



Llywodraeth Cymru
Welsh Government

PUBLICATION

Wales fuel support scheme: integrated impact assessment

How the Wales fuel support scheme impacts on a number of areas.

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Section 1: what action is the Welsh Government considering and why?

The last year has seen unprecedented increases in the cost of living. The ONS annual “all items” CPI inflation reached 10.1% in September 2022, with food and drink at 14.6%. The IGD anticipates that food and drink inflation will average between 10% and 12% over the full year. Given the current global uncertainty, we cannot be sure that this will not increase further still.

In April 2022, OFGEM increased the energy price cap by 54%. Analysis published recently shows that the number of households living in fuel poverty in Wales rose from 12% in 2018 to an estimated 45% as a result of the April price rise.

This meant that 614,000 households in Wales could be in fuel poverty following the price cap increase using the Welsh fuel poverty measure (10% of income on fuel bills). **Fuel poverty modelled estimates for Wales (headline results): as at October 2021.**

The outlook is challenging. Energy bills have almost doubled since April 2021. On 8 September UK Government announced a price cap of £2,500 over 2 years. This was introduced following Ofgem announcing an increase in the domestic energy price cap to £3,549 from 1 October 2022, a rise of 80% from its current level of £1,971.

In the November 2022 Autumn Fiscal Statement, the Chancellor announced that the government cap will rise from £2,500 for a typical household to £3000 for a further 12 months from April 2023. Householders will now face a further increase of £500 they can ill afford. This will no doubt drive further homes in Wales into fuel poverty.

Welfare benefits increased by just 3.1% in April at a time when inflation was

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predicted to be around 7.5%. This has meant a £290 real terms year-on-year fall in benefit income for lowest income households.

This is on top of the £1,000 a year that more than 230,000 households in Wales lost in October 2021 when the UK Government ended the £20-a-week Universal Credit uplift.

These price rises have put households under significant pressure. In July 2022, the Bevan Foundation “A snapshot of poverty in summer 22 report” found that 45% of Welsh households found it difficult to afford anything beyond everyday essentials, with one in eight households not having enough money to cover the basics either sometimes or often.

All households in Wales are likely to be feeling the impact, however, the impact of the current crisis is greatest on low-income households because they spend proportionally more on essential items than high-income households.

On 30 September 2021 the UK Government announced they were launching a £500m Household Support Fund. This was a clear acknowledgment that they knew too many people would be unable to make ends meet last winter. Wales was awarded £25m in consequential funding.

Our ambition was to support households who suffered an income shock when the UK Government ended their £20pw Universal Credit or Working Tax Credit uplift payment. We also wanted to support households who receive one of the earnings replacement means-tested benefits that the UK Government refused to increase by £20pw.

On 26 August Joseph Roundtree Foundation in their report estimated “in Wales nearly a fifth of households (19%) will lose £1,040 annual income via the removal of the £20 uplift in Universal Credit and Working Tax Credit. This is around 275,000 low income households who in total lose £286m.”

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On 16 November 2021, following additional funding from treasury reserves, Welsh Government announced a £51m package of support for low income households to meet the immediate pressures on living costs in winter 2021 to 2022. This funding included £38m for a Winter Fuel Support Scheme for households in receipt of working age means-tested benefits with a one-off £100 payment.

Given the immediacy of the need to support households there was not sufficient time to undertake a full impact assessment and consult on proposals.

The scheme opened on 13 December and directly supported households in receipt of a means-tested welfare benefit to cover their energy costs.

We knew that many carers on a low income will be claiming Income Related Employment and Support Allowance or Income Support or Universal Credit alongside their Carers Allowance. In which case they may be eligible to apply for the winter fuel support.

Those households accessing benefits such as Personal Independence Payment, Disability Living Allowance and other contributory based support have not been subject to the same means testing decision making as those in the eligible benefit group and given the fixed budget, we were unable to support households in receipt of non-means tested disability payments.

Additional reserves were made available and on the 1st of February 2022 the Minister for Social Justice announced the doubling the Winter Fuel Support Scheme payment from £100 to £200 as the cost-of-living crisis intensified.

We knew that up to 60% of eligible households will be claiming help with their council tax bill through our Council Tax Reduction Scheme. Local authorities wrote to eligible households who they are aware of, seeking basic information to support the claim. The remaining cohort were targeted through our communication campaign which included:

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- promoting the scheme via our communication channels, and officials worked closely with the WLGA and local authorities to support take-up
- utilising our Income Maximisation communication campaign which includes digital marketing of our Winter Fuel Support Scheme, to further ensure eligible households receive support with their fuel bills this winter
- a toolkit of communication resources was issued to our stakeholders, including the Child Poverty Action Group and National Energy Action

The scheme closed on 28 February and final payments were made on 30 April. 166,780 households successfully claimed our Winter Fuel Support Scheme at a cost of £35,455,925.

This is equivalent to 45% of the original 364,264 households that was estimated in our original advice. However, officials are now aware that the data which was used to forecast the maximum number of eligible households for the 2021 to 2022 scheme may have resulted in an inflated estimated take up figure for the scheme.

Our scheme offered one payment per household and, using the available DWP data on benefit claimants/benefit households, it has proven difficult to accurately identify properties where a number of adults (all receiving qualifying benefits) live together within one property. Furthermore, as we do not have any data on fuel liability, it is unclear how many households were truly eligible for our WFSS.

Using data from those households we knew were eligible, 72% received a fuel payment.

The Welsh Government carried forward £180m of funding from 2021 to 2022, outside the normal Wales Reserve arrangements, to respond to the cost of living crisis in 2022 to 2023. The total package, covering 2021 to 2022 and 2022 to 2023, was worth more than £330m and included £150m for the Cost of Living Support Scheme as well as £90m for another Fuel Support Scheme in 2022 to 2023.

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It was anticipated that the scheme would be a one-off payment to address the immediate, short term, financial pressures faced by households.

As a result, no formal arrangements were made to evaluate the scheme. However, a review of lessons from the first scheme informed the development of the subsequent Welsh Government Fuel Support Scheme 2022 to 2023.

Our previous qualifying criteria meant that many low-income households were not eligible for support. Following feedback from our stakeholders we extended the eligibility criteria to support more vulnerable households.

The extension of the fuel support scheme will mean nearly 200,000 more households on child tax credits, pension credits, disability benefits, carers allowance, contributory benefits and those receiving help from the Council Tax Reduction Scheme to pay their council tax bill will now be eligible.

The following table details the numbers in receipt of different benefits.

Qualifying Benefit	Households
Universal Credit	233,693
Legacy Means-tested Benefit (Income Support, Income Based Jobseekers, Income-related Employment and Support Allowance.)	99,746
Working Tax Credits	62,100
Child Tax Credits	30,200

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Qualifying Benefit	Households
Pension Credit	84,631
Disability Benefits (Personal Independence Payment, Disability Living Allowance, Attendance Allowance.)	139,904
Carers Allowance	28,170
Contributory Benefits (Jobseekers Allowance, Employment and Support Allowance, Incapacity Benefit, Severe Disablement Allowance.)	33,968
Total Eligible Benefit Households	712,412

It was proposed that this is expanded by including a further 316,873 benefit households, bringing the estimated total benefit households to 712,412.

A benefit household is the term used by the DWP to describe people who are named on a welfare benefit claim as living together. Different benefit households often live within the same property. It is important to stress not all benefit households noted on the table will be eligible for the fuel payment as only one payment is made per property. This has been considered when estimating the number of households that are eligible for the fuel payment.

The figures presented for the expanded criteria are the number of people who are only receiving that benefit (and no other benefit). There will be instances where households will be receiving multiple eligible benefits. For example, a couple receive Pension Credit (joint claim) one partner receives Attendance Allowance (individual claim) and the other partner receives Carers Allowance

(individual claim). The Welsh Government Fuel Support Scheme is paid only once to a household i.e. the person who pays the fuel bill, regardless of there being more than one person in that household on benefits.

DWP data shows that 60% of benefit households on Universal Credit are claiming the housing element, which is synonymous with other housing costs, including fuel liability and this was used to determine an estimated 427,447 eligible households for our scheme

This was corroborated by our Family information survey and was used to anticipate that an estimated 422,000 households will be eligible for support under the extended eligibility criteria.

On 19 of July 2022, officials submitted an Addendum to MA/JH/075/22 to the Minister for Social Justice. The advice stated that using Council tax Reduction (CTRS) as an additional qualifier to the 2022 to 2023 scheme would allow for improved automation of the scheme as authorities will be able to use IT to check applications against their known CTRS database rather than manually checking against DWP's searchlight database for a qualifying benefit entitlement.

Officials then calculated a new cohort, based on 265,000 for those benefits also qualifying for the CTRS, and the remaining 162,000 coming from non means tested benefit entitlements.

The budget for including all caseload CTRS was based on 386,500 households (100% take-up for the 265,000 on CTRS and 121,500 manual payments, latter based on 75% take-up) and with £9 admin this came to £80,778,500.

To recognise the reduced administration demands on local authorities, Welsh government offered a £5 processing fee for those that are in receipt of CTRS, and a £9 fee for those that are not. This gave a mean average application fee of £6.50 as opposed to the previous £9 flat rate for any application processed.

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More recent analysis though estimates a more conservative 85% take up of the CTRS cohort (based on the cost-of-living scheme take-up) and 75% of the manual payments. This gives a total of 345,346 payments and at an admin processing cost of £6.50 per application, brings the total forecast cost to £71,313,846. This means that against the £90million budget there is likely to be an underspend of £18m. From this underspend £2.4m has been agreed for the 'Cost of Living' work (MA-JH-2801-22) with a further £4m for the Fuel Bank Foundation Fund, leaving a forecast underspend of approximately £11.5m. Some of this underspend has offset pressures against the Discretionary Assistance Fund in 2022-23.

Long term

How long the current cost of living crisis will last is uncertain. Our fuel support scheme will support households in the here and now that are facing the immediate decisions between heating and eating.

The DWP and HMRC have given their approval that this scheme can be treated as Local Welfare Provision and on that basis can be disregarded in the assessment of tax and any means tested benefit received by the household.

This is the second fuel payment in as many years, it is uncertain whether UK Government departments will continue to accept the scheme as local welfare provision. If the scheme were to run again in 2023 to 2024 it may then be viewed as an annual payment and ineligible to be disregarded and would be treated as taxable income and/or deducted from a household's benefit entitlement.

Prevention

The purpose of the payment is to alleviate the impact of rising energy costs on household living costs as a whole and to target those more likely to be in

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poverty. It is not intended to be a fuel poverty measure. If the intention was to target fuel poverty, then welfare benefits are regarded as a poor proxy; the efficiency of a property, the age of the householder and housing sector in which they live is a better guide.

Integration

We understand that we could not help everyone with our fuel support scheme however the Welsh Government has announced further support.

Since November 2021 we have targeted more than £380 million to mitigate the impact of the cost of living crisis for disadvantaged households.

It is helping to fund a £150 cost-of-living payment for all households in properties in council tax bands A to D and to all households, which receive support from the Council Tax Reduction Scheme in all council tax bands.

Since January 2020, Single Advice Fund services have helped 127,000 people deal with over 602,000 social welfare problems. Those helped were supported to claim additional income of £75 million and had debts totalling £22 million written off.

Since 2010 to the end of March 2021, more than £394m has been invested to improve home energy efficiency through the Warm Homes Programme, benefitting more than 67,100 lower income households, saving on average more than £300 on their annual domestic energy bills at 2021 prices.

Collaboration

The guidance for the scheme has been co-designed with partners in the Local Authorities and the Welsh Local Government Association. They have helped us

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to understand some of the challenges to administer the payment and how we could target our audiences for maximum take up.

Following feedback from our stakeholders we have extended the eligibility criteria to support more vulnerable households with this vital support.

Meetings were held with the Northern Ireland Administration to discuss the lessons they have learned as well as their knowledge and expertise to help inform proposals.

Our previous qualifying criteria meant that many low-income households were not eligible for support. In-line with feedback we have had from our stakeholders, our cost-of-living summits, the comments and experiences of the service users from the previous scheme, we implemented changes that have extended support to more households. Including:

- supporting a wider cohort of benefit households
- measures to support households with pass-through energy costs
- support for households using off-grid fuel
- extending the payment window to allow individuals a wider opportunity to claim and Local Authorities more time to identify eligible residents and to process payments

Impact

There is growing evidence that households are struggling to keep up with their rising fuel costs. Our Wales Fuel poverty Measure estimates that 45% of Welsh Households could be in fuel poverty following the April 2022 price increase. It is apparent that immediate action is necessary.

Welsh Ministers have repeatedly called on the UK Government to step up and to step in to provide the support as they have the means to provide lasting and

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meaningful support to households. However, these calls have gone unanswered.

The Welsh Government Fuel Support Scheme will offer targeted support to low-income households that we are aware of and can target using welfare benefit data that can be accessed by local authorities.

This scheme looks to build on its predecessor by incorporating feedback and criticism of the 2021 to 2022 Winter Fuel Support Scheme through collaboration with internal and external stakeholders, commissioners, local authorities and third-parties.

Namely:

- supporting a wider cohort of benefit households
- measures to support households with pass-through energy costs
- support for households using off-grid fuel
- extending the payment window to allow individuals a wider opportunity to claim and Local Authorities more time to identify eligible residents and to process payments

We estimate that 225,000 households were likely eligible for the 2021 to 2022 scheme, by extending support, this has almost doubled to 427,000.

Costs and savings

The Minister for Finance has made available £90m for this year's Welsh Government Fuel Support Scheme, though £4m will be used for the Fuel Voucher and Heat Fund schemes. The estimated budget for the Welsh Government Fuel Support Scheme was based on 386,650 households (265,000 on CTRS and 121,500 manual payments, the latter based on 75% take-up) and with £9 admin this is £80,809,850.

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To simplify for recipients and reduce administration costs, we have explored how to make it easier for people known to local authorities and eligible to receive the payment to do so without having to make a direct application.

Local authorities are requested, where possible, that they further process bank details of those in receipt of the Council tax Reduction Scheme (CTRS) collected as part of the Cost-of-Living Support Scheme to administer the Welsh Government Fuel Support Scheme.

To recognise the reduced administration demands on local authorities, Welsh Government offered a £5 processing fee for those that are in receipt of CTRS, and a £9 fee for those that are not. This gave a mean average application fee of £6.50 as opposed to the previous £9 flat rate for any application processed.

More recent analysis though estimates a more conservative 85% take up of the CTRS cohort (based on the cost-of-living scheme take-up) and 75% of the manual payments. This gives a total of 345,346 payments and at an admin processing cost of £6.50 per application, brings the total cost to £71,313,846

Mechanism

Local authorities are requested, where possible, that they further process bank details of those in receipt of the Council tax Reduction Scheme (CTRS) as collected as part of the Cost-of-Living Support Scheme, previous Winter Fuel Support scheme or Unpaid Carers Payment to automatically administer the Welsh Government Fuel Support Scheme.

Where this is not possible, households should apply for the scheme via their local authority website. Households should be able to apply via phone or post upon request.

Households that qualify for the payment will be issued a £200 BACS payment. In

two authority areas, households identified as eligible through the CTRS will receive All-Pay vouchers which can be redeemed for cash from their post office.

Section 8: conclusion

How have people most likely to be affected by the proposal been involved in developing it?

Following the announcement made by the Minister for Finance and Local Government on the 15th of February 2022 that a further £90m will be made available to run another fuel support scheme the Welsh Government took steps to learn from the previous scheme to ensure it supported those most in need.

The Minister for Social Justice chaired 2 Cost of Living Summits with over 150 participants from our partner organisations such as the Bevan Foundation, Citizens Advice and National Energy Action about the key issues we are facing across government and from our speakers about the situation on the ground. The reflections offered by those attending from across sectors provided powerful evidence for us to consider when planning our future activity and response to support people across Wales.

Through correspondence from the public, ministers, commissioners and stakeholders, we heard and acted on how the scheme was currently supporting families, where it was falling short and how support could be widened.

The information above and in the full impact assessments provide more information on the significant impacts, both positive and negative on the below groups:

- Children and their representatives
- People with protected characteristics under the Equality Act 2010

- Welsh speakers and Welsh language specialist groups
- Other people who may be affected

How will the impact of the proposal be monitored and evaluated as it progresses and when it concludes?

Take up of the Welsh Government Fuel Support Scheme will be monitored, and evaluations shared with Welsh Government officials and Authority scheme contacts. Updates will be provided to Welsh Ministers as they are required. This will initially include weekly reporting of the number applications, number of people supported under the scheme, take up of support against expected volume, overall expenditure and an overview of any issues experienced in relation to the administration of the scheme.

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