

Evidence Paper: Fuel Poverty

Produced by Corporate Research, Corporate Strategy and Communications Team,
Borough of Poole. January 2015



Purpose of this Paper

This paper discusses and provides evidence about fuel poverty in Poole. The paper makes use of data from the annual English Housing Survey (EHS).

Key Facts for Poole

Fuel poverty is an issue in Poole as evidenced using the Government's Department of Energy and Climate Change (DECC) figures.

Although proportions affected in Poole are lower than for England as a whole, an estimated 4,805 households in Poole were fuel poor in 2012. This is approximately one in every fourteen households in Poole.

Action is taken by the Council to reduce fuel poverty when opportunities for external funding and resources are available.

Background

The Borough of Poole has published a series of reports on poverty¹. These reports quantify the extent of poverty and describe the nature and impacts of poverty. Recently these reports have included the impacts of welfare reform.

In 2000, Parliament passed the Warm Homes and Energy Conservation Act¹, and set out a Fuel Poverty Strategy² the following year. This strategy included a target to eliminate fuel poverty in 'vulnerable' households by 2010 and in all households by 2016. Put briefly, a household was considered to be in fuel poverty if it were required to spend more than 10% of its income on fuel to maintain an adequate standard of warmth.³

In March 2011, with the 2010 target missed and the 2016 target looking increasingly unlikely to be achieved, Professor John Hills was appointed to lead a review of the fuel poverty definition and target. Professor Hills reported back in October of that year with an interim report, following up with a final report in March 2012.⁴ He proposed that the "ten per cent" definition be replaced with a "Low Income High Cost" (LIHC) definition. His measure, which was subject to

¹ HM Government. 2000. "Warm Homes and Energy Conservation Act 2000." <http://www.legislation.gov.uk/ukpga/2000/31/introduction>.

² DTI. 2001. "The UK Fuel Poverty Strategy". HMSO. <http://webarchive.nationalarchives.gov.uk> and <http://www.berr.gov.uk/files/file16495.pdf>.

³ An adequate standard of warmth was defined as 21°C for the main living area, and 18°C for other occupied rooms.

⁴ DECC 2012. "Hills Fuel Poverty Review." *Department of Energy & Climate Change*. http://www.decc.gov.uk/en/content/cms/funding/Fuel_poverty/Hills_Review/Hills_Review.aspx.

much considered criticism,⁵ has since been officially adopted in England⁶ and a strategic framework document prepared.⁷

Given its official status, this report examines Fuel Poverty in Poole using the LIHC measure.

The new definition and targets

To qualify as being in fuel poverty a household must now meet two criteria. Their (equivalised) fuel costs must exceed median levels *and* their residual income after meeting these fuel costs puts them below the relative poverty line. *Both components are therefore relative.* Note that it is possible, under the LIHC definition, for a low income household which cannot meet its fuel costs *not* to be in fuel poverty because its fuel costs do not exceed the required threshold.

The revised targets relate to energy efficiency bands. Band A is best and Band G is worst. The targets are not precisely defined and are as follows:

By 2020 as many fuel poor households “as is reasonably practicable” to be in Band E or better. By 2025 as many fuel poor households “as is reasonably practicable” to be in Band D or better. By 2030 as many fuel poor households “as is reasonably practicable” to be in Band C or better. The Department of Energy & Climate Change (DECC) does not define “reasonably practicable”.

Data sources

The key data source for modelling fuel poverty is the annual English Housing Survey (EHS). It covers all tenures and involves a physical inspection of properties by professional surveyors. The information obtained through the survey provides an accurate picture of the type and condition of the property, the circumstances of the people living there and their views on housing and their neighbourhoods. Residents are interviewed and properties are inspected, both externally and internally by a qualified surveyor.

Each year around 13,300 interviews are conducted with householders, and around 6,200 of these households have a follow up physical survey of their dwelling. A thorough knowledge of the lifestyle and living habits of the householders is required to get an understanding of how long they are at home for, and therefore how much their need for energy varies at different times of the day. For example, pensioners are more likely to be at home for more of the day than a household where all members are employed. Therefore, the pensioner household will need to heat their home for longer during the day to ensure an adequate standard of warmth is achieved. Similarly, a comprehensive knowledge of the structure of the property, the insulation, the type of walls and the fuels used are essential to estimate energy consumption. Fuel prices and estimates of household income are also used.⁸ The fuel poverty status of a household

⁵ For an in-depth critique of Hills’ methodology see Consumer Focus, 2013. “Improving the Hills Approach to Fuel Poverty”, ACE_CSE and R. Moore, <http://www.consumerfocus.org.uk/files/2009/06/ACE-CSE-and-R-Moore-2012-11-Improving-the-Hills-approach-to-measuring-fuel-poverty.pdf>

⁶ The devolved administrations continue to use the previous definition.

⁷ See <https://www.gov.uk/government/consultations/fuel-poverty-changing-the-framework-for-measurement> and <https://www.gov.uk/government/publications/fuel-poverty-a-framework-for-future-action>

⁸ See DECC, 2013, The Fuel Poverty Statistics Methodology and User Manual

depends on the interaction between three key factors: household incomes, fuel prices and energy consumption.

Accuracy of fuel poverty statistics

The UK Statistics Authority (UKSA) is an independent body operating at arms-length from the Government as a non-ministerial department, directly accountable to parliament. The UKSA's objective is to promote and safeguard the quality and comprehensiveness of official statistics and to ensure good practice in relation to official statistics. The UKSA judged that the fuel poverty statistics are readily accessible, produced according to sound methods and are managed impartially and objectively in the public interest. However, they did not meet all of the criteria required to be awarded the status of National Statistics.

National predictors of being fuel poor

- All fuel poor households come from the bottom 40% of income groups.
- 41% of those in the lowest income decile are fuel poor.
- The likelihood of being fuel poor increases markedly with lower Standard Assessment Procedure (SAP) cores: 35% of those in G-rated properties were fuel-poor in 2012 compared to only 2% in Bands A/B/C combined.⁹
- Unemployed households have the highest rates of fuel poverty across all economic activity groups.
- Of the different tenure groups, households living in privately rented accommodations have the highest fuel poverty rates, whilst owner occupied households have the lowest rates of fuel poverty.
- The number of households in England in fuel poverty is projected to increase by 2.2% from 2.28 million in 2012, to 2.33 million in 2014, with increases in energy costs being the key factor.

Fuel Poverty in Poole

DECC recently undertook a review of the methodology used to produce sub-regional estimates of fuel poverty, in conjunction with the Methodology Advisory Service Office of the Office for National Statistics. This work found that estimates of fuel poverty at local authority level were "robust".

Table 1 below shows the number and proportion of all households¹⁰ in Poole that are in fuel poverty for the latest two years data are available.

⁹ SAP bands vary from A (best) to G (worst)

Table 1: Number and proportion of households in Fuel Poverty, Poole

Poole	2011	2012
Total number of households	62,585	65,450
Number of households that are fuel poor using LIHC measure	5,332	4,805
Percentage of households that are fuel poor using LIHC measure	8.5%	7.3%

Data source: DECC, 2014

(For England, 10.9% of households were in fuel poverty in 2011 and 10.4% for in 2012.)

Mapping Fuel Poverty in Poole

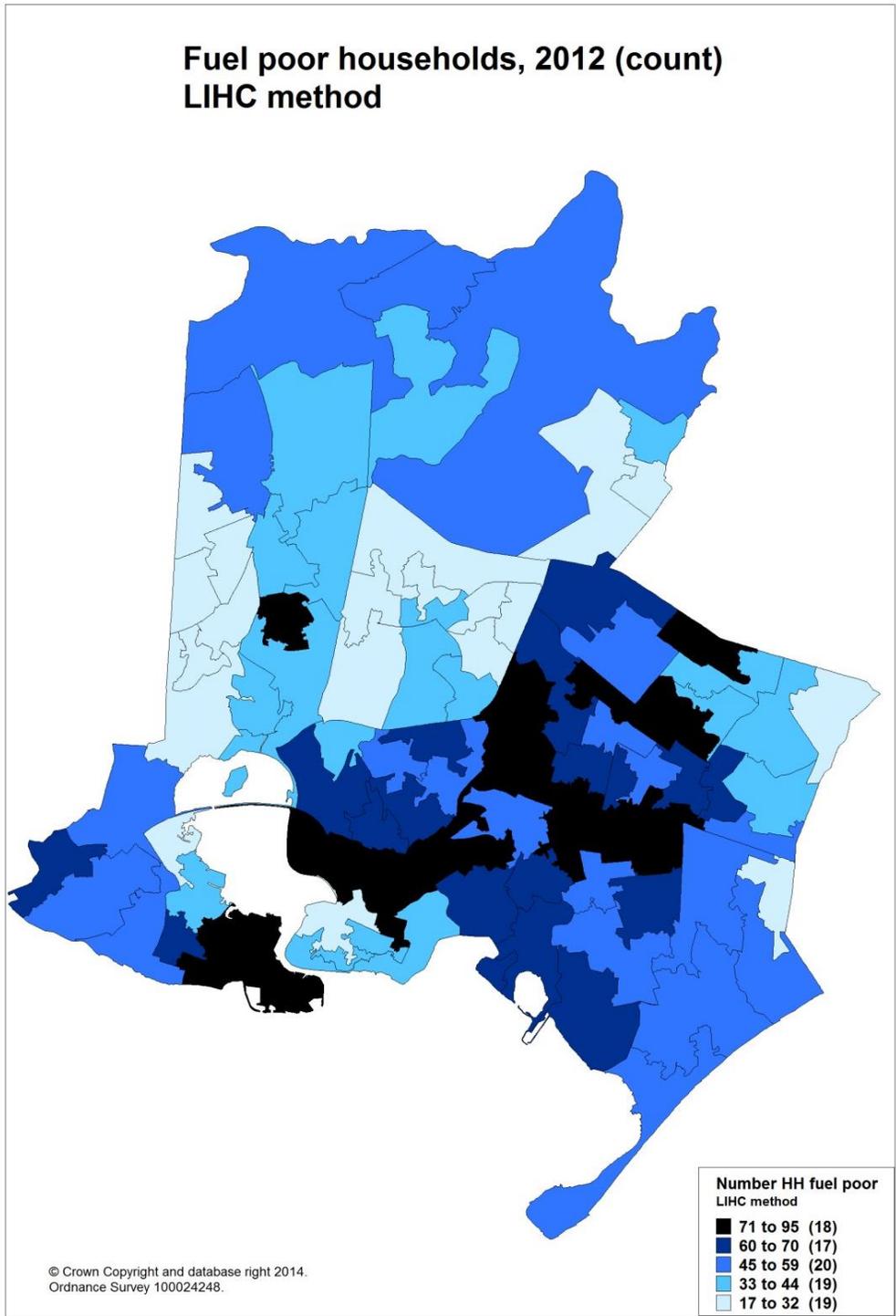
A technique called logistic regression can be used with EHS data to identify predictors of fuel poverty. This model can then be applied locally to estimate the number of households in each Lower Super Output Area (LSOA) that are fuel poor.

Figure 1 maps the number of households in each Lower Super Output Area (LSOA) in Poole that are fuel poor and Figure 2 maps the corresponding percentage of all households in each LSOA that are fuel poor. Both maps use quintiles – the best one fifth of LSOAs, the next fifth and so on. Given the limitations of the model these maps may have limited utility but should be useful for identifying the best and worst areas in Poole.

Note that mapping fuel poverty produces a different picture from that obtained from mapping general poverty – for example, the Waterloo Estate in Creekmoor is in the worst quintile in both Figure 1 and Figure 2 but is not an area known for general poverty.

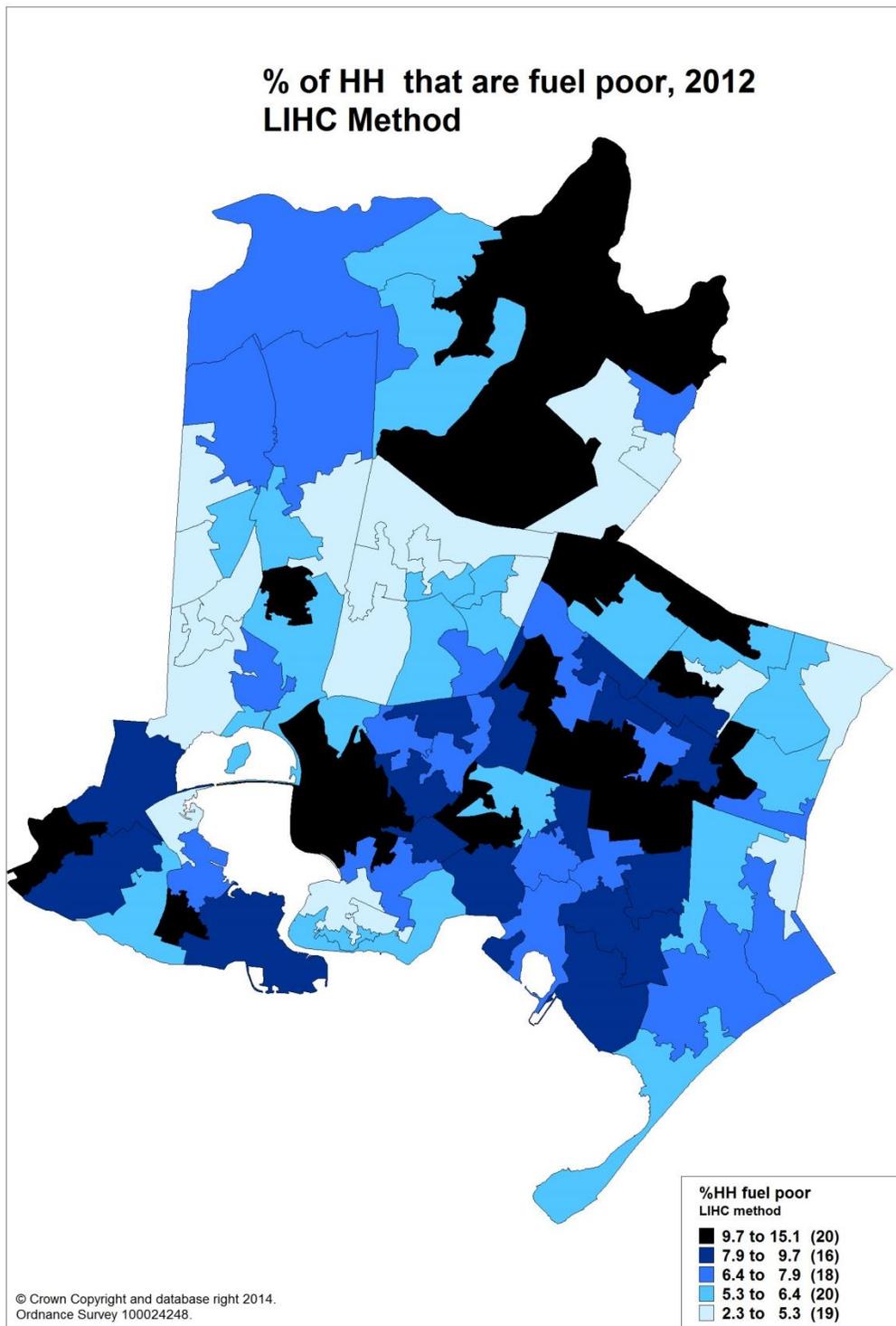
¹⁰ The count of households is a modelled estimate and differs slightly from other estimates (e.g. from Census 2011).

Figure 1: Number of households that are fuel poor



Data source: DECC, 2014

Figure 2: Percentage of households that are fuel poor



Data source: DECC, 2014

ACTION TO COMBAT FUEL POVERTY

Policy and Legislation

The Borough of Poole signed up to the Covenant of Mayors in October 2012 and, as part of this, produced a Sustainable Energy Action Plan approved by members in December 2013 and ratified by the Covenant of Mayors in September 2014. Action to combat fuel poverty is a central theme of the Domestic Action Group section of the action plan¹¹.

The Government mandates the Borough of Poole to report every two years, setting out the energy conservation measures that the authority considers practicable, cost-effective and likely to result in significant improvement in the energy efficiency of residential accommodation in its area, as part of the Home Energy Conservation Act. As part of the biennial report the Borough was required to set out its action to eradicate fuel poverty, as far as reasonably practicable, by 2016 in line with central Government targets. But this target has since been removed – see §3.1.

Central Government Activity

The Coalition Government initiated large scale reform of the central government support for action on fuel poverty. The Warm Front and Carbon Emission Reduction Target (CERT) programmes were replaced by the Energy Companies Obligation (ECO). The Energy Companies Obligation is an accompaniment to the Green Deal particularly focussing on the needs of the lower income groups, the most vulnerable and those properties where energy efficiency methods do not pay back under the Green Deal. ECO, as its name suggests, is entirely funded by contributions from energy companies with the level of contribution based on the number of customers.

The Green Deal is a Government scheme designed for those who wish to make energy efficiency improvements to their properties but don't have the disposable income to do so. The cost of the improvements are instead met by a Green Deal provider, who is repaid by the homeowner from the savings generated. As such the homeowner may not initially see a financial saving (but will benefit from increased comfort levels) as a result of the Green Deal. This means that the Green Deal, whilst a useful tool to remove finance as an barrier to energy efficiency action, is not a feasible tool to combat fuel poverty.

In 2013, during a period of particular political interest in the problem of rising energy prices, the “Big Six” energy companies lobbied Government to relax the demands of ECO arguing that this was a key factor in the increases in energy prices. As a result of this the obligations of ECO were reduced. As a result local activity from ECO is very limited.

Borough of Poole Activity

Action on fuel poverty at the Borough of Poole is usually taken by the Carbon Management Programme on an ad hoc basis when funding and resource is available.

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<http://www.poole.gov.uk/EasysiteWeb/getresource.axd?AssetID=16629&type=full&servicetype=Attachment>

Department of Energy and Climate Change (DECC) Fuel Poverty Funding

In January 2013 the Carbon Management Programme was successful in a joint bid with colleagues from Bournemouth Borough Council for £600,000 to combat fuel poverty in Bournemouth and Poole. The funding provided a specialised fuel poverty advice line for residents struggling with their fuel bills and visits of the Safe and Independent Living (SAIL) bus to LSOAs of high deprivation. There was also funding to support practical actions such as installing low cost insulation in homes occupied by vulnerable people, insulating flat roofs and installing loft installation in council houses and providing emergency heating repairs. The programme led to more than 238 dwellings being insulated in Poole and consequently reduced the risk of fuel poverty in those dwellings.

National Energy Agency (NEA) Health and Fuel Poverty Analysis

In October 2013 the Carbon Management Programme was again successful in a joint bid with Bournemouth Borough Council for support from the National Energy Agency. The NEA time was targeted to support the work of the Bournemouth and Poole Health and Wellbeing Board by:

- Raising awareness of frontline staff to recognise and understand the impact of fuel poverty on the vulnerable. We are looking to enable individuals who are in contact with vulnerable residents, particularly those meeting them in their own homes, to identify those suffering from fuel poverty by asking the right questions.
- Improve connections and raise awareness between the frontline staff identified above and local energy efficiency experts within and outside of the authorities, enabling the delivery and brokerage of fuel poverty actions.
- Refreshing current local strategies to take into account changes in fuel poverty definitions and funding streams.
- Develop the relationship with the Health and Wellbeing Board in order for its health outcome priorities to be addressed, recognising the many links between these outcomes and the actions to create affordable warmth for vulnerable people.

Some of the results of the NEA work were presented to the Health and Wellbeing Board at a development session on 12 November 2014.

Poverty Summit 10 June 2014

On 10 June 2014 a Poverty Summit, held at Bournemouth University, was organised by the Borough's Community Strategy Team. The poverty summit had specialist workshops, one of which was focussed on fuel poverty. The aim of the summit was for each specialist workshop to develop 2 or 3 ideas to be taken forward after the event. The three actions developed in the fuel poverty workshop were:

- to use students to support research to raise awareness of fuel poverty
- to link with my health, my way from the Dorset Clinical Commissioning Group to make the best of the opportunity
- to explore the setting up of a Bournemouth and Poole Energy Company, designed to provide local residents energy at a reduced price.

Future Actions

The Borough of Poole does not have a co-ordinated policy for action on fuel poverty because the Carbon Management Programme is not resourced to deliver a fuel poverty action programme. Historically, as has been shown in the sections above, the Borough's fuel poverty action has been focussed on funding opportunities.

The Carbon Management Programme is investigating the opportunities for the Borough to escape the inconsistency and short termism that is inherent in a situation of uncertain funding. By adopting this approach it could prove possible to deliver sustainable and consistent action on fuel poverty.

One of the opportunities identified is the formation of a Poole Energy Supply company. Before the Second World War the majority of Britain's energy supply was provided under the auspices of local authorities. This ended when energy was taken into national control in 1947. The privatisation of energy in the 1980s did not enable LAs to return to the energy supply market. However, with the implementation of the Localism Act, in 2011 LAs were granted the general power of competence, enabling LAs to, amongst other things, set up their own energy companies.

Energy suppliers are developing offers for Local Authorities which will enable them to set up a local energy supply company without the burdens of regulatory compliance. The Carbon Management Programme is currently determining the details of the offers and will ascertain whether any would be suitable for Poole. Once the details of this are known a report will be brought to Councillors for their consideration.

A local energy company would be able to offer an alternative to the traditional "big six" energy companies and should be able to reduce the price of existing energy, helping Poole residents save money and avoid fuel poverty. Any profits generated by such a programme could be reinvested in energy efficiency programmes to help further residents out of fuel poverty.

Further Details

For further details or queries about this report, please contact Charles Arthurs (Research Evidence) or Graeme Smith (Actions to Combat Fuel Poverty), Corporate Strategy and Communications Team, Borough of Poole. Charles Arthurs Tel 01202 633388, or email c.arthurs@poole.gov.uk Graeme Smith Tel 01202 633375 or email g.smith@poole.gov.uk

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¹ <http://www.boroughofpoole.com/your-council/how-the-council-works/research/pooles-strategic-assessment/>