have made a compelling case for including suggested interim targets in the final plan, to do so at this time would be highly speculative. The Welsh Government is proposing further research to consider realistic interim targets which can be introduced as part of the first periodic review of the plan in 2023.
82. The Welsh Government does not agree targets to tackle fuel poverty need to be enshrined in Welsh Law to be made effective. The Welsh Government is subject to legislation requiring a strategy for tackling fuel poverty to be prepared and published. A number of respondents to the consultation made the point the absence of interim targets in the draft plan as presented, did not, in their view, satisfy the legislative requirements. The Welsh Government is not proposing to bring forward proposals for a draft bill to be introduced in the Senedd at this time and as discussed above, introducing interim targets now would be highly speculative without further evidence on which to base them.

83. **Stronger link to housing decarbonisation and net zero.** In December 2020, the UK Climate Change Committee advised Welsh Government that people and businesses will need to choose to adopt low-carbon solutions, as high-carbon options are progressively phased out. By the early 2030s all new cars and vans and all boiler replacements in homes and other buildings will be low-carbon – largely electric. It advised residential natural gas boilers should be phased out by 2033 and by 2028 for oil fired boilers.
84. The Welsh Government is mindful the benefits achievable through housing decarbonisation must not be at the expense of lower income households. The Welsh Government will articulate options for the next iteration of the Warm Homes Programme based on the learning to be reported from the Optimised Retrofit Programme and recommendations published by the Climate Change Committee in December 2020, seeking to maximise progress against multiple objectives.
85. **Monitoring and evaluation needed annually and to Local Authority level.** The Welsh Government has accepted data collection and reporting of estimated levels of fuel poverty must be improved. The estimated levels of fuel poverty published in 2019 were based on the Housing Conditions Survey undertaken in 2017-18. The previous survey was undertaken in 2008. Whilst agreeing reporting frequency of ten years is insufficient to be meaningful and annualised reporting would be the preferred option, the cost of doing so, in our view, would be disproportionate. The Welsh Government will introduce a biennial cycle for reporting estimated levels of fuel poverty.
86. **Warm Homes Programme (WHP)** – The representations regarding the WHP will inform the development of our proposals for the next iteration of the programme. It is the Welsh Government’s expectation the engagement and consultation on these proposals will start in the summer. In the meantime, our intention is to maintain the flexibility introduced in 2017 and improved in 2019 to support people who are living on a lower income, not necessarily on means tested benefits, who are living with a health condition which increases the risks from living in a cold home. The WHP Nest scheme will continue to support eligible households in the Private Rented Sector and where practicable to do so, Gypsy Traveller Communities until the end of the current contract in 2023.
87. The UK Government introduced the Green Homes Voucher scheme for England in July 2020. The Green Homes Voucher Scheme has now been extended until March 2022. When announced, the Welsh Government received representations asking whether the scheme will be introduced in Wales, and if not, why not.
88. The Green Homes Voucher Scheme is not as generous as first reported. Householders, unless on means tested benefits, will be required to pay a third of the cost of any home energy efficiency measures installed under the scheme. Windows and doors, which attracted media attention during the launch, are secondary measures only and the value of the contribution is limited to the value invested in primary measures, such as insulation and low energy heating systems. This means a householder receiving £1000 as a two-thirds contribution towards an air source heat pump, would receive a maximum of £1000 only towards new windows.

89. The Welsh Government remains unconvinced the scheme implemented in England is the right solution to support lower income households out of poverty or encourage owner occupiers to invest in home energy efficiency improvements. Energy efficiency measures installed without a whole house assessment may not deliver the carbon reductions and energy savings needed to secure our path to achieving net zero by 2050. The Welsh Government is committed to encouraging householders to improve home energy efficiency and where appropriate, provide financial support to lower income households to enable improvements to be made.
90. **More support for rural areas including financing for fuel purchasing.** The Welsh Government accepts the recommendation from the Senedd Committee on Climate Change, Environment and Rural Affairs following its inquiry into fuel poverty. The Committee recommended the new fuel poverty strategy should include provisions aimed at addressing the distinct challenges faced in rural areas. This should include a bespoke programme with appropriate levels of funding that take account of the more complex and costly measures often required to address rural fuel poverty. The Welsh Government will set out proposals for future support in rural areas in the consultation on the next iteration of the WHP.
91. In the meantime, the Welsh Government has put in place additional measures for households not connected to the gas grid. Emergency Assistance Payments (EAP) of up to £175 have been made available through the Discretionary Assistance Fund to help with cost of buying heating oil or liquid gas. The pilot will cover the winter 2020/21 period up to 31 March 2021.
92. The Welsh Government supplies energy using products for lower income households through the Discretionary Assistance Fund. The Welsh Government will explore options to ensure the household electrical appliances supplied through this programme are the most energy efficient available to help reduce household running costs still further.
93. **Seek devolution of Warm Homes Discount and Cold Weather payments – introduce cold weather payments as part of winter resilience plan.** Payments made available by the UK Government to help with heating costs during the winter are universally applied to older people. The payments are made through the benefits system, or in the case of the Warm Homes Discount, through energy suppliers as a reduction to the energy bill, which reduces the cost to administer them.
94. Cold Weather Payments become payable in areas experiencing prolonged spells of cold weather to avoid people living in cold homes for fear of higher energy bills. This benefit is focused on lower income families in receipt of certain means tested benefits. The Welsh Government is not aware of any evidence to suggest householders in Wales are treated less favourably than households in Great Britain by the current arrangements. Our preferred approach is to continue to work with stakeholders in Wales and the UK Government to maximise the benefits Welsh households gain through the current schemes.

## Question 2 – Definition of fuel poverty

95. Following the inquiry into fuel poverty, the Senedd Committee on Climate Change, Environment and Rural Affairs recommended the Welsh Government should adopt a more appropriate definition of fuel poverty: one that more accurately reflects the lived experience of fuel poor households in Wales. As its starting point, it should consider the ‘residual income’ approach, learning lessons from England and Scotland. This work should be undertaken in conjunction with relevant stakeholders and be completed within 12 months of the publication of this report.
96. In its response to the committee, the Welsh Government agreed the definition and measures used to assess fuel poverty should be appropriate for the people of Wales. Any measure needs to take into account the transient nature of fuel poverty. The Warm Homes and Energy Conservation Act 2000 defines a person is to be regarded as living “in fuel poverty” if a member of a household is living on a lower income in a home which cannot be kept warm at reasonable cost. This definition continues to apply to England and Wales. In Wales, the Welsh Government was proposing to maintain the current definition and measures of fuel poverty based on full income, whilst introducing a new measure to assist in the identification of people who are at risk of fuel poverty, or who are living in persistent fuel poverty. The Welsh Government agreed to give the matter further consideration, subject to the outcome of the public consultation on the new plan to tackle fuel poverty. We asked whether the current definition of fuel poverty should continue to be used, or whether an alternative definition should be adopted.

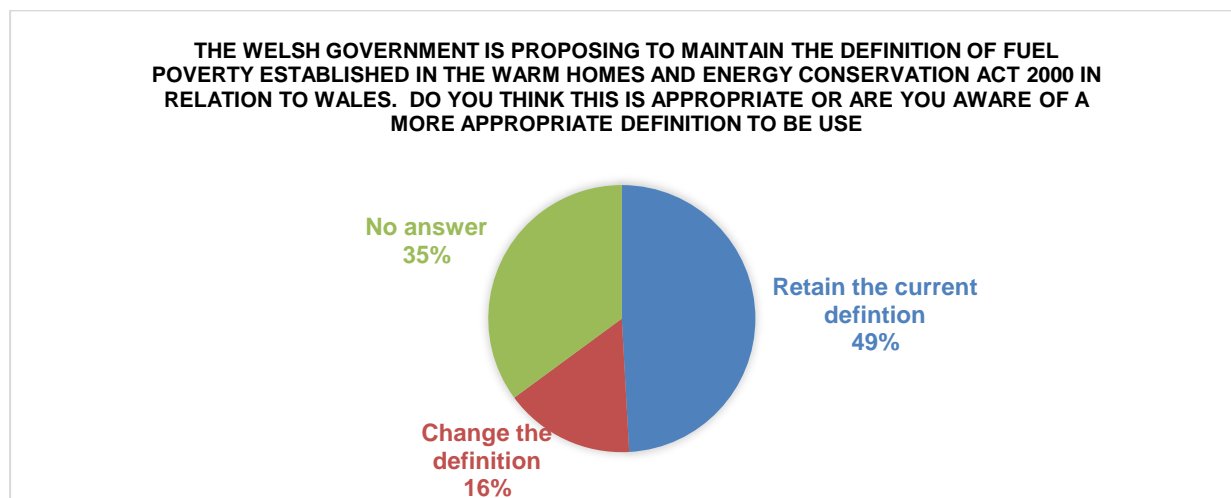


Figure 6 – Response to question 2 – Definition of fuel poverty to be used in Wales

97. A majority of respondents agreed the current definition of fuel poverty should be retained in Wales, whilst 16% of respondents suggested an alternative such as the definition adopted in Scotland. Section 2 of the Fuel Poverty (Targets, Definition and Strategy)(Scotland) Act 2019 defines a household as being in fuel poverty if after having paid its housing costs, it would need more than 10% of its remaining net income to pay for its reasonable fuel needs, and having paid for its reasonable fuel needs, its childcare costs and its housing costs, this then leaves the household unable to maintain an acceptable standard of living. This method is known as the residual income method.

98. One respondent in support of the Scottish definition said “**Definitions adopted by a number of European governments encompass more than just heating needs. For example, in France the “Grenelle II” Act defines energy poverty as a situation in which a person has difficulty obtaining the necessary energy in their home to meet their basic needs (including lighting, cooking, hot water, and heating) because of inadequate resources or living conditions**”.
99. Another respondent suggested maintaining the current definition of fuel poverty would make statistical trend analysis of fuel poverty data over time more practical, noting the current Welsh definition failed to take into account the disposable income of the household. With increasing living costs, they suggested households may be making savings in other areas, for instance through the purchase of a reduced range and quality of foodstuffs, living in smaller dwellings and sharing accommodation with others. The Scottish definition of fuel poverty takes housing, childcare, disabled living and other costs into account when determining the level of income available to pay for fuel. This provides a more sensitive measurement of fuel poverty.
100. Articulating comments made by others, the respondent said “**Under the current measurement of fuel poverty those on disability related benefits may have incomes which take them out of the definition of fuel poverty before they have paid for the support required for independent living. Consideration of other costs would allow disabled people and those living in shared housing solutions on the lowest incomes to be brought into consideration when determining numbers of people in fuel poverty**”.
101. A majority of respondents, however, supported the proposal to maintain the current definition and accepted the view the definition remains relevant and when combined with measures currently in place, is more easily communicated and understood. There was, however, a note of caution. “**The definition must ensure that it is not based on actual energy payments due to the fuel poor households that may be under heating their home and are therefore stopping themselves from paying more than 10% (even though in reality they should be spending more to be able meet their heating requirements)**”. This risk of under-heating, self-disconnection and self-rationing was a persistent theme throughout the consultation exercise.

#### Welsh Government response to question 2

102. The Welsh Government will retain the current definition of fuel poverty. The points made by stakeholders regarding the risk of self rationing, self disconnection and under heating is acknowledged. Care must be taken to identify households where this is evident.



### Question 3 – Proposed lower income level

103. In the draft plan, the Welsh Government asked if the proposed definition of lower income proposed is appropriate, or should a different level be considered. The Households Below Average Income<sup>16</sup> (HBAI) report presents information on living standards in the UK based on household income measures. Estimates are provided for average incomes, income inequality, and for the number and percentage of people living in low income households. For the purpose of this plan and for defining lower income eligibility for provision of home energy efficiency measures, lower income is defined as being less than 60% of the average household income before housing costs as published annually in the HBAI report<sup>17</sup>.

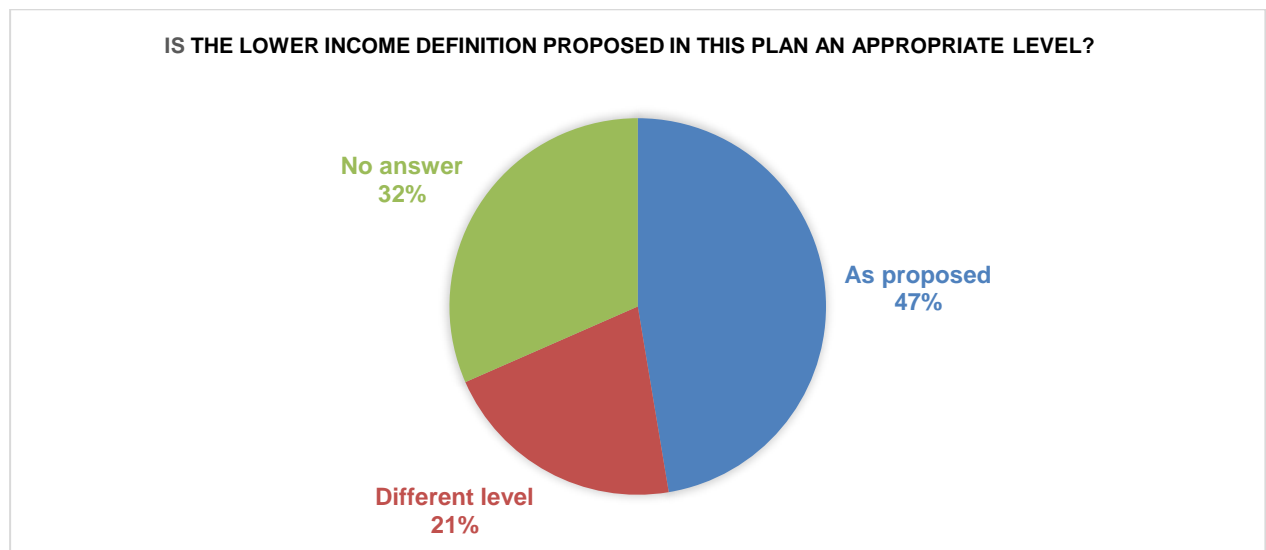


Figure 7 – Response to question 3 – Definition of lower income to be used in Wales

104. A majority of respondents supported the proposed lower income level. One respondent supporting the proposal said ***“We believe this is an appropriate and well-established means of assessing lower incomes. However, the Welsh Government should be clear about whether it intends to use the Welsh or UK figures. Our analysis of 2018/19 data shows that for Wales the annual household income would be approximately £14,850 compared to £16,016 for the UK”.***

105. Some respondents argued the over-reliance on means tested benefits to determine lower income resulted in some households not being able to access the support they needed. ***“We strongly support the expansion of support to cover lower income households not on means tested benefits. This will be an important step to targeting effective interventions at households in or at risk of fuel poverty who currently fall between the cracks of the existing programmes”.***

<sup>16</sup> <https://www.gov.uk/Government/statistics/households-below-average-income-199495-to-201718>

<sup>17</sup> As recommended in “Understanding the characteristics of low income households most at risk from living in a cold home” published 11 July 2016 SRN/41/2016

106. A significant proportion of respondents suggested the lower income level should be set after essential housing costs and in the case for disabled people, personal independence payments. This approach would therefore be aligned to the model of residual income introduced in Scotland.
107. A respondent advocating the residual income model voiced a concern expressed by a number of stakeholders attending the workshops regarding the treatment of disability payments as part of the income calculation. ***“I do not think this current definition includes everyone who is vulnerable. For example, those who are disabled and require more help do not have 10% of their budget to put towards heat”***. Another respondent also expressed concern the application of the lower income threshold will become inflexible, saying ***“The Welsh Government should implement a mechanism that is able to offer support to a household which earns marginally above the low-income threshold but due to high costs is struggling. For example, a household earning 80% of the median income which has 5 children”***.

#### Welsh Government response to Question 3

108. For the purpose of this plan and for defining lower income eligibility for provision of home energy efficiency measures, lower income will be defined as being less than 60% of the average household income before housing costs as published annually in the HBAI report.
109. The Welsh Government acknowledges the concerns expressed by stakeholders working with vulnerable groups in society. For some disabled people or Gypsy Traveller communities, the method of calculating household incomes may not be appropriate. Rigid adherence to means tested benefits as a proxy for lower incomes has led to some unintended consequences emerging during this latest iteration of the Warm Homes Programme. A single person living on a very low income but not means tested benefits in a cold home may not be eligible for support under the Nest scheme, for example. Adherence to a lower income threshold could have the same effect.
110. The Welsh Government has approved the installation of home energy efficiency measures for households, where need has been identified but personal circumstances have resulted in the household being marginally outside the eligibility criteria. It is important, therefore, to ensure arrangements are maintained to ensure support can be made available where there is a compelling case to do so and this will consideration will inform the consultation on the next iteration of the WHP.

#### Question 4 – Definition of vulnerable households

111. In our consultation, we proposed to amend the definition of a household vulnerable and “at risk” of living in fuel poverty to include homes with single occupants aged under 25 years of age. The alternative was to retain the current definition in the 2010 strategy, which defined vulnerable households as those with a member aged 60 or over, with any dependent children under 16 or with a long-term sick or disabled member.

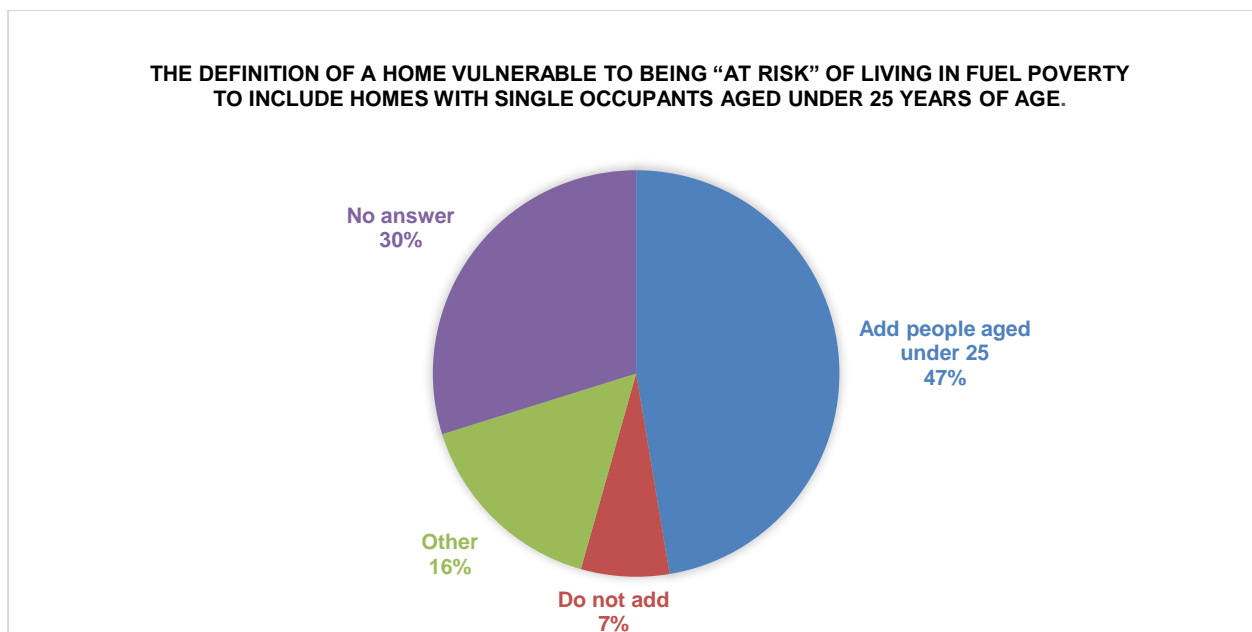


Figure 8 – Response to question 4 – Definition of vulnerable households

112. A larger proportion of respondents agreed with the proposal to amend the definition. In welcoming the amendment, one respondent suggested ***“other groups present themselves as being at risk of being vulnerable to falling into fuel poverty. Recent analysis undertaken by the Centre for Research into Energy Demand Solutions (CREDS) through the FAIR project has identified a number of specific groups who are vulnerable to being in fuel poverty. Black Asian and Minority Ethnic communities (especially recent migrants or refugees who are unfamiliar with UK institutional structures, and may face language barriers), single parent families, households with a member who has a pre-existing health condition or disability, and the recently re-housed were some of the additional groups identified by FAIR as being at risk of being vulnerable to fuel poverty. In line with the Welsh Government’s proposed change, FAIR research also confirms that people under-25 years of age, including student populations, are also at increased risk of living in fuel poverty”***.

113. Some respondents who were supportive of the amendment, pointed out the fuel poverty estimates for Wales published in August 2019 suggested households with occupants aged 16-34 years were estimated to be more at risk of living in fuel poverty. A respondent commented ***“Increasing living costs and the restrictions on state support payments to those under 35 years of age have led to an increase in people occupying houses in multiple occupation. Younger people are also occupying this form or rental accommodation for a longer period due to the increased reliance on private rental accommodation. Due to the greater representation of lower income people in multiple occupancy properties they are increasingly subject to fuel poverty”***.

114. Few respondents disagreed with the proposed amendment but one presented a different view of young people combining households. ***“I do not feel young people are more vulnerable in this sense. Unless they are disabled, young people have far fewer expenses and even those on benefits still have more spending capability if they are on housing benefit. Young people have more flexibility and can combine households to group together and save money as many of us did when we were young. It is part of growing up and learning to make do on very little and life is a challenge not a hand out”.***

#### Welsh Government response to Question 4

115. The Welsh Government will amend the definition of a vulnerable household to include households of single occupancy under the age of 25. In doing so, it is acknowledged other specific groups in society can experience above average levels of fuel poverty. The Welsh Government is not proposing, at this time, to further expand the vulnerable household definition but will consider further amendment to definitions within the new plan as the evidence base develops.

#### Question 5 – Measures of fuel poverty

116. The Welsh Government proposed to maintain the current measures of fuel poverty used in relation to Wales, adding the measure of 8% (of income used to maintain a safe and warm home) to measure homes “at risk” of fuel poverty and a measure of persistent fuel poverty as being fuel poor for two out of the last three years, asking whether alternative measures be developed.

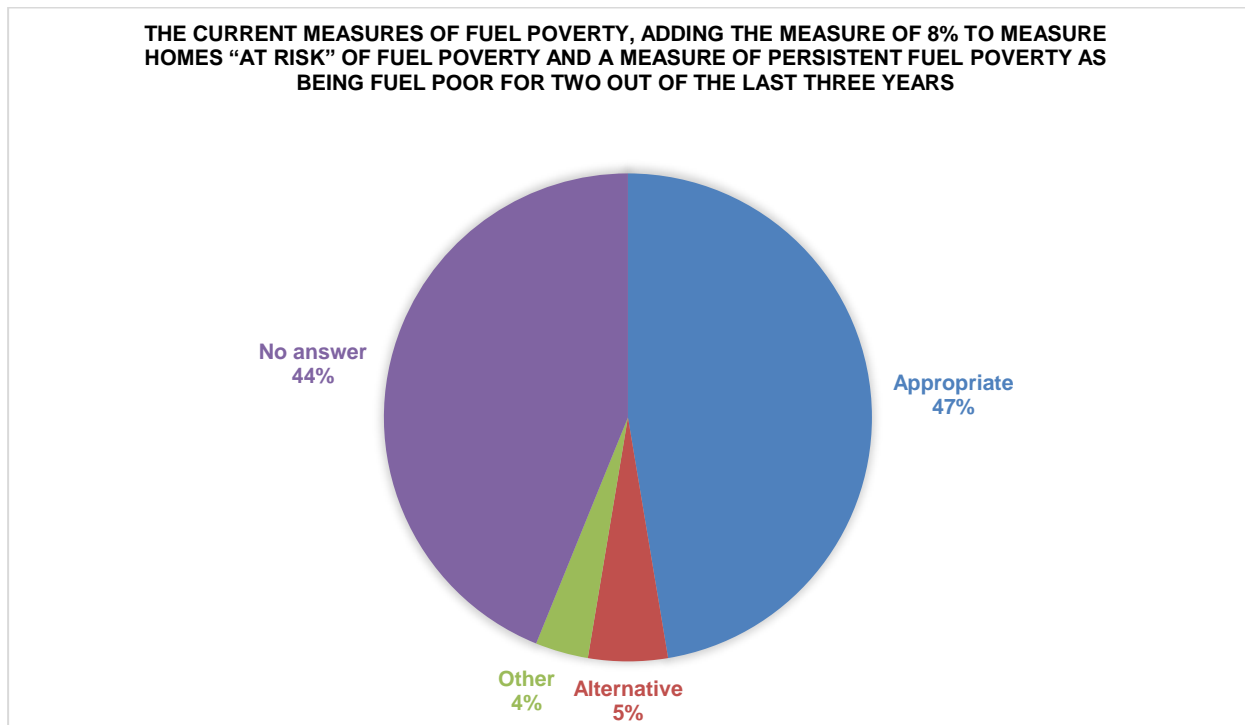


Figure 9 – Response to question 5 – Measures of fuel poverty

117. A larger proportion of respondents supported the retention of the existing measures of fuel poverty, with the addition of the proposed measures for households “at risk” and “persistent” fuel poverty. Some respondents expressed concern about the availability of suitable data sets to report on the new measures. One respondent commented ***“people find it challenging to calculate with precision how much they spend on energy bills and especially how much they were spending three years ago as a percentage of their overall income, particularly if their housing or financial situation has changed or was unstable in this period. There is a risk that those in the most need, who may be least able to provide suitably precise or long-term data, could be classified as lower priority due to their difficulty in providing this data. From a policy perspective, setting defined criteria for targets is appealing but this must be weighed against the practicality of implementing such an approach”***
118. On the broader issue of retaining the 10% and 20% measures of fuel poverty and severe fuel poverty, respondents noted the 10% and 20% metrics are easy for delivery partners to work with. There was some support for the position advocated by NEA Cymru, suggesting an income cap should be applied to this measure to avoid wealthy households who are able to meet their energy demands being considered in fuel poverty. The income cap could be based on 60% of median income, as used in England and Scotland. This would also align with the proposed new eligibility requirements of the Warm Homes Programme and remain easy to understand for practitioners whilst allowing support to be targeted at the most vulnerable.
119. One respondent not supportive of the proposed measures suggested Wales should introduce a measure, aligned to the low income high cost measure used to measure fuel poverty in England. Measuring the “fuel poverty gap” along the lines used by the UK Government for England might provide a better view of progress over time.

#### Welsh Government response to question 5

120. Following its inquiry into fuel poverty in 2020, the Senedd Committee on Climate Change, Environment and Rural Affairs asked the Welsh Government to give further consideration to measures of fuel poverty adopted in England and Scotland for introduction in Wales. The consultation on the draft plan to tackle fuel poverty has provided an opportunity to explore the options more fully with stakeholders. As reflected in this outcome report, there is support for introducing a definition and measure of fuel poverty based on the residual income model introduced in Scotland in 2019. It is accepted the residual income approach does provide the basis for a more accurate correlation between household disposable income and energy costs when compared to the “Boardman” definition currently used in Wales.

121. A key weakness in the current definition in Wales highlighted in evidence published by the Scottish Government IN 2017<sup>18</sup> suggested fuel poverty was not confined to households on lower incomes. It noted between 2013 and 2015<sup>19</sup> in Scotland, less than half of all fuel poor households in Scotland were also income poor (46%). A point illustrated by stakeholders in this consultation, whilst supporting the retention of the current definition and measures in Wales, suggested an income cap should be applied to estimates of fuel poverty using the current measure. The evidence published in Scotland also considered the Hills Low Income High Cost Indicator (LIHC), suggesting the LIHC's use of a floating median renders it largely insensitive to changes in fuel price, except through second-tier scrutiny of changes in the fuel poverty gap. This makes the measure somewhat more challenging in terms of public engagement and understanding, a point acknowledged by stakeholders in Wales during this consultation.
122. The UK Government has consulted on revisions to LIHC, and is proposing to update the way in which fuel poverty is measured to better track progress against the statutory fuel poverty target. The updated measure would still reflect the three key drivers of fuel poverty (income, energy efficiency and fuel prices) and would still measure the number of households in fuel poverty and the fuel poverty gap. Under the proposed measure, Low Income Low Energy Efficiency (LILEE), a household would be classed as fuel poor if they are living in a property with an energy efficiency rating of Band D, E, F or G as determined by the most up-to-date Fuel Poverty Energy Efficiency Rating Methodology and their disposable income (after housing costs and energy needs) is below the poverty line. There is a risk using this model that improvements in home energy efficiency alone will erroneously remove households from estimated levels of fuel poverty. In Wales<sup>20</sup>, an estimated 5% of households in a dwelling rated EPC B-C were thought to be living in fuel poverty, suggesting a thermally efficient home does not necessarily result in a household not being in fuel poverty.
123. The Welsh Government has concluded there are advantages and disadvantages with all the definitions and measures being used, or proposed across Great Britain. The risk, as articulated in the NEA's evidence to the Senedd Climate Change, Environment and Rural Affairs Committee in February 2020, is the development and implementation of policy and measures designed to relieve and reduce fuel poverty without the engagement of people working to tackle fuel poverty in the community could be considered immaterial. Providing interventions designed to meet the needs of local communities is important.
124. On this basis, the Welsh Government will maintain the current definition and measures of fuel poverty in Wales, whilst adding measures for "persistent" fuel poverty and for households "at risk" of fuel poverty. These measures will be used for the reporting of fuel poverty in Wales, disaggregated by households above and below the low income threshold. Published fuel poverty estimates for Wales will include estimates based on methodologies used in England and Scotland for benchmarking.

---

<sup>18</sup> <https://www.gov.scot/binaries/content/documents/govscot/publications/independent-report/2017/11/new-definition-fuel-poverty-scotland-review-recent-evidence/documents/00527017-pdf/00527017-pdf/govscot%3Adocument/00527017.pdf>

<sup>19</sup> <https://www.gov.scot/binaries/content/documents/govscot/publications/independent-report/2017/11/new-definition-fuel-poverty-scotland-review-recent-evidence/documents/00527017-pdf/00527017-pdf/govscot%3Adocument/00527017.pdf> page 65

<sup>20</sup> <https://gov.wales/fuel-poverty-estimates-wales>

## Question 6 – Measuring impact of Warm Homes Programme investment by Kilowatt hour (KWh) reductions

125. In the consultation, the Welsh Government proposed future schemes designed to improve home energy efficiency as part of our efforts to tackle fuel poverty should aim to achieve a 21%<sup>21</sup>, and not less than a 15%<sup>22</sup> reduction in energy used for heating. A reduction of KWh achieved will enable more accurate measurements to be taken once housing retrofit has taken place. This in turn will translate into SAP and EPC improvements secured through our continued investment, based on actual measurements and not modelled estimates. We asked stakeholders for views on our proposal to use a reduction in KWh as the preferred measure for future iterations of the Warm Homes Programme, or should EPC rating improvements be retained.

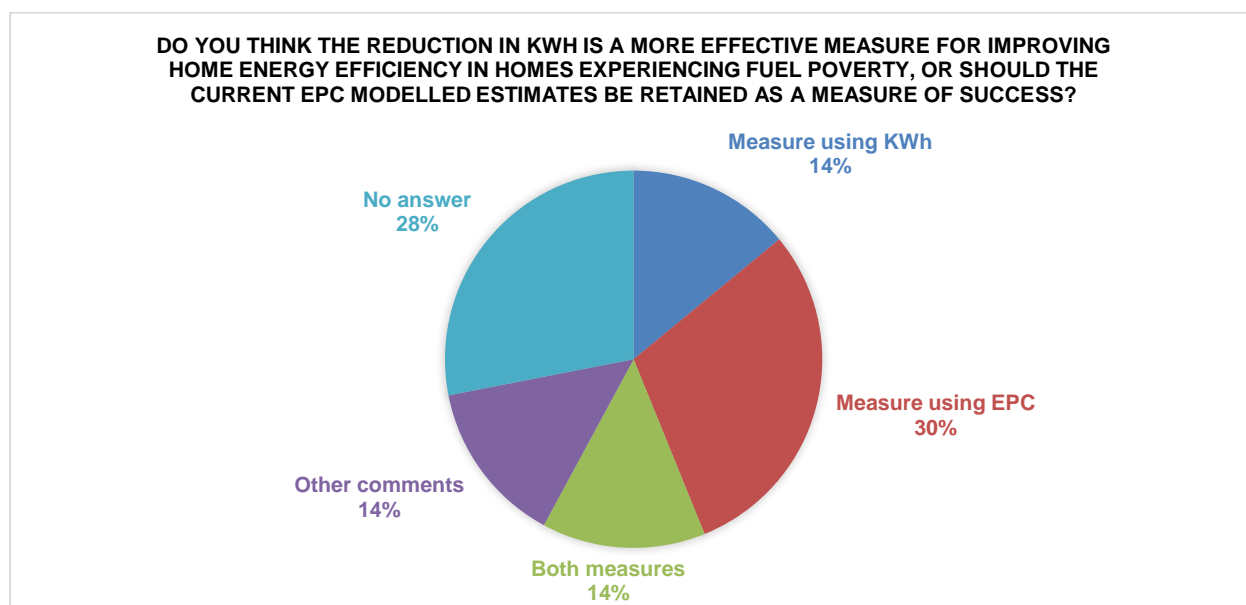


Figure 10 – Response to question 6 – Measures of improvement for future iterations of the Warm Homes Programme

126. The preferred option was the retention of EPCs to measure improvements to energy efficiency achieved by the installation of home energy efficiency measures. As one respondent stated ***“I think the proposed KWh reduction is broadly the right level of ambition for energy efficiency schemes in general - it is broadly aligned with the ambition needed to meet net zero. However, I think an energy use reduction target could be inappropriate for a fuel poverty scheme given the risk of self-rationing and self-disconnection”***.

127. A number of respondents echoed the concern households benefitting from home energy efficiency measures through the WHP will often self-disconnect or self-ration to save money. There will be examples where KWh will increase to maintain a satisfactory heating regime, but will be affordable owing to the improvements made.

<sup>21</sup> <https://www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-Technical-report-CCC.pdf> - page 79

<sup>22</sup> Based on UKCCC report recommendation *Homes Fit for the Future?* Published February 2019

128. One respondent told us ***“The UK Government’s department for Business, Energy and Industrial Strategy has undertaken research on the rationing of energy usage across different households. This study found that fuel poor households spent, on average £319 less on energy that they theoretically are required to consume for a healthy lifestyle, compared to £110 less for households that are not fuel poor.”***
129. The issue of self-rationing was addressed by another respondent, open to using KWh as the primary measure, but not wholly supportive. ***“Whilst the reduction in KWH usage for gas and electricity is a good measure for community or LSOA area, it does not necessarily work for an individual household who may have been rationing energy usage and as a result living in a cold and damp home. The increase in usage following the installation of measures should therefore not be seen as an issue, if usage is within expectations. Reference could be made to the Typical Domestic Consumption values for electricity and gas published by Ofgem annually as a guide to target consumptions”.***
130. Some respondents were supportive of the proposal, recognising domestic energy bills are presented in KWh and are more easily understood by consumers. One respondent also noted EPC measurements are less appropriate for households in rural areas. ***“We would support the reduction in KWh as a more effective measure for improving energy efficiency in homes experiencing fuel poverty. The EPC alone, due to its inherent flaws, does not reward rural homes investing in energy efficiency, so a KWh measurement would demonstrate when improvements have been made”.***
131. A similar number of respondents supportive of using KWh as the primary measure of improvement, approximately 14%, suggested alternative metrics by which improvement should be measured. One respondent put forward a detailed explanation of one such alternative. ***“It is clear that an absolute measure is the only way to proceed if we are to get real gains in energy performance of homes, avoid ‘gaming’ relative metrics and moving on from the known flaws in the EPC model. This is particularly pertinent to managing and eradicating fuel poverty and establishing energy wealth. There are too many variables and assumptions associated with EPCs. Using an absolute measure gives an accurate picture and thus supports a strategy for moving forward. We agree that KWh and reductions in Wh (per msq) are the most effective measures of success; which suggests two measurements are adopted – both using kWh/m2/yr.***
- ***Energy Use Intensity – regulated & unregulated energy, excluding renewable energy generation***
  - ***Heat demand.***
132. Approximately 14% of respondents suggested using both measures for measuring improvements, recognising both metrics have strengths and weaknesses.



## Welsh Government response to Question 6

133. The Welsh Government recognises the sentiments expressed by respondents highlighting the weaknesses of both EPCs and kWhs to measure the improvement in home energy efficiency achieved when measures are installed. EPC ratings remain as the preferred method for establishing targets introduced by the UK Government in relation to energy efficiency improvements to housing stock. Nonetheless, in cases where measures are installed, modelled anticipated bill savings and carbon reductions can fail to materialise.
134. Similarly, the concerns expressed by a majority of respondents highlighting the risks of unrealistic expectations in households where under heating, self-rationing and self-disconnection is evident. In short, improving home energy efficiency and removing the fear of fuel debt could result in an increase in the amount of energy used. In undertaking whole house assessment, evidence of under-heating should be taken into account and in such cases, typical energy needs for the household archetype could be used as the benchmark for improvement, as proposed by the Welsh Government. Concerns have also been expressed when fuel types are changed when home energy efficiency measures are installed. This could disrupt before and after assessment.
135. Whilst both methods of measurement have weaknesses, absence of accurate data and overreliance on modelled outcomes can result in misleading results undermining the credibility of the reporting of efforts to tackle fuel poverty. The outcome of this consultation is inconclusive, with reasonable arguments put forward in favour of both methods. As such, the Welsh Government is proposing to deploy both metrics when proposals for the next iteration of the Warm Homes Programme are brought forward for consultation later in 2021.

## In conclusion

136. The representations submitted during this consultation provided an invaluable insight into the challenges we face in the years ahead as we tackle fuel poverty during times of unprecedented uncertainty. Whilst welcoming the draft plan and the opportunity to comment on it, many respondents sought assurances on the Welsh Government's commitment to tackling fuel poverty and asked how actions were contributing to our wider policy objectives, such as housing decarbonisation and achieving net zero by 2050. Many advocated the addition of interim targets or milestones. Most welcomed the ten point fuel poverty action plan, but some wanted more detail in those actions.
137. ***“We urge the Welsh Government to ensure that homelessness, housing and support services are part of its considerations when developing plans for the provision of advice and support schemes within communities. The consultation document recognises the change in working patterns during the pandemic, noting that some households, who are suspected to be working from home, have seen an increase of up to 32% in electricity usage, with one gas supplier reporting that a quarter of their gas customers’ usage has increased by as much as 20%. As part of the Welsh Government’s plan to monitor impact and identify households at risk, we recommend that this trend is monitored as vaccinations***

**are rolled out. While many people will return to working from offices, there is likely to be a greater proportion of people who work at least part of the week from home. If this proves to be the case, then consideration should be given to how government prevents people from falling into fuel poverty (particularly those in the 'at risk' group) and how employers should provide financial assistance to employees that they require to work from home. The Ministerial Advisory Group on Housing Decarbonisation's report 'Better Homes, Better Wales, Better World' makes a strong case for setting ambitious targets, providing a long-term strategic commitment to decarbonisation, and developing a package of support to deliver this. While the Welsh Government will respond to this through the development of different action plan, we believe it is important to take every opportunity to emphasise the importance of financial support for social landlords to:**

- **Decarbonise their existing properties, and**
- **Build substantial numbers of new, low carbon homes over the coming years.**

**138. This will require significant, long term financial support from the Welsh Government and we urge current Ministers, and the new Government following the Senedd elections, to make a clear commitment to providing this. With social housing playing such a critical role in providing accommodation for people on the lowest incomes, it is essential that landlords are given the financial backing to alleviate fuel poverty among their tenants.**

## **DETERMINANTS OF FUEL POVERTY**

### Household incomes

139. Action taken to advance the Welsh Government's 2010 Strategy for Tackling Fuel Poverty has been one of the key contributions to the Welsh Government's wider objectives to tackle poverty in all its forms. Poverty has a profound negative impact on people's lives and on communities. Whilst action has been taken to tackle poverty for children, young and older people, ten years of austerity has witnessed a growing and worrying trend of food poverty, holiday hunger and in work poverty.

140. There is clear evidence of the extent and impact of debt in Wales<sup>23</sup> and for many individuals and households, debt and financial pressures are a real, continuing, day on day source of stress, anxiety and uncertainty. In many cases these pressures are exacerbated by difficulties such as income uncertainty, unemployment or other vulnerabilities such as mental health problems.

---

<sup>23</sup> StepChange 2015, 2018b; Money Advice Service 2017b.

141. The National Survey for Wales<sup>24</sup> reports material deprivation as a measure of poverty and its effects. The National Survey first included questions about material deprivation in 2014-15 and then again from 2016-17 to 2019-20. It includes results for material deprivation and also on food poverty. The latest reports for 2018-19 and 2019-20 found:

- In 2019-20, 13% of adults in Wales are materially deprived as are 32% of parents with three or more children and 49% of single parents.
- In 2018-19, 9% of adults had gone at least one day without a substantial meal during the last fortnight, and 1% cannot afford to eat meat (or equivalent) at least every other day.
- In 2019-20 41% of people living in social housing are materially deprived, compared with 23% in private rented accommodation and 5% in owner-occupied housing.

142. Average household income data for the UK was published by the Office for National Statistics in January 2021<sup>25</sup>. Median income between the financial year ending (FYE) 2019 (April 2018 to March 2019) and FYE 2020 (April 2019 to March 2020) remained broadly unchanged at £29,900. However, during the 10-year period leading up to FYE 2020, median income grew by 7%, on average 0.8% per year. Similarly, in the same period, mean income increased by 6.2%, an average of 0.7% per year and between FYE 2019 and FYE 2020 mean income grew by 0.7%. The growth in both median and mean incomes can be attributed to increases in original income (which includes income from employment, private pension, investment and other income sources) but very little change in the overall amount of benefits received and taxes paid.

143. Throughout 2020, household finances have been affected because of the restrictions and subsequent financial support measures put in place because of the coronavirus. The Personal and Economic Well-being<sup>26</sup> bulletin presents analysis to understand how these have affected UK household income during this time. The labour market shocks associated with the coronavirus (COVID-19) pandemic have been felt more by young people and the lowest paid; people aged under 30 years and those with household incomes under £10,000 were around 35% and 60%, respectively, more likely to be furloughed than the general population.

144. People who have not been able to work (either because of being on furlough or for another reason), more than half (52%) of people in the top income quintile continued to be paid in full, while this was the case for only 28% of those in the lowest income quintile. People with a job or seeking work were more likely to have decreased income during the pandemic, and particularly the poorest 20%, while others such as retired people out of the labour market were more protected.

---

<sup>24</sup> <https://gov.wales/national-survey-wales-april-2019-march-2020>

<https://gov.wales/national-survey-wales-april-2018-march-2019>

<https://gov.wales/poverty-and-deprivation-national-survey-wales-april-2017-march-2018>

<sup>25</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyear2020>

<sup>26</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/january2021>

145. Throughout the pandemic, employed parents were almost twice as likely to report a reduction in income than the general employed population, although this gap gradually narrowed throughout 2020 as schools reopened. Self-employed people were more likely to report reduced working hours and reduced income, even if they had received support from the Self-Employment Income Support Scheme (SEISS).
146. By December 2020, nearly 9 million people had to borrow more money because of the coronavirus pandemic; the proportion borrowing £1,000 or more also increased from 35% to 45% since June 2020. Impacts to household spending have been felt differently across groups, with parents less able to afford either a holiday or an unexpected but necessary expense than non-parents; they were also roughly 50% more likely to have difficulty meeting their usual expenses.
147. The COVID 19 pandemic has depressed household incomes in Wales still further. Statistics published by the UK Government on 28 January 2021<sup>27</sup> shows the number of employments furloughed in Wales was 123,000 at 31 October. This increased to 125,000 employments furloughed at 30 November. Provisional estimates show the number of employments furloughed increased by 30,500 to 155,500 at 31 December.
148. Provisional data for December 2020 (published 28 January 2021) for Wales shows Dwyfor Meirionnydd had the highest take-up rate at 18%. The Cardiff South and Penarth constituency had the highest number of employments furloughed at 5,500. The key points to note are, at 31 December the accommodation and food services sector continued to have the highest number of employments furloughed across all countries and regions. Wales, Scotland and Northern Ireland combined had 101,700 employments furloughed in the wholesale and retail sector.
149. Other early indicators<sup>28</sup> also suggest downward pressures on household incomes. The headline labour market indicators estimated from the Labour Force Survey provide an indication of how the coronavirus (COVID-19) pandemic is affecting the labour market. In the three months ending November 2020 (published 26 January 2021), the employment rate in Wales was 72.4%. This is 0.2 percentage points down on the quarter and 2.4 percentage points down on the year.
150. This is the second largest annual decrease since the series began in 1992. The largest decrease on record was during the recession which started in 2008. The employment rate decreased 2.7 percentage points in June to August 2009. The unemployment rate in Wales was 4.6% in the three months ending November 2020 (published 26 January 2021). This is 0.8 percentage points up on the quarter and 1.6 percentage points up on the year. This is the largest annual increase in the unemployment rate since July to September 2011.

---

<sup>27</sup> <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-january-2021>

<sup>28</sup> <https://gov.wales/key-economic-statistics-january-2021>

151. The Office for National Statistics and HM Revenue & Customs publish data for Wales on pay rolled employees, mean pay, aggregate pay and single month estimates for median pay. The number of paid employees has generally increased in recent years, but has fallen during the pandemic. Early estimates for December 2020 (published 26 January 2021) indicate that the number of paid employees in Wales was 1.23 million. This was a decrease of 30,300 (2.4%) on February 2020, but a slight increase of 3,000 (0.2%) compared with the lowest point in November 2020.

## Cost of energy

152. The UK Government's Department for Business, Energy and Industrial Strategy (BEIS) publishes monthly domestic energy prices indices for domestic fuel<sup>29</sup>. Prices paid for all domestic fuels decreased by 8.7% cent in current terms between Q4 2019 and Q4 2020. In current terms, between Q4 2019 and Q4 2020: Domestic electricity prices, including VAT, decreased by 3.2%; Domestic gas prices, including VAT, decreased by 15%; The price of solid fuels increased by 3.9% and Liquid fuels prices decreased by 35%.

153. BEIS also publishes annual estimates of UK household fuel expenditure and domestic fuel bills<sup>30</sup>. One of the three underlying causes of fuel poverty is **energy prices**. After a short trend of decreasing costs, the average UK weekly expenditure on all fuels (excluding motor fuels) increased from £22.36 in 2016/17 to £22.80 in 2017/18 and £24.92 in 2018/19<sup>31</sup>. Average UK spending on electricity by consuming households increased by 8.4% between 2017/18 and 2018/19. The increase in expenditure was greater for those with electric central heating systems, which increased by 10.5%. Between 2017/18 and 2018/19, average UK expenditure on gas increased by 6.7% for consuming households and decreased by 3.1% for those with no gas central heating.

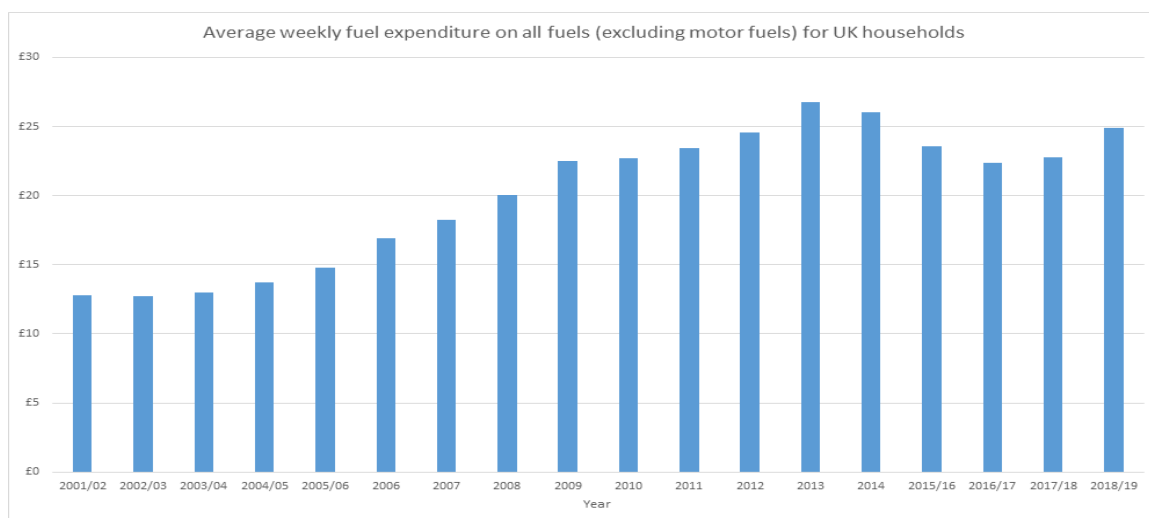


Figure 11 - The average UK weekly expenditure on all fuels (excluding motor fuels) published by BEIS

<sup>29</sup> <https://www.gov.uk/government/statistical-data-sets/monthly-domestic-energy-price-stastics>

<sup>30</sup> <https://www.gov.uk/government/statistical-data-sets/annual-domestic-energy-price-statistics>

<sup>31</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/875756/table\\_262.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875756/table_262.xlsx)

154. Whilst the domestic price for electricity decreased 3.2% in current terms, customer bills increased. In 2020, when compared to 2019, UK average electricity bills

- Across all payment types rose by £7 to £705;
- Direct Debit electricity bills increased by £6 at £688;
- Standard credit electricity bills increased by £2 to £755; and
- average prepayment electricity bills increased by £22 to £721<sup>32</sup>.

155. Average electricity bills across all payment methods in North Wales including Merseyside are reported at £745 annually and £722 in South Wales, both above the UK average of £705<sup>33</sup>.

156. Domestic gas prices, including VAT, decreased by 15 %. The 2020 figures show that an average Direct Debit bill in England & Wales decreased by £34 compared to 2019, whilst Standard Credit decreased by £19 and Prepayment decreased by £6. In 2020, when compared to 2019, England and Wales average gas bills<sup>34</sup>:

- Decreased from £561 to £512 (-9%) for payments using standard credit;
- Decreased from £503 to £446 (-11%) for payments by direct debit; and
- Decreased from £536 to £499 (-7%) for prepayment meters.

157. In summary, whilst UK fuel prices decreased in 2020, household bills for electricity increased and gas bills reduced marginally, suggesting we are paying slightly less for domestic energy but using more.

158. Whilst the latest evidence published by the Welsh Housing Conditions Survey in October 2019<sup>35</sup> reports social housing to have the most energy efficient housing in Wales, the survey also reports a greater proportion of people paying for their home energy needs using a prepayment meter live in social housing<sup>36</sup>.

159. The UK Government issues statistics in relation to the energy market. In 2017, the number of electric prepayment meters in Wales was reported at 199,529<sup>37</sup>. Statistics from the Welsh Housing conditions survey<sup>38</sup> suggests households in the social housing sector are more likely to have prepayment meters than private rented or owner occupied dwellings. 46% of social housing dwellings have an electric prepayment meter and 44% a gas prepayment meter. About 5% of owner occupier homes have gas / electric prepayment meters, whilst in the private rented sector, the percentages increase to 23% for electric and to 26% for gas prepayment meters.

---

<sup>32</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/956494/table\\_221.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/956494/table_221.xlsx)

<sup>33</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/956498/table\\_223.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/956498/table_223.xlsx)

<sup>34</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/956504/table\\_232.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/956504/table_232.xlsx)

<sup>35</sup> <https://gov.wales/welsh-housing-conditions-survey-energy-efficiency-dwellings-april-2017-march-2018>

<sup>36</sup> <https://gov.wales/welsh-housing-conditions-survey-headline-results-april-2017-march-2018>

<sup>37</sup> <https://www.gov.uk/Government/statistics/electric-prepayment-meter-statistics>

<sup>38</sup> WHCS 2017 Published <https://gov.wales/welsh-housing-conditions-survey-results-viewer>

160. Some people prefer prepayment meters as it allows them to control their expenditure on energy. While suppliers maintain prepayment tariffs are becoming more competitive, as switching between suppliers becomes more common, pay as you go tariffs remain more expensive compared to tariffs available on standard credit or direct debit payment terms.
161. In many other cases, however, prepayment meters can be installed to manage payment for people who have fallen into arrears with their energy supplier. This means people struggling to meet the cost of their domestic energy needs are required to pay up front for the energy they use and make an additional payment to pay off the arrears. Forced prepayment meters, installed under warrant, are meant to be used as a last resort, as the prepayment tariffs can be more expensive, but some companies opt for it over traditional payment plans which can be avoided by customers.
162. The UK Government has taken steps to ensure people who are unable or unwilling to change their energy supply will be protected from the energy markets pricing fluctuations. The Domestic Gas and Electricity (Tariff Cap) Act 2018 received Royal Assent in July 2018, and came into force on 1 January 2019. It is implemented with a view to protecting existing and future domestic customers who pay standard variable and default rates and it must have regard to the need to:
- create incentives for holders of supply licences to improve their efficiency;
  - set the cap at a level which enables holders of supply licences to compete effectively for domestic supply contracts;
  - maintain incentives for domestic customers to switch to different domestic supply contracts;
  - Ensure holders of supply licences who operate efficiently are able to finance activities authorised by the licence.
163. The price cap limits the unit cost of gas and electricity, with standing charges taken into account. It is not a cap on customers' energy bills which will still depend on energy consumption. The cap level is set using Typical Domestic Consumption Values (TDCV) and national average network charges. TDCV represents the median level of consumption for domestic energy consumers.
164. Using published methodologies, Ofgem<sup>39</sup> adjusts the caps twice a year to reflect the estimated costs of supplying electricity and gas to homes for the next six-month period. Ofgem adjusts the level of the cap up or down twice a year to allow suppliers to recover no more than reasonable costs of supplying their customers, on the assumption they are run efficiently. This means that when costs fall, consumers benefit from lower energy bills. In October, Ofgem reduced the level of the default tariff cap by £84 per year per household<sup>40</sup> for this winter to its lowest ever level after global wholesale energy costs plummeted in the wake of COVID-19.

---

<sup>39</sup> <https://www.ofgem.gov.uk/energy-price-caps/about-energy-price-cap>

<sup>40</sup> <https://www.ofgem.gov.uk/publications-and-updates/default-tariff-cap-level-1-october-2020-31-march-2021>

165. In making changes to the price cap methodology to enable energy suppliers to recover from higher levels of bad debt, the regulator stated it's in customers' interests to allow suppliers to start to recover some of these additional costs from the next price cap. On 5 February 2021, Ofgem announced the next level for the price cap on default energy tariffs, which will rise from 1 April by £96 from £1,042 to £1,138<sup>41</sup>. Ofgem claims the increase is primarily driven by a global recovery in wholesale energy prices in recent months, along with increased network and policy costs. For customers paying by pre-payment meter, the level will rise by £87 from £1,070 to £1,156.
166. Approximately 15 million households, including 4 million prepayment meter customers are on a default tariff and covered by the cap. Ofgem also claims the price cap has reduced supplier revenues by about £1 billion a year since its introduction in 2019, saving consumers an estimated £75-£100 per year on their energy bills to date.
167. Ofgem<sup>42</sup> and the energy industry continue to encourage people to switch their energy supplier to secure the best deal for meeting their home energy needs. There are around 28 million electricity and 23 million gas meter points (referred to as consumers in this release) in Great Britain. Many of these take their gas and electricity from the same supplier, with on average 70% of electricity customers, and 80% of gas customers, having dual fuel accounts.
168. Switching has been on the rise since 2014<sup>43</sup>, but has shown signs of slowing down during 2020. The number of domestic gas and electricity switches normally follows a seasonal pattern (with peaks around March and November then dips in January and the summer months). A break in the usual seasonal switching pattern occurred with the number of switches staying at a relatively constant level for each month since February 2018 instead of falling in the summer months. The drop in April and May 2020 coincided with the COVID-19 outbreak.
169. In December 2020<sup>44</sup>, the number of switches dropped by 2% compared to November 2020. In electricity it fell from 486,048 to 479,270 and in gas from 360,726 to 352,279. Compared to the same month in 2019, switches were down 4% in electricity and down 15% in gas. For the 12 months up to December 2020, there were 5.8 million switches in electricity, and 4.3 million in gas. This is down 2% for electricity and down 10% for gas, compared to the 12 months up to December 2019.
170. Research published by Ofgem in 2018<sup>45</sup> suggested the profile of consumers engaging with the energy market has remained broadly similar to previous years, with younger people, those in social grade<sup>46</sup> ABC1 and households on higher incomes, owner occupiers and frequent internet users all more likely than average to have engaged in the energy market.

---

<sup>41</sup> [https://www.ofgem.gov.uk/publications-and-updates/energy-price-cap-increase-april-consumers-should-switch-save-money?utm\\_source=Office%20of%20Gas%20and%20Electric%20Markets%20%28OFGEM%29&utm\\_medium=email&utm\\_campaign=12139804\\_Commentator%20-%20Price%20Cap%20Newsletter%20Jan%202021&utm\\_content=pricecap\\_consumer\\_Apr2021&dm\\_i=1QCB.7874S.TXM46L.TAHE.W.1](https://www.ofgem.gov.uk/publications-and-updates/energy-price-cap-increase-april-consumers-should-switch-save-money?utm_source=Office%20of%20Gas%20and%20Electric%20Markets%20%28OFGEM%29&utm_medium=email&utm_campaign=12139804_Commentator%20-%20Price%20Cap%20Newsletter%20Jan%202021&utm_content=pricecap_consumer_Apr2021&dm_i=1QCB.7874S.TXM46L.TAHE.W.1)

<sup>42</sup> <https://www.ofgem.gov.uk/publications-and-updates/record-number-customers-small-and-medium-sized-suppliers>

<sup>43</sup> <https://www.ofgem.gov.uk/data-portal/number-domestic-customers-switching-supplier-fuel-type-gb>

<sup>44</sup> <https://www.ofgem.gov.uk/data-portal/number-domestic-customers-switching-supplier-fuel-type-gb>

<sup>45</sup> <https://www.ofgem.gov.uk/publications-and-updates/consumer-engagement-survey-2018>

<sup>46</sup> The grades are often grouped into ABC1 and C2DE, these are taken to equate to middle class and working class



171. While people aged 16-34s are the most likely to switch supplier, 35-64s are the most likely to switch tariff. Most of the increases over time in levels of supplier switching have been amongst people under the age of 65 and those from the ABC1 social grades. While there have been recent increases in levels of switching amongst C2s and social renters, switching levels remain flat amongst people aged 65 and over and DE<sup>47</sup> households.
172. In June 2019, Ofgem published a draft Consumer Vulnerability Strategy 2025<sup>48</sup>. After a period of consultation, the finalised strategy was published setting out priorities to help protect gas and electricity consumers in vulnerable situations until 2025. The strategy builds upon the already extensive work delivered under the 2013 Consumer Vulnerability Strategy. Ofgem also extended provisions requiring energy suppliers to support households on lower incomes during the pandemic, ensuring no households on prepayment meters, for example, will lose supply.
173. Domestic energy is more expensive for homes not supplied by the national gas grid. The Energy Savings Trust estimates about four million homes across the UK are not supplied by the national gas grid. Estimates published in 2016 based on census data from 2011 for Wales show 16.8%<sup>49</sup> of all homes are off the gas national network. Whilst 85%<sup>50</sup> of all homes in Wales have a gas system present, 95% of these homes are on the mains supply with the remainder using LPG supplies to meet their domestic fuel needs. Homes in off gas grid areas rely primarily on Electricity, heating oil or LPG.
174. The bulk LPG supply market is structured in a fundamentally different way to heating oil. The LPG industry operates an integrated supply system, and therefore takes complete responsibility for the supply of LPG from the refinery or terminal to the storage tanks which the LPG supplier owns and which are located on domestic customers' premises. Only the owner of the storage tank is allowed to fill the tank and this is covered by a legally binding contract which places responsibility on the LPG supplier to maintain supply security in order to avoid the customer running out and going cold. This aspect of the bulk LPG market was investigated at length by the Office of Fair Trading (OFT) and the Competition Commission (CC) and both concluded this arrangement was in the overall interests of the consumer, particularly in respect of Health and Safety.

---

<sup>47</sup> **AB:** Higher and intermediate managerial, administrative and professional occupations

**C1:** Supervisory, clerical and junior managerial, administrative and professional occupations

**C2:** Skilled manual workers

**DE:** Semi-skilled and unskilled manual workers, state pensioners, casual and lowest grade workers, unemployed with state benefits only

<sup>48</sup> <https://www.ofgem.gov.uk/publications-and-updates/consumer-vulnerability-strategy-2025>

<sup>49</sup> Table 8: Estimated proportion of households not connected to the gas network using 2011 Census data, by region (2016)  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/678653/Sub-national\\_electricity\\_and\\_gas\\_consumption\\_summary\\_report\\_2016.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678653/Sub-national_electricity_and_gas_consumption_summary_report_2016.pdf)

<sup>50</sup> <https://gov.wales/welsh-housing-conditions-survey-headline-results-april-2017-march-2018>  
Welsh Housing conditions survey 2017

## Domestic energy efficiency

175. Quality housing is a springboard from which individuals and families create secure and successful futures. Decent homes create decent communities in which all can play a part, whilst warm and affordable houses prevent ill-health and help children to do well in school. This is why the focus on creating decent homes and tackling fuel poverty is so important. In doing so, avoidable ill health and premature deaths in the winter can be avoided, peoples' quality of life can be improved and children can get the start in life they deserve. Along the way, doing everything we can to be good global citizens, by reducing our carbon footprint and reducing the share of the world's resources we take for our own needs should be the guiding principle.
176. The [Welsh Housing Conditions Survey \(WHCS\)](https://gov.wales/national-survey-wales-april-2017-march-2018)<sup>51</sup> collects information about the condition and energy efficiency of all types of housing in Wales. The headline results published in 2018 is the first set of housing conditions results for Wales since the last survey in 2008. Fieldwork ran from August 2017 until the end of April 2018. A sample of addresses was drawn from eligible households taking part in the National Survey for Wales. <https://gov.wales/national-survey-wales-april-2017-march-2018> This resulted in physical inspections of 2,549 properties across Wales, which informed national level estimates.
177. Since the last survey in 2008, the survey shows housing energy efficiency across all tenures in Wales have improved. Wales has the oldest housing stock in the UK and the proportion of dwellings in the private rented sector has increased considerably since 1986. The private rented sector generally has the oldest housing stock and a higher proportion of poor quality housing (e.g. containing damp or other hazards).
178. Social housing is generally of better quality (achieving an average Standard Assessment Procedure (SAP) rating of 68), compared to private housing (both owner occupied and private rented, achieving an average SAP of 60). Across all tenures, the average energy efficiency band has improved from Band E in 2008 to Band D in 2017-18. Dwellings built since 2002 have an average SAP rating of 73 compared with an average SAP of 53 for older dwellings built before 1919. More than 40% of privately rented dwellings were built before 1919.
179. As part of the current Strategy for Tackling Fuel Poverty, The Welsh Government is working to improve home energy efficiency and tackle fuel poverty by investing in our Warm Homes Programme, which includes the demand led Nest scheme and area based Arbed scheme. Since the start of the Nest Scheme<sup>52</sup>, after the installation of measures, 80% of properties were increased to an energy efficiency rating of between B and D, with a further 16% to an E-rating and 3% to an F-rating.

---

<sup>51</sup> <https://gov.wales/national-survey-wales-april-2017-march-2018>.

<sup>52</sup> Nest Annual reports 2011/2019 - <https://nest.gov.wales/en/about-nest/>

180. As at March 2020, investment of more than £366m delivered through the Warm Homes Programme (Nest and Arbed) has improved the energy efficiency of more than 61,400 homes in Wales. The Nest Annual Report for 2019/20 shows more than 15,000 householders received energy advice and support, including referrals to third party services such as benefit entitlement checks to maximise their household income.

181. The total number of households provided with advice and support is more than 144,500 during the eight years the Nest scheme has been running.

182. Homes in Wales have further been improved from the ongoing investment in the Welsh Housing Quality Standard (WHQS). This is the Welsh Government's standard of housing quality. First introduced in 2002, it aims to ensure all dwellings are of good quality and suitable for the needs of existing and future residents. The Welsh Government set a target for all social landlords to improve their housing stock to meet the WHQS as soon as possible, but in any event by 2020. The WHQS measures 42 individual elements within the following seven categories:

1. In a good state of repair
2. Safe and secure
3. Adequately heated, fuel efficient and well insulated
4. Contain up-to-date kitchens and bathrooms
5. Well managed (for rented housing)
6. Located in attractive and safe environments
7. As far as possible suit the specific requirements of the household (e.g. specific disabilities).

183. The Welsh Government monitors performance against these standards. The WHQS data collection component for energy efficiency is based on SAP rating. To comply with WHQS, homes must have a SAP rating of 65+. Our data shows at 31 March 2014, 67% of social housing dwellings (149,755 dwellings) were compliant with the WHQS (including acceptable fails) compared to 60 per cent a year earlier. As at 31 March 2019, 93 % were compliant.<sup>53</sup>

---

<sup>53</sup> <https://gov.wales/welsh-housing-quality-standard-0>

# INTEGRATED IMPACT ASSESSMENT

## Equality and Human Rights

184. Welsh Government has identified a change in policy and delivery could impact on a number of the protected characteristics set out in the Equality Act 2010, specifically:

- Age, Older people, young people and children
- Disability
- Race, religion or belief

## Older people – summary

### Key points

- The latest statistics published by the ONS<sup>54</sup> report older people aged 65 and over account for 21% of the population of Wales (662,376 people).
- Wales has a slightly higher proportion of people at retirement aged 65 and over (21%) than the rest of the UK.
- The UK HBAI<sup>55</sup> reports the percentage of pensioners in material deprivation decreased slightly between 2017/18 and 2018/19, from 7 to 6 % on the rounded percentages (less than 0.5 percentage points on unrounded data). There has been a broadly downward trend since 2013/14.
- As described in our technical annex to the consultation document on our proposed plan, the level of switching energy providers remain flat amongst people aged 65 and over and DE<sup>56</sup> households.
- Older people spend an above average period of time at home and are more at risk of avoidable ill health or premature death from living in a cold home.
- More people than the Wales average aged 65 and over as a proportion of the local population live in the rural areas of Ceredigion (25%) and Gwynedd (23%) where estimated levels of fuel poverty are higher. 21% of people in

---

<sup>54</sup> <https://statswales.gov.wales/Catalogue/Population-and-Migration/Population/Estimates/Local-Authority/populationestimates-by-localauthority-age>

<sup>55</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/875261/household-s-below-average-income-1994-1995-2018-2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875261/household-s-below-average-income-1994-1995-2018-2019.pdf)

<sup>56</sup> AB: Higher and intermediate managerial, administrative and professional occupations

C1: Supervisory, clerical and junior managerial, administrative and professional occupations

C2: Skilled manual workers

DE: Semi-skilled and unskilled manual workers, state pensioners, casual and lowest grade workers, unemployed with state benefits only

Wales are aged 65 and over. Conwy has the highest proportion of older people at 28% and Powys the second highest at 27%.

- In Wales, there were an estimated 2,000 Excess Winter Deaths in 2019 to 2020<sup>57</sup>, split evenly between males and females (1,000 each).

185. The National Institute for Health and Care Excellence (NICE) Guidelines for Excess Winter Deaths and illnesses and the risks associated with cold homes, recommends: *Make every contact count by assessing the heating needs of people who use primary and home care services. Specifically 'Be aware that living in a cold home may have a greater effect on people who have to spend longer than an average amount of time at home. This could include those with chronic health conditions (including terminal illnesses) or disabilities'*.<sup>58</sup>

186. Estimated levels of fuel poverty are higher in rural areas where there is a proportionately older population when compared to more urbanised areas of Wales. There is some evidence also to suggest older people are less likely to compare the energy market for a better energy deal, which itself is made more difficult as there are fewer suppliers of heating oil and liquid gas in Wales.

187. In our plan to tackle fuel poverty, investment in the current Warm Homes Programme will continue until March 2023. The new pilot scheme within the programme, designed to explore how advice and support services can be provided in the future, is operating in Ceredigion and Gwynedd, two areas where estimated levels of fuel poverty are highest and the population is older. The Welsh Government is also extending the Health Conditions Nest Scheme Pilot to better support people living on a lower income with a health condition living in a cold home, which increases their risk of avoidable ill health. Within the plan, the Welsh Government also proposed to publish a winter/seasonal resilience plan to further support older people struggling to maintain a satisfactory heating regime at an affordable cost.

188. Evidence and responses to our consultation exercise suggests actions proposed within our new plan to tackle fuel poverty will better meet the needs of older people in our communities. On this basis, no further actions are proposed although we will review the impact on older people as part of our periodic review. It is important the next iteration of the Warm Homes Programme, together with improved advice services and winter resilience planning continue to improve support to older people.

---

<sup>57</sup><https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/excesswintermortalityinenglandandwales/2019to2020provisionaland2018to2019final>.

<sup>58</sup> <https://www.nice.org.uk/guidance/ng6/chapter/1-Recommendations>

## Disabled people – summary

### Key points

189. Data based on Welsh Government analysis of Annual Population Survey datasets provided by the Office for National Statistics for 2017-19<sup>59</sup> suggests:

- Approximately 416,600 working age adults are disabled (28% of working age adults aged 16-65).
- Approximately half (212,700) live in south east Wales, a third (124,500) in mid and west Wales with the remainder living in north Wales (79,400).
- In May 2018, the Equality and Human Rights Commission<sup>60</sup> called on Governments to provide additional funding to disabled people's organisations and advice agencies, to increase the supply of independent advice and information regarding housing options, including adaptations, with a particular focus on the private-rented sector.

190. Research published by the Welsh Government in 2017<sup>61</sup> explored the characteristics of living in a cold home. Based on a literature review of published evidence which remains relevant, it recognised many disabled people struggle with paying their bills and keeping their homes warm enough (Gore and Parckar, 2009). Below-average employment rates amongst disabled people and associated below-average incomes mean that disabled people have a greater than average risk of living in a cold home. Furthermore, high rates of unemployment amongst disabled people increase the likelihood of spending more time at home, and potentially in a cold home. Condition-related or impairment-related needs, such as muscular dystrophy, also explain why some disabled people or people with long term conditions spend greater than average time at home.

191. Disabled people with reduced mobility may suffer from reduced blood circulation, so that a higher-than-average temperature is needed to achieve a comfortable level of warmth in the home. Disability groups advise disabled people encounter increased costs to enable participation in everyday activities, whilst low incomes (associated with unemployment or low-paid employment) reduce the ability of households to afford energy bills. For people living with certain long term conditions, living in a cold home may aggravate their condition and/or hinder their recovery. The literature identifies respiratory diseases, chronic obstructive pulmonary disease (COPD) and circulatory diseases as being the most likely to be aggravated by living in a cold home.

---

<sup>59</sup> <https://statswales.gov.wales/Catalogue/Equality-and-Diversity/Disability/disabledstatus-by-region>

<sup>60</sup> <https://www.equalityhumanrights.com/en/our-work/news/disabled-people-wales-housing-crisis>

<sup>61</sup> <https://gov.wales/understanding-characteristics-low-income-households-most-risk-living-cold-homes-0>

192. In our draft plan, we set out a number of proposals relevant to supporting disabled people to maintain a satisfactory heating regime at an affordable cost. We proposed:

- Maintaining the inclusion of disabled people in the definition of a vulnerable household;
- Improving the provision of energy efficiency advice and support services to vulnerable households and households disengaged from the energy market. A pilot scheme to explore opportunities started in January 2021 to inform future proposals;
- Continued investment in the WHP, including the health conditions pilot Nest Scheme, to better support people on lower incomes, not necessarily on means tested benefits.

193. Groups working with disabled people expressed some concern regarding the calculation of household incomes as part of the eligibility for the Nest health conditions pilot scheme. Respondents suggest the inclusion of disability related payments for household incomes means some applicants remain ineligible for support. As payments are designed to fund additional support needed by disabled people to live independent lives, respondents argued such payments should be discounted from household income calculations. The Welsh Government is undertaking a review of the eligibility criteria applied to the health conditions pilot. Proposals will be included in the consultation on the next iteration of the Warm Homes Programme, which is expected to start in summer 2021. In the meantime and in cases where a disabled person is marginally outside the Nest eligibility criteria, Nest is able to submit a business case to the Welsh Government to approve support.

## BAME Communities

### Key points

- 28% of people of non-white ethnicity live in private rented accommodation compared with 15% of people from a white ethnic group<sup>62</sup>.
- Dwellings built since 2002 have an average SAP rating of 73 compared with an average SAP of 53 for older dwellings built before 1919. More than 40% of privately rented dwellings were built before 1919<sup>63</sup>.
- Statistics provided by Rent Smart Wales to the Welsh Government suggests more than 4300 private rented sector homes are EPC rated F/G (2019)

---

<sup>62</sup> <https://gov.wales/sites/default/files/statistics-and-research/2020-09/housing-tenure-by-protected-characteristics-year-ending-december-2019.ods>

<sup>63</sup> <https://gov.wales/welsh-housing-conditions-survey>

194. The UK Government sets minimum energy efficiency standards for the private rented sector. A consultation ending in January 2021<sup>64</sup> set out proposals to require landlords to bring their housing stock to an EPC C rating by 2025 for new tenancies and by 2028 for existing tenancies.
195. The Welsh Government consulted on the Warm Homes Programme demand led scheme in 2016<sup>65</sup>. We asked if support to the private rented sector should be continued for those whose properties are used to address homelessness, but discontinued for all other private landlords, who should be encouraged to improve the energy efficiency of their properties through the provision of repayable low-cost loans.
196. Most respondents generally accepted that private landlords should be responsible for installing energy efficiency measures in their properties but felt the time was not right to remove them from grant support under the scheme due to the current lack of alternative support mechanisms. The majority of respondents felt that 'Home Improvement Loans' did not provide a sufficient alternative on their own due to the lack of incentives or disincentives to ensure landlords take action in this area.
197. In response to the consultation, the Welsh Government's stated policy position was to remove the private rented sector from eligibility for grant support over time. Under the Nest 2 Scheme, arrangements were put in place to limit the number of benefitting households under the ownership of a single landlord to three.
198. The absence of alternative support mechanisms to support the private rented sector continues to be an issue, as highlighted by the Senedd Committee on Climate Change, Environment and Rural Affairs in its inquiry into fuel poverty report tabled in April 2020<sup>66</sup>. It recognised the private rented sector has the highest proportion of households in fuel poverty. Estimates<sup>67</sup> show that approximately 20% of all privately rented households were in fuel poverty compared with 11% of owner-occupied and 9% of social housing.
199. The levels of fuel poverty in the private rented sector was attributed, in part, to the high proportion of pre-1919 housing stock and low-income households. To add to this, the sector was "***being used to house increasingly high numbers of vulnerable tenants***". The Residential Landlords Association told the committee the current schemes have "***done little to reduce fuel poverty in the PRS with little access to funding and support to landlords in this sector compared to the social [housing] sector***". A similar view was expressed by CIH, which stated: "***... we are concerned that private landlords who are largely smaller businesses, may not be able to leverage the investment required to upgrade their homes at the pace, scale and to the standard required without considerable technical support and expertise to draw from, in addition to financial support.***"

---

<sup>64</sup> <https://www.gov.uk/government/consultations/improving-the-energy-performance-of-privately-rented-homes>

<sup>65</sup> <https://gov.wales/sites/default/files/consultations/2018-01/170110-responses-en.pdf>

<sup>66</sup> <https://business.senedd.wales/mglIssueHistoryHome.aspx?lId=25969&Opt=0>

<sup>67</sup> <https://gov.wales/fuel-poverty-estimates-wales-2018>



200. The sentiments expressed by stakeholders in the 2016 consultation and the more recent inquiry into fuel poverty undertaken by the Senedd Committee on Climate Change, Environment and Rural Affairs in 2020, were also articulated in responses to our consultation on the draft plan to tackle fuel poverty. On the basis BAME communities are overrepresented in the least thermally efficient housing stock in Wales, the Welsh Government has, as an interim measure, continued to invest in home energy efficiency measures for tenants in the private rented sector through the Nest Scheme.

201. The Nest annual report for 2019/20<sup>68</sup> shows almost a quarter of the 4,544 households benefitting from home energy efficiency measures through the Nest Scheme in 2019/20 were in the private rented sector in Wales. Proposals for future support to further tackle fuel poverty for lower income households in the private sector will be presented in our consultation on the next iteration of the Warm Homes Programme.

### Support to priority groups (Veterans and Gypsy traveller communities).

#### Key points

- Approximately 140,000 veterans are living in Wales<sup>69</sup>.
- Approximately 82,000 of veterans living in Wales are aged 65 and over.
- In 2011 there were approximately 50,000 working age veterans in Wales. In 2017, this figure was estimated at 58,000. Therefore, an increase of 8,000 working age veterans over six years.
- Isle of Anglesey, Conwy, Flintshire and Pembrokeshire Local Authorities each have a percentage of working age Veterans higher than 3% of the total working age population. The Local Authorities where the proportion of working age veterans is lowest is Ceredigion (1.78%) and Cardiff (1.59%).
- On the 23rd January 2020 there were 1,092 Gypsy and Traveller caravans and 136 sites reported in Wales<sup>70</sup>.
- Between the January 2019 and January 2020 counts, the total number of Gypsy and Traveller caravans has increased by 4% (42 caravans) and the total number of sites (both authorised and unauthorised) has increased by 10% (12 sites)
- Of the total number of caravans, 89% (972 caravans) were on authorised sites. Of these, 614 (63%) were on Local Authority sites and 358 (37%) were on private sites.

---

<sup>68</sup> <https://nest.gov.wales/workspace/uploads/files/nest-annual-report-english-5f5b522fc5fc2.pdf>

<sup>69</sup> <https://gov.wales/sites/default/files/publications/2020-09/armed-forces-covenant-annual-report-2019.pdf>

<sup>70</sup> <https://gov.wales/sites/default/files/statistics-and-research/2020-04/gypsy-and-traveller-caravan-count-january-2020-641.pdf>

202. The Welsh Government prioritises support to certain groups in society when developing a delivering funded programmes. Veterans who meet the current eligibility criteria set out for the Warm Homes Schemes can access support to better meet their needs in winter months but not all will be eligible. There is also no recognised list of service veterans held by UK Government against which eligibility could be checked.
203. There are a number of compensation schemes administered by Veterans UK on behalf of the Ministry of Defence available to serving and former serving personnel who are injured as a result of their service in the Armed Forces. The scheme that applies to each individual will depend on when and where the veteran served. The Armed Forces Compensation Scheme (AFCS) can be claimed where illness or injury was caused as a result of service on or after 6 April 2005. The War Pensions Scheme (WPS) can be claimed if an individual is no longer serving and disablement was caused as a result of service in the Armed Forces before 6 April 2005. The Criminal Injuries Compensation (Overseas) Scheme can be claimed if the veteran or dependants are the innocent victim of violent crime while serving overseas.
204. Traveller communities are identified as a Welsh Government priority group but the current eligibility criteria presents a barrier to this community. A project under the current Arbed Scheme has been proposed but has yet been developed. The Welsh Government, however, has invested approximately £18 million in site development and refurbishment and a further £20.3 million has been committed to the end of 2021. Efforts to improve energy efficiency using this capital fund would potentially yield greater benefits.
205. As part of the new plan to tackle fuel poverty, the Welsh Government is proposing to consult on the next iteration of the Warm Homes Programme. Proposals will include revisions to the eligibility requirements to qualify for support for these priority groups.

## Children and Young People

### Key points

- There are an estimated 564,000<sup>71</sup> children in Wales under the age of 16 years.
- Approximately 341,000 young people aged 16 to 24 years.
- Research suggests 180,000 (as of 2020 – link to latest JRF report provided below) children live in poverty in Wales<sup>72</sup>,
- The UK 2018-19 HBAI<sup>73</sup> suggests 16% of children in working families were in relative low income BHC compared to 46% in workless families.

---

<sup>71</sup> <https://stats.wales.gov.wales/Catalogue/Population-and-Migration/Population/Estimates/Local-Authority/populationestimates-by-localauthority-age>

<sup>72</sup> <https://www.jrf.org.uk/report/poverty-wales-2020>

<sup>73</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/875261/household-s-below-average-income-1994-1995-2018-2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875261/household-s-below-average-income-1994-1995-2018-2019.pdf)

206. A child is defined under Article 1 of the United Nations Convention on the Rights of the Child (UNCRC) and they have clearly outlined rights. Living in fuel poverty is likely to compromise a number of children's rights including; the right to an adequate standard of living (Article 27), the right to life, survival and development (Article 6) and the right to health and health services (27) and even the right to an education (Article 24).
207. A plan's actions which are developed through a children's rights lens from the outset will be of real value in achieving change for children and young people who are living in these circumstances and perhaps, depending on its scope, the population of children in Wales more widely<sup>74</sup>.
208. In the consultation on the draft plan to tackle fuel poverty, the Welsh Government proposed to retain families with children up to the age of 16 within the definition of a vulnerable household. Including single households with young people under the age of 25 was also proposed. A majority of respondents (47%) agreed with amending the definition to include young people aged between 16 and 24 years who are living single household. Some respondents suggested the cost of living and increasing housing costs was resulting in younger people living in households of multiple occupancy to help share living costs, including energy costs.
209. The Welsh Government is not proposing to amend the definition of a vulnerable household to include any household with an occupant under the age of 25 years of age. Extending the age range to homes with occupants aged 16-34 is also not proposed, despite this age group being over-represented in the latest fuel poverty estimates published in October 2019. Households experiencing fuel poverty within these categories will continue to remain eligible for home energy efficiency measures under the Warm Homes Programme. The Welsh Government is not aware of any evidence suggesting households with multiple occupants aged 16 – 24, or single households aged 25-34 are at greater risk of living in fuel poverty. The Welsh Government will keep this under review as new fuel poverty estimates are prepared.

## Welsh Language

210. The service providers responsible for delivering any element of the Tackling Fuel Poverty Plan will be bound by the Welsh Language Standards. The current advice services take account of the Welsh Language Standards, including answering the telephone and publishing information bilingually and ensuring customers and stakeholders are dealt with in the language of their choice.
211. The traditional heartland of the Welsh language is in rural areas of the north and west (Gwynedd, Ceredigion, and Carmarthenshire). The provision of additional services needs to take this into consideration at the design stage to ensure the delivery of services in areas with a higher percentage of Welsh speakers have a positive impact

---

<sup>74</sup> Views of a representative, Office of the Children's Commissioner for Wales. Email 24 May 2019.

on the Welsh language and contribute to sustaining the aspirations of the Welsh Government to have 1 million Welsh speakers by 2050.

212. The design of additional services or a significant change to current methods of service delivery will be subjected to a full Welsh Language impact assessment with input from the relevant standards team.

213. The appropriate design and delivery of the following policy goals and actions will advance an equality of the Welsh language:

- Pilot an energy advice and outreach support service across Wales.
- Evaluate the outreach pilot and consult on how to expand support across Wales.
- Continue our Warm Homes Programme.
- Consult on revised arrangements for delivering the Warm Homes Programme

### Health Impact Assessment

214. Research to understand the characteristics of low income households most at risk from living in cold homes<sup>75</sup> found a strong consensus in the research literature that living in a cold home can have significant and lasting adverse impacts on the health, education and social aspects of peoples' lives. Numerous studies identify associations between certain characteristics of individuals or households, and being particularly vulnerable to the harmful effects of living in a cold home. In particular the following types of households are recognised as vulnerable:

- Households including older adults (aged 65 years and over);
- Households including dependent children (of all ages, but recognising that younger children aged less than five years are particularly vulnerable);
- Households including at least one person with a disability or limiting long-term illness;
- Households including individuals with a respiratory or circulatory disease; and
- households including individuals with a mental health condition.

215. In addition to being the most vulnerable to the effects of living in a cold home, the evidence suggests that these households also have an above average likelihood of living in a cold home, and are more likely to be on a low income.

216. The National Institute for Health and Care Excellence (NICE) Guidelines for Excess Winter Deaths, illnesses and the risks associated with cold homes, highlights the

---

<sup>75</sup> <https://gov.wales/sites/default/files/statistics-and-research/2019-05/understanding-the-characteristics-of-low-income-households-most-at-risk-from-living-in-cold-homes-final-report-summary.pdf>

importance of “***Making every contact count by assessing the heating needs of people who use primary and home care services***”.

217. Specifically, it encourages health service providers to ‘***Be aware that living in a cold home may have a greater effect on people who have to spend longer than an average amount of time at home. This could include those with chronic health conditions (including terminal illnesses) or disabilities***’.<sup>76</sup>
218. In October 2019, the Welsh Government published an evidence brief comparing the health of recipients of the Warm Homes Nest and Warm Homes Arbed home energy efficiency schemes<sup>77</sup>. The report focused on Nest recipients for 2011-17 and comparing Nest and Arbed recipients for 2011. The study showed there was no impact from either scheme on whether recipients experienced a health condition in the first place. For both Nest and Arbed, a reduction in General Practice (GP) events for respiratory health was seen when compared with their respective control groups. The consistent pattern in reductions across schemes, whilst not always reaching statistical significance, suggests both schemes improve respiratory health.
219. As would be expected, this impact appears to be greater among recipients of the demand-led scheme, Nest. As expected, there was no significant effect of either scheme on the average number of GP prescriptions for asthma. This is expected because most prescribing for asthma is preventative and would likely be continued regardless of the number of acute episodes. However, for those receiving more than one GP prescription for an infection, a positive impact of both Nest and Arbed was suggested. Possibly due to small numbers, none of these findings reached the level of statistical significance. However, the consistent pattern across schemes suggests a modest positive effect on prescribing for infection for individuals with more severe or repeated infections.
220. ***Making a difference, Housing and Health, the case investment***<sup>78</sup> further highlights the importance of investing in housing for the significant health and well-being benefits achievable and the significant cost savings that can be made. In looking at just a few examples, upgrading houses can deliver 39% fewer hospital admissions for cardiorespiratory conditions, and £1 spent on improving warmth in vulnerable households can result in £4 of health benefits.
221. Improving heating and ventilation improves children’s asthma and is likely to reduce school absence, and home adaptations prior to hospital discharge can generate £7.50 of health and social care cost savings for every £1 spent. The benefits of prevention and early intervention are also demonstrated such as falls prevention initiatives paying back in less than three years.

---

<sup>76</sup> <https://www.nice.org.uk/guidance/ng6/chapter/1-Recommendations>.

<sup>77</sup> <https://gov.wales/impact-health-welsh-government-warm-homes-schemes-html>

<sup>78</sup> <https://phw.nhs.wales/files/housing-and-health-reports/a-case-for-investment-report/>

222. As part of the plan to tackle fuel poverty, the Welsh Government is committed to continued investment in home energy efficiency through the current Warm Homes Programme and to consult on proposals for the next iteration of the programme. Continuation of the health conditions pilot is also proposed, to better support householders where occupants living with a health condition and who are at more at risk of avoidable ill health, can be supported to ensure a satisfactory heating regime can be maintained at an affordable cost.

### Future Generations and Well-being

223. Our proposed approach to tackling fuel poverty will deliver multiple benefits across the seven wellbeing goals in the Well-being of Future Generations (Wales) Act 2015.

224. Welsh Government's proposed actions to tackle fuel poverty are designed to continue to improve the energy efficiency of the home and impact on attitudes and behaviours, which will provide long term improvement in the quality of the housing stock and reduce its carbon footprint whilst reducing unnecessary energy consumption and the cost of energy used. The plan will provide a clear contribution to the Well-Being Goals:

- **A Globally Responsible, Prosperous and Resilient Wales.** Action on energy efficiency is a major factor in clean growth and the development of jobs, skills and supply chains. It is one of the most cost-effective means of meeting our commitments to reduce carbon emissions, it directly addresses fuel poverty and reduces domestic energy bills.
- **A Wales of vibrant culture and thriving Welsh language.** Providing larger spending caps within the Warm Homes Programme for rural off-gas properties will help ensure living in those areas is more affordable, thereby enabling people to remain within their communities. The contracted elements of the Plan will adhere to Welsh language standards.
- **A more equal Wales.** A warm home can help reduce social exclusion by enabling householders to invite neighbours into their homes and by freeing-up more disposable income for food and other day to day expenses and social activities.
- **A healthier Wales.** By enabling a warm home environment, we can contribute to the reduction in the number of excess winter deaths and an improvement in the educational attainment of children through a reduction in time-off due to sickness and creation of a warm place to study.

225. In terms of applying the five ways of working set out under the Sustainable Development Principle in the Well-Being of Future Generations (Wales) Act 2015, action targeted at supporting fuel poor households is vital in terms of providing them with long term resilience and preventing future harm resulting from cold, damp houses. Working with others and having regard to wider relevant policy agendas will guard against situations which lead to households making difficult choices which affect well-being. Officials have identified and engaged with key stakeholders to aid development

of the plan. These are partners who will be instrumental in achieving the objectives of the new plan, many of whom may join the new Advisory Panel.

226. There are currently 14 well-being objectives under our Programme for Government, Taking Wales Forward, which cover the period 2016-2021 and delivery against them should be embedded in policy making. The Welsh Government proposals for a new plan makes a significant contribution across at least six of Welsh Government's wellbeing objectives:

- **Improve prosperity for all across Wales, helping people into employment and sustaining jobs.**
- **Foster conditions for sustainable economic development and employment, whilst stimulating innovation and growth for a modern low carbon economy.** The Warm Homes Programme Schemes are currently designed to ensure economic benefits for Wales in terms of employment and business opportunities. The new plan identifies a need to use innovation to explore how best energy consumption can be reduced at a lower cost in harder to treat properties including homes in off grid areas.
- **Help people live healthy and independent lives and support a healthy workforce.** Fuel poverty has a significant impact on the health, social and economic well-being of householders. It also has negative impacts in relation to educational attainment, social inclusion, community cohesion and the economy.
- **Support the transition to a low carbon and climate resilient society.** The plan will help reduce the demand for energy in the domestic setting.
- **Improve access to secure, safe, efficient and affordable homes.** A reduction in energy use through an improvement in energy efficiency will create a more stable and warm home environment which has the potential to be cheaper to run.
- **Facilitate high quality, responsive and better integrated public services, to those who need them most, enabling citizens to be an equal partner.**

227. The Climate Change Committee reported in December 2020 on efforts in Wales to reduce carbon emissions towards achieving net zero by 2050<sup>79</sup>. Regulations made in the Senedd on 9 February 2021 introduced a statutory target to achieve net zero by 2050. The Welsh Government recognises the schemes to improve home energy efficiency and reduce fuel poverty can make a contribution to housing decarbonisation in support of this statutory target.

228. To do so, the recommendations submitted by the Climate Change Committee will be integral to the next iteration of the Warm Homes Programme. The Committee recommends a phase-out date for the installation of fossil fuel boilers in advance of 2035, in order for uptake of low-carbon heat to be sufficient to decarbonise buildings by 2050. Sales and by implication, purchase and installation of oil boilers should be phased out by 2028, and gas boilers by 2033 in residential homes, with the exception of

---

<sup>79</sup> <https://www.theccc.org.uk/publication/the-path-to-net-zero-and-progress-reducing-emissions-in-wales/>

hydrogen-ready gas boilers in areas where the gas grid is set to convert to low-carbon hydrogen.

## Rural Proofing

229. Fuel Poverty estimates published by the Welsh Government (2018) show 14% of homes in rural areas are in fuel poverty, compared to 10 % of those in urban areas<sup>80</sup>. The most commonly adopted definition of 'rural' refers to settlements of 10,000 or less residents.

230. Rural communities are influenced by determinants, such as:

- Access to services. It can be difficult for rural communities to access the same level of services as urban areas.
- Isolation – it is noted there may be a 'remoteness circle' in some rural areas resulting from a lack of infrastructure
- Public transport – a commonly reported problem is a lack of public transport. Some form of transport is needed even for short journeys. This links in to the access to services. For example, the average times by private transport in 2015 show time needed to travel to GP surgeries can be longer in rural areas compared to their urban counterparts.<sup>81</sup>
- People living in sparsely populated areas are more likely to be off the gas mains network and rely on other sources of heating and cooking fuels such as Liquefied Petroleum Gas (LPG).
  - Fuel costs can be higher
  - Household incomes can be adversely affected
  - Access for delivery of LPG can be difficult in adverse weather conditions.
- Poor infrastructure including roads and broadband provision which can mean:
  - Travel using public and community transport is challenging
  - Access to markets is difficult
  - Opportunities to innovate using ICT are limited.
- An ageing population – Rural communities have an older age profile

231. Currently, the WHP Nest and Arbed Schemes have spending caps in place for the amount spent on individual properties. These have been set higher for off-gas properties (which are common in rural areas) in recognition of their hard to treat nature. The new tackling fuel poverty plan will build on the support currently offered to rural areas. This can be achieved by advancing the support given to vulnerable groups, improving the provision of advice and support and looking at innovation to encourage change in attitudes and the use of energy.

---

<sup>80</sup> <https://gov.wales/fuel-poverty-estimates-wales-2018>

<sup>81</sup> <http://ppi.w.org.uk/files/2016/06/An-introduction-to-Rural-Poverty.pdf>



232. To advance a significant and positive impact in rural communities, we have proposed in the new plan to:

- Prepare and publish Welsh domestic energy data annually to help us and partners focus on communities at greatest risk of living in fuel poverty
- Pilot an energy advice and outreach support service across Wales. The pilot is taking place in Gwynedd and Ceredigion. We will evaluate the outreach pilot and consult on how to expand support across Wales.
- Continue our WHP in the owner occupier and private rented sector.

233. Following its inquiry into fuel poverty, the Senedd Committee on Climate Change, Environment and Rural Affairs recommended the new fuel poverty strategy should include provisions aimed at addressing the distinct challenges faced in rural areas<sup>82</sup>. This should include a bespoke programme with appropriate levels of funding that take account of the more complex and costly measures required to address rural fuel poverty.

234. In making this recommendation, the committee expressed concern current spending caps prevent fuel poor households living in 'hard to treat' properties benefitting from existing schemes. There is a risk that the current gap between fuel poverty levels in rural and urban areas will widen if those properties that are the easiest properties to improve continue to be first in line for support. The cost of energy efficiency improvements in rural areas can be high and, in some cases, prohibitive. The Welsh Government must ensure that, in future, energy efficiency schemes are able to support rural, off-gas grid households.

235. Meeting the needs of rural communities on lower incomes will be considered during the consultation on the next iteration of the WHP.

### Tackling Poverty

236. The current financial climate means it is important the Welsh Government retains its commitment to tackling poverty by prioritising the needs of the poorest and protecting the most vulnerable against poverty and marginalisation. The causal factors behind poverty and inequality can be closely inter-linked.

237. The plan is designed to have a positive impact on people living in poverty. There are many factors which influence poverty, and fuel poverty is one resulting outcome for households. The proposals set out in the plan are a significant contributor to the Welsh Government's objectives to tackle poverty in all its forms. Poverty has a profound negative impact on peoples' lives and communities. Specifically fuel poverty can give rise to cold homes and put people at risk of ill-health and death, it can be a barrier to educational attainment due to the lack of a warm place to study and cause social isolation and be detrimental to mental health. The new plan will seek to break a cycle of people falling into fuel poverty and aid those feeling the long-term effects.

---

<sup>82</sup> <https://business.senedd.wales/mgIssueHistoryHome.aspx?IId=25969>

238. The plan outlines how the Welsh Government will work together with partners towards the aim of alleviating fuel poverty in lower income households. The partners include wider Welsh Government departments and third sector organisations. A wider collaboration and involvement with other policy agendas and stakeholders will help to ensure the greatest positive impact. It will open up access to more knowledge, networks and potentially resources to holistically tackle the wider problem of poverty. The introduction of a fuel poverty measure for households at risk of fuel poverty, spending between 8 -10% of their income on fuel needs recognises the transient nature of households moving in and out of fuel poverty.

### Third Sector Impacts

239. The Third Sector in Wales is a vibrant and diverse collection of registered charities, voluntary associations and community groups. Research by Wales Council for Voluntary Action (WCVA) suggests there are over 31,000 voluntary organisations in Wales. This includes community associations, self-help groups, voluntary organisations, charities, faith-based organisations, social enterprises, community businesses, housing associations, development trusts, cooperatives and mutual organisations.

240. The process of developing a new Tackling Fuel Poverty Plan included a stakeholder analysis which has captured the details of key third sector organisations with a significant interest and influence in tackling fuel poverty. These organisations have a clear and defined remit for taking action to tackle fuel poverty. They are generally supportive of the Welsh Government's work and actively engage with officials on relevant work streams. They are well informed and have their own relevant programmes of work in place. They are likely to be key delivery partners of the objectives and actions.

241. A range of key external stakeholders were invited to attend a round table event on 5 June 2019 in Ty Hywel. This event signified the formal start of the consultation to develop the new plan. However, officials have been engaging with third sector partners to form professional relationships and establish views of key topics for inclusion in the new plan since October 2018.

242. Third Sector Organisations, such as NEA and Care and Repair Cymru, have hosted conferences, workshops and forums where a topic of debate has included the development of the new tackling fuel poverty plan and Welsh Government officials have been invited to present at these events. Following representations made during discussions with key stakeholders in advance of the public consultation, together with recommendations made by Audit Wales in its landscape review into fuel poverty published in October 2019, the Welsh Government amended the proposed plan to tackle fuel poverty, by including a commitment to set up an advisory group to help develop and implement interventions to reduce levels of fuel poverty in Wales. In doing

so, stakeholders will have an early opportunity to influence and improve measures designed to reduce fuel poverty across Wales.

## Climate Change

243. Climate change has been identified as one of the biggest threats facing our future generations. We need to reduce our emissions through decarbonisation action and to adapt to the impacts of climate change by increasing our resilience.

244. The Environment (Wales) Act 2016 sets a legal target of reducing emissions by 2050 and places a duty on the Welsh Ministers to set a series of interim targets (for 2020, 2030 and 2040) and carbon budgets. The budgets will set limits on the total amount of emissions emitted in Wales over a 5 year period and act as stepping stones to ensure regular progress is being made towards the long term target. Wales is currently committed to a 95% reduction in carbon emissions by 2050 but has laid regulations in the Senedd to move to a net-zero target.

245. In order to meet our ambitious and important targets we need to work across Government to consider how the effects of all our policies impact on our emissions in Wales. The Climate Change Act 2008 places a duty of the Welsh Ministers to lay before the National Assembly for Wales from time to time a report on:

- the objectives of the Welsh Ministers in relation to greenhouse gas emissions and the impact of climate change in Wales,
- the action that has been taken by the Welsh Ministers and others to deal with such emissions and impact, and
- the future priorities for the Welsh Ministers and others for dealing with such emissions and impact.

246. Adapting to climate change means being prepared for effects such as increased temperatures, stronger winds, rising seas and more rain. The new Tackling Fuel Poverty Plan will consider how it can contribute to the statutory targets and reduce demand for energy in the domestic setting. The plan will contribute to the delivery of a wider decarbonisation agenda, playing a crucial part in the Welsh Government's transition to a low carbon and prosperous economy.

247. The Standard Assessment Procedure (SAP) is the methodology used by the Government to assess and compare the energy and environmental performance of homes. Its purpose is to provide accurate and reliable assessments of home energy performances, needed to underpin energy and environmental policy initiatives. Using the SAP methodology, homes are given an Energy performance certificate (EPC). The SAP methodology will continue to be used in the Welsh Housing Conditions Survey (WHCS).

248. Within the draft plan to tackle fuel poverty, the Welsh Government proposed future schemes under the WHP should aim to achieve a 21%, but not less than a 15%

reduction in energy used for heating for people living in fuel poverty following the installation of home energy efficiency measures under the Warm Homes Programme. This change should better align to the need to reduce householder bills compared to the SAP methodology. The proposal was not supported by respondents. A majority suggested continued use of the EPC rating system was a more effective measure, although most respondents agreed both measures had weaknesses. Absence of accurate data and overreliance on modelled outcomes can result in misleading results undermining the credibility of report of efforts to tackle fuel poverty. The outcome of the consultation is inconclusive, with reasonable arguments put forward in favour of both methods.

249. As such, the Welsh Government is proposing to deploy both metrics when proposals for the next iteration of the WHP are brought forward for consultation later in 2021.

### Economic Impact

250. In October 2020, the First Minister and the Counsel General/Minister for European Transition set out the priorities for reconstruction as we emerge from the pandemic<sup>83</sup>. A significant priority of our recovery work is helping many of the people and businesses, whose livelihoods have been lost or turned upside down by lockdown, find work and a future. Through our Economic Resilience Fund and wider skills support, we are helping individuals and Welsh firms transition to the economy and the jobs of the future.

251. A majority of the respondents, whilst welcoming the draft plan, advocated the inclusion of interim targets. Officials appreciate the benefits interim targets could bring, but are aware the economic impacts arising from the COVID 19 pandemic are still uncertain, and estimated levels of fuel poverty may substantially increase.

252. Further research is being commissioned to assess the impact. Until this assessment has been completed, setting interim targets is considered to be highly speculative and their inclusion at this time is not recommended.

253. Some respondents also suggested additional actions in the very short term to respond to the COVID 19 pandemic, and in the longer term (beyond 2023), should be included in the plan. Additional measures by the Welsh Government have already been introduced to support households through the pandemic, including additional fuel payments through the Discretionary Assistance Fund to help with the purchase of liquid gas and heating oil.

254. Removing the blight of fuel poverty from Wales using a progressive approach and to use the plan to build a fairer economy as we emerge from the pandemic is a priority. Of course, this Plan is just one element of our much broader approach to driving energy efficiency in Wales. We have developed and implemented credible interventions across a range of areas to help people use less energy, lowering their bills as well as protecting the natural environment.

255. Our Innovative Housing Programme has invested £145m over four years to build the innovative affordable homes of the future, especially in terms of being energy efficient.

---

<sup>83</sup> <https://gov.wales/coronavirus-reconstruction-challenges-and-priorities-html#section-52303>

Many of the 1,900 homes funded by the programme have aimed to eliminate fuel poverty completely. Some of the approaches trialed have reduced fuel bills from around £1,300 a year to less than £200. Quite simply, building better homes, puts more money in tenant's pockets.

256. The Welsh Government is working to mainstream the learning from the Innovative Housing Programme and our Optimised Retrofit Programme into core housing programs, to ensure this becomes the way *all* homes of the future are built. We continue to ensure all social homes in Wales are energy efficient to reduce fuel poverty for some of our most vulnerable tenants.
257. Our long standing commitment to delivering investment through the Welsh Housing Quality Standard has required social homes to meet an energy efficiency rating of not less than EPC D. The new standard due for release next year is looking at an ambitious target of boosting energy performance in these homes to the highest level of an A rating.
258. Our continued investment in the Warm Homes Programme will support regeneration of our economy. It will help sustain existing and create new employment opportunities as we emerge from the current pandemic. Despite investing more than £366m over the past ten years, improving the lives of more than 61,400 households in the owner occupier and private rented sector, current levels of home energy efficiency improvement, taken together with the current economic forecast, are unlikely to regain the momentum in driving down estimated levels of fuel poverty.
259. A new model and new projections are needed to establish a solid, evidence based foundation and to understand what more needs to be done by both the Welsh and UK Governments to meet our 2035 targets. This work has already started on which achievable and meaningful interim targets can be added to this plan. The policy goals in the plan have been amended to make explicit reference to the principles of a “fabric first” approach to the installation of home energy efficiency measures, and a “worst first” approach to prioritise lower income households most in need of Welsh Government support.
260. The current Warm Homes Programme supports directly employed labour and wider employment in the manufacturing and supply chain. A full assessment of the current levels of economic activity supported through the current Warm Homes Programme, and future iteration of the programme will be presented alongside the consultation on the new Warm Homes Programme planned to start in summer 2021.

#### State Aid Regulations and competition markets assessment

261. All public assistance provided to organisations involved in economic activity must comply with State Aid rules. State aid is defined under Article 107(1) of the Treaty on the Functioning of the European Union as: **"any public resource given selectively to an undertaking that could potentially affect competition and intra-community trade."**

262. An activity is economic in nature if it relates to the provision of goods and/or services for which there is a market and where the private sector do provide, or could potentially provide, the goods and/or services for a profit<sup>84</sup>.

263. There are five criteria that provide a framework for identifying when public support constitutes State Aid. Support will be classed as State Aid where all of the following five criteria are met:

- The support is granted by the State or through State resources
- The support confers an advantage on the recipient;
- The support is selective;
- The support distorts or has the potential to distort competition;
- The support has an impact on trade across member states.

264. The proposed activity which will be delivered via the new Tackling Fuel poverty plan includes undertakings involved in economic activities. However, although support is granted by the state, confers an advantage on the recipient and is selective, it should not distort competition or have the potential to distort competition or impact on trade across member states. Therefore, Welsh Government concludes the funding and activity we are proposing is not unlawful State Aid.

265. Significant changes to activity outlined in the plan relating to economic outcomes, which has an impact on consumers, may be subject to consideration by the Competition and Markets Authority (CMA).

266. Under current arrangements, the provision of energy efficiency advice and home energy efficiency improvements delivered under the Warm homes Programme are delivered under contract, in accordance with OJEU and public procurement regulations. Under the proposed approach, we will be looking at models to improve the delivery of advice and outreach services, depending on the outcome of a pilot scheme to test “proof of concept”. If proved, options to deliver an advice and outreach service, which is universally available at a consistent standard across Wales, will need to be considered in relation to State Aid rules. Further assessment will be given to the current delivery arrangement for the installation of home energy efficiency measures and whether this model delivers the best value for money for Welsh public funding.

267. The future approach of the Warm Homes Programme and future pilot schemes, such as the proposed advice and outreach support pilot, is yet to be decided. State Aid impact assessments will be considered once an approach has been developed.

## Privacy impact assessment

---

<sup>84</sup> <https://wales365uk.sharepoint.com/sites/Intranet-Money/SitePages/How-to-Identify-State-aid.aspx>

268. The processing of personal data is required in order to identify individuals who have applied for / received assistance under the Welsh Government Warm Homes Programme, Nest and Arbed. The processing of data may be required to facilitate an improved availability and co-ordination of advice and support to people living on lower incomes to reduce energy consumption, the cost of energy used and improve their home energy efficiency.
269. The General Data Protection Regulations (the GDPR) specify that any processing of personal data by a processor should be governed by a contract with certain provisions included. This means that in addition to all new contracts, Welsh Ministers must ensure all existing contracts are varied accordingly to achieve compliance with the GDPR. The Data Protection Act 1998 provides the restrictions, and gateways, for 'processing' data. All users must have consented to any necessary data processing.
270. The legal basis and appropriate gateway for processing the data will therefore be 'data subject consent', pursuant to paragraph 1 of Schedule 2 to the Data Protection Act 1998.
271. The processing of data is currently covered by requirements set out in the contract with the scheme manager for the Warm Homes Programme, Nest and Arbed schemes. The sensitive data will only be used for the purposes of confirming eligibility and involved partners will only see the information relevant to their role in the process, with full explicit customer consent at each stage and covered by governance contracts with each relevant party.
272. The details of Warm Homes Programme recipients and the details of energy efficiency measures installed may be linked anonymously to other data to evaluate the impacts of home energy efficiency measures, for example, as part of the Fuel poverty Data Linking project.
273. The implementation of actions laid out in the plan by third sector parties will be subject to Welsh Government terms and conditions of contract setting out the strict requirements for the processing and safe keeping of personal data. New schemes that require data capture will need to be considered for an individual privacy impact assessment (PIA). If changes are made to any contracts or schemes which require the capture of personal data, the need for a PIA will be reviewed.

#### Impact Assessments not progressed

274. In the impact scoping assessment, officials considered, documented and subsequently discounted the need for impact assessments on the following:
- Justice
  - Biodiversity
  - Environmental

- Habitat regulations
- Strategic environment

### Regulatory Impact Assessments

275. Although for every policy a regulatory impact assessment (RIA) may not be required, for every Assembly Bill this is required under Standing Orders. Therefore where the delivery options for the policy indicate that an Assembly Bill may be required, an RIA will need to be undertaken. When the preferred option for delivery of part or all of the policy is through an Assembly Bill, a full and detailed RIA will need to be prepared and laid before the Assembly.

276. After the work to develop the policy approach to tackling fuel poverty is completed, amendments may be made to the Home Energy Efficiency Scheme (Wales) Regulations 2011. A regulatory impact assessment will be required and undertaken at this stage.



## POTENTIAL COST ANALYSIS OF NEW PLAN

### Targets

277. As set out above and as of March 2020 and since its introduction in 2009/10, data collected from the Warm Homes Programme reports more than £366m has been invested to improve home energy efficiency through the Warm Homes Programme, benefitting more than 61,400 homes. Over the same period, more than 144,000 households have received free impartial home energy efficiency advice through the Nest energy efficiency helpline. Over the ten years, an average of 6,140 homes annually with an average spend of £5,960 per household (including helpline costs) have been improved.
278. In addition to home energy efficiency improvements delivered through the Warm Homes Programme, Welsh households have benefitted from UK Government investment through the Energy Company Obligation Scheme. Latest statistics published by the UK Government<sup>85</sup> in January 2021 reports 155, 891 households (5.4% of the GB total households receiving measures) have benefited from home energy efficiency improvements in the six years since the ECO scheme was introduced. This equates to approximately 20,000 households in Wales benefitting from ECO measures annually.
279. Social Housing accounts for 18%<sup>86</sup> of all households in Wales. Social housing has the highest EPC ratings on average across all housing tenures. Funding through the Welsh Housing Quality Standard will have contributed to improved energy efficiency and reduced levels of fuel poverty in social housing.
280. In 2019/20, prior to receiving home energy efficiency improvements, 36.3% of households contacting Nest were found to be living in fuel poverty<sup>87</sup>. This includes 9.6% of households living in severe fuel poverty. After the installation of home energy efficiency measures, the number of houses in fuel poverty dropped from 26.7% to 16.8%, with households in severe fuel poverty dropping from 9.6% to 5%.
281. All of the properties receiving measures were very energy inefficient households - rated E (6.3%), F (32.1%) or G (61.6%). After the installation of the home energy improvement package, 83.2% of properties were increased to a C to D-rating (an increase of 3.2% from 2018-19), and a further 14.4% to an E-rating and 2.4% F-rating. Some properties which received improvements may remain in an E rating because it has not been possible to demonstrate value for money for the more enhanced measures required.
282. In 2019-20, no properties benefitting from measures remained in a G-rating. Many of the households benefitting from Nest whilst not in fuel poverty, will have been at risk of fuel poverty. In future, targeting to increase the number of households in fuel poverty may be necessary.

---

<sup>85</sup> <https://data.gov.uk/dataset/1656fb7d-1ca3-462d-a11b-8078acc33275/household-energy-efficiency-statistics>

<sup>86</sup> <https://gov.wales/welsh-housing-conditions-survey>

<sup>87</sup> <https://nest.gov.wales/workspace/uploads/files/nest-annual-report-english-5f5b522fc5fc2.pdf>

283. Our fuel poverty plan must have clear targets which meet our obligations under the Warm Homes and Energy Conservation Act 2000. While the Welsh Government has restricted capacity to influence the wider determinants of fuel poverty, our plan includes meaningful but still stretching targets, taking account of the lessons learned over the past ten years. The targets in the plan are by 2035:

- No households are estimated to be living in severe or persistent<sup>88</sup> fuel poverty as far as reasonable practicable;
- Not more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practicable;
- The number of all households “at risk” of falling into fuel poverty will be more than halved based on the 2018 estimate<sup>89</sup>

284. These three targets will be used to determine how successful the Welsh Government has been at achieving the statutory objective.

285. In response to the challenge presented by the ongoing global pandemic, the Welsh Government budget to tackle fuel poverty has been increased by £5m, 80% being allocated to capital investment in home energy efficiency improvements delivered through the WHP. On this basis, we expect Welsh Government investment to be £27m capital investment in 2021/22, with a further £8.7m being made available from European Regional Development funding for the Arbed Scheme, bringing the total capital budget for 2021/22 to £35.7m. This funding is projected to benefit more than 5,400 (1,080 Arbed and 4,420 Nest) households during the year 2021/2022. This delivery profile is marginally below the annual ten year average. Delivery is likely to be depressed in the first quarter of 2021/22 as social distancing measures are relaxed gradually. Also projections for Arbed are included only until October 2021, when the current contract may end. Our expectation is activity levels will resume in 2022/23.

286. Activity levels for 2023/24 onwards, the next iteration of the Warm Homes Programme, which will be subject to consultation later in 2021 as set out in our action plan. Additional modelling to determine the level of activity needed to achieve our 2035 targets is being commissioned to inform the consultation. Our expectation remains additional investment will be needed to achieve the targets by 2035 but how much more will be subject to further analysis.

---

<sup>88</sup> Persistent Fuel poverty being in Fuel poverty in two of the preceding three years

<sup>89</sup> An estimated 144,504 households at risk of being in Fuel poverty in Wales, spending between 8% and 10% of their household income on fuel costs. This is equivalent to 11% of households in Wales.

287. Evidence<sup>90</sup> published in 2016 suggests improving the energy efficiency of homes with an EPC rating of E, F and G with measures costing an average of £2,335 can result in an average improvement in the SAP scores of 12 points (on average £195 per point) saving an average of £319 on domestic fuel bills annually. The Nest Annual report for 2019/20<sup>91</sup>, overestimated the average SAP improvement in 2019/20 and is being revalued.

288. Whilst average modelled bill savings achieved through this investment amounted to an average £282 per household, bill savings of approximately £500 annually were assumed for households in Gwynedd and Ceredigion<sup>92</sup>. More modest savings were achieved in urbanised areas such as Newport (£184) and Denbighshire (£202). This suggests investment in households in rural areas delivers greater benefit for lower income households. Investment in the Nest Scheme in 2019/20 was £20.6m, not including £1.5m for the delivery of the Nest helpline.

289. In terms of improvements recorded for the area based Arbed Scheme in 2019/20<sup>93</sup>, the 1,945 households benefitting from the £18.1m investment achieved average bills savings of £289, improving on average 16 SAP points per property. In the case of Arbed, projects developed on an area basis are more complex involving additional measures including solar PV and energy saving lighting and water products.

Scheme	Investment (£)	Households	Household average cost	Average SAP improvement	Cost per SAP point
Nest	£20.6m*	4,544	£4,533	16**	£283
Arbed	£18.1m	1,945	£9,305	16	£581

\*Excludes £1.5m to deliver Nest helpline

\*\* Nest average SAP uplift overestimated in 2019/20 – Arbed uplift used as proxy

Figure 12 – Warm Homes Programme – scheme comparison 2019/20

290. The Welsh Government has undertaken significant research into the costs associated with improving the energy efficiency of existing homes, as part of our work to decarbonise the existing housing stock. As part of the Homes of Today for Tomorrow study<sup>94</sup>, case studies were identified that represent the wider social housing stock, through comparison with the Welsh social housing archetypes. Performance Certificate (EPC) results and details of any retrofit or Repair, Maintenance and Improvement (RMI) measures already installed were provided. Further discussion with each landlord identified the current condition of each case study dwelling, and the scope of any planned future RMI activities.

<sup>90</sup> “Understanding the characteristics of low income households most at risk from living in a cold home” published 11 July 2016 SRN/41/2016, <https://gov.wales/understanding-characteristics-low-income-households-most-risk-living-cold-homes-0>

<sup>91</sup> <https://nest.gov.wales/workspace/uploads/files/nest-annual-report-english-5f5b522fc5fc2.pdf>

<sup>92</sup> <https://nest.gov.wales/workspace/uploads/files/nest-annual-report-english-5f5b522fc5fc2.pdf>

<sup>93</sup> <http://www.arbedambyth.wales/eng/annual-report-2019-20.pdf>

<sup>94</sup> <http://orca.cf.ac.uk/115442/>

Case study	Identifier	Type	Age	SAP rating		Decarbonisation		Fuel bills		Capital cost
				now	after	now	after	now	after	
01	Torfaen Terrace	End terrace	Pre 1919	62	92	61%	96%	£1066	£231	£33k
02	Ocean Way	Mid terrace	1945-1964	60	96	57%	97%	£844	£93	£31k
03	Ael Y Bryn	Semi-detach	1945-1964	48	97	26%	97%	£1022	£62	£29k
04	Bryn Hyfryd	Semi-detach	1945-1964	42	93	33%	96%	£1277	£148	£31k
05	Elmwood Road	Semi-detach	1965-1990	84	94	61%	96%	£373	£135	£27k
06	Cae Bold	Semi-detach	Post 1990	67	94	54%	95%	£704	£127	£28k
07	Cove Road	Flats	1945-1964	58	96	51%	96%	£773	£66	£25k
08	Y Bwthyn	Flats	1965-1990	53	84	36%	94%	£754	£261	£19k
09	Cae Clyd	Flats	1965-1990	56	84	41%	94%	£794	£284	£22k
10	Gerddi Morfa	Flats	Post 1990	69	85	77%	96%	£453	£214	£19k
average				60	90	51%	96%	£802	£189	

Figure 13 – predicted impact of anticipated Repair, Maintenance and Improvements assessed as part of the Homes of Today for Tomorrow study<sup>95</sup>

291. The study concluded SAP ratings can be used to predict energy efficiency and fuel costs, but cannot be used as the sole basis to judge whether retrofit will meet decarbonisation targets. A low carbon heat source must also form part of the decarbonisation strategy.

292. If the dwelling fabric is improved to an enhanced standard, retrofit of low carbon heating systems can be cost effective for tenants (meaning that, at current fuel costs, annual fuel bills remain approximately the same), and the transition to low carbon heat sources could take the place of existing boiler replacement programmes. Renewables such as roof mounted PV are also highly effective in reducing fuel bills for tenants, making decarbonisation retrofit desirable for householders. Renewables reduce energy demand, in turn reducing pressure on the energy supply network. This could be an increasingly important consideration. Unengaged tenants can significantly reduce the effectiveness of retrofit. Accurate modelling, holistic retrofit that benefits the tenant, and tenant engagement are critical to decarbonisation being perceived positively by tenants.

<sup>95</sup> <http://orca.cf.ac.uk/135187/1/Stage%203%20report%20FINAL%2024%2009%202020.pdf>

293. Fuel poverty estimates published in 2018 suggested approximately 145,000 households in Wales were “at risk” of falling into fuel poverty. Spending between 8% and 10% of their household incomes on domestic energy, the Welsh Government recognised households on the margins of fuel poverty could easily find themselves in fuel poverty resulting from relatively minor changes in household incomes or energy prices. Both occurred in 2020. Initial indications are many of these household are now in fuel poverty. Based on an initial assessment, our expectation is estimated levels of fuel poverty in in 2020 in Wales will have increased. Further assessment of the projected levels of fuel poverty will be prepared and published in 2021. Fuel poverty estimates were initially planned for 2023, but are likely to be delayed. The projections now commissioned will inform the costs of delivering the new plan.

#### Advice and Outreach Support Pilot

294. Domestic Energy Efficiency Advice in Wales is currently delivered as part of the Warm Homes Programme Nest Scheme<sup>96</sup>. The cost of the service is £1.5m annually, and handles on average 15,000 enquiries each year. In 2019/20, 706 people were referred for a benefit entitlement check. 238 households were found to be eligible for new or additional benefits averaging £2,202 per household. This equates to £524,076 in benefit take-up in the year, an increase of £248,076 from 18/19.

295. The Welsh Government acknowledges the representations made during the consultation on the draft plan, urging the Welsh Government to expand energy efficiency and income maximisation advice and support delivered to lower income households. To better inform proposals for an expanded service, the Welsh Government has started a pilot project to work with vulnerable households disengaged from the energy market. The pilot programme will better inform potential costs and benefits arising from improved advice and support available to low income homes. Funding has been made available to a consortium of 11 organisations, led by Warm Wales to deliver the pilot project. Working across the Local Authority areas of Gwynedd, Ceredigion and Caerphilly, vulnerable households and households disengaged from the energy market will be supported to secure better energy deals, transition to smart metering and if required, improve their home energy efficiency through the installation of energy efficiency measures through the Warm Homes of ECO programmes.

296. The cost of the pilot is being met from the £1m additional revenue funding provided in the budget settlement for 2021/22.

---

<sup>96</sup> <https://nest.gov.wales/en/about-nest/>

## Reporting on fuel poverty

297. The new plan to tackle fuel poverty commits to the more regular publication of fuel poverty estimates for Wales, together with the publication of statistics relevant to the determinants of fuel poverty as they apply to Wales. Some respondents to the consultation suggested the reporting of fuel poverty estimates should be annual. The Welsh Government consider the cost of doing so, estimated to be at £200,000 annually, to be disproportionate. Reporting of fuel poverty estimates every two years, however, ensures costs remain proportionate to the benefit more regular reporting can bring. The Welsh Government is commissioning revised fuel poverty projections based on the 2018 benchmark to be published later in 2021.
298. Funding for the publication of the fuel poverty data bulletin and the revised fuel poverty projections will be met from the additional revenue provision dedicated to tackling fuel poverty in the Welsh Government's 2021/22 budget.

## Winter Resilience

299. The Welsh Government's Discretionary Assistance Fund (DAF) makes Emergency Assistance Payments (EAP) as a non-repayable grant to help with essential costs in the event of an emergency or a disaster. The payment can currently help people meet the cost of food, gas and electricity, clothing and emergency travel.
300. In November 2018, the Warm Homes Programme was further expanded to support people unable to meet the cost of a call out fee for a gas safe engineer and minor repair. Working with key partners including the Energy Savings Trust, Citizens Advice Cymru, NEA and Northgate Public Services Ltd, emergency assistance payments of up to £120 can be authorised, subject to meeting certain eligibility criteria, to meet the cost of repair. The scheme has been running each winter since 2018/2019 and our expectation is it will continue to do. This will be included in the fuel poverty winter resilience plan, which we expect to publish during the first year of the fuel poverty action plan.
301. In response to the coronavirus pandemic, the Discretionary Assistance Fund has been further expanded to make available emergency assistance payments to assist lower income households living in off gas grid areas to meet the cost of heating oil and liquid gas. This pilot project will inform measures to better support lower income households in off grid areas as part of the winter resilience plan.
302. The funding of activities within the seasonal/winter resilience plan will be met from the additional revenue provision dedicated to tackling fuel poverty in the Welsh Government's 2021/22 budget. Further detailed analysis of funding required to achieve our fuel poverty targets will be required in 2021/22. Proposals set out by the UK Government in its energy white paper<sup>97</sup> published in December 2020, detailed analysis emerging from the Welsh Government Optimised Retrofit Programme, together with the value for money analysis on the current schemes in the Warm Homes Programme being undertaken by Audit Wales will further inform detailed proposals being developed, designed to meet our 2035 targets. Future funding commitments will be subject to the Welsh Government's annual budget setting procedures.

---

<sup>97</sup> <https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future>

