

# Bevan Foundation – Equality and Social Justice Committee Response

The Bevan Foundation is Wales' most influential think-tank. We create insights, ideas and impact that help to end poverty and inequality. We are grateful for the opportunity to submit written evidence to the Equality and Social Justice Committee's follow-up inquiry into fuel poverty and the Warm Homes Programme. Our response addresses each of the terms of reference set out in the consultation document in turn.

## **1. Whether there is an accurate picture of fuel poverty in Wales today, given that data is based on the 2008 Living in Wales Survey and 2017-18 Wales Housing Conditions Survey**

We do not consider that there is an accurate picture of fuel poverty in Wales today given the data issues outlined by the committee.

The Welsh Government's Tackling Fuel Poverty 2021 to 2035 strategy defines fuel poverty as a person 'living on a "lower income" in a home which cannot be kept "warm" at "reasonable cost" — taken to mean that a household needs to spend more than 10% of its income to maintain a satisfactory heating regime. It is impossible to accurately measure rates of fuel poverty against this definition or to measure progress on targets without knowing how Welsh homes perform on heating efficiency.

In order to maintain an accurate picture of fuel poverty in Wales it is therefore fundamental to have an up-to-date picture as to the heating requirements of Wales' housing stock and people's living standards.

## **2. The potential impact of changes to the eligibility criteria for the Winter Fuel Payment on fuel poverty in Wales**

The decision by the UK Government to change the eligibility for Winter Fuel Payments is almost certain to increase hardship amongst low-income pensioners in Wales. The impact of the decision will hit three groups of pensioners especially hard: people whose incomes are marginally above the Pension Credit threshold; people who are eligible for but who do not claim Pension Credit; and people whose income is below the Pension Credit threshold but are not eligible because someone in the household has No Recourse to Public Funds.

Take-up of Pension Credit is low across the UK, estimated by the DWP to be 63% for FYE 2022.<sup>1</sup> The Bevan Foundation has estimated that in February 2023 around 50,000 eligible households in Wales missed out on receiving Pension Credit.<sup>2</sup> Though there is emerging evidence<sup>3</sup> that efforts to increase the take-up of Pension Credit in the light of the changes to Winter Fuel Payments are having some

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<sup>1</sup> UK Government, *Income-related benefits: estimates of take-up: financial year ending 2022* (January 2024). Available at: <https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-ending-2022/income-related-benefits-estimates-of-take-up-financial-year-ending-2022>.

<sup>2</sup> Bevan Foundation, *State of Wales Briefing: Pensions and Winter Fuel Payment* (September 2024). Available at: <https://www.bevanfoundation.org/subscribers-area/state-of-wales-briefing-pensions-and-winter-fuel-payment/>, page 6.

<sup>3</sup> Policy in Practice, *Pension Credit take up efforts are working* (September 2024). Available at: <https://policyinpractice.co.uk/pension-credit-take-up-efforts-are-working/>.

positive effect, it is likely there will still be many tens of thousands of eligible pensioners not claiming the benefit this winter.

Despite increasing hardship, removing Winter Fuel Payments from low-income pensioners may not technically significantly increase 'fuel poverty' rates amongst pensioners. This is in part a result of the way that the Welsh Government measures fuel poverty.

A household is said to live in fuel poverty if they need to pay more than 10% of their full household income to maintain a satisfactory heating regime. Given that the value of Winter Fuel Payments has not been increased at all since 2003/2004<sup>4</sup>, along with significant recent price rises, the Winter Fuel Payment only covers 11% to 17% of a typical household bill.<sup>5</sup> The effect of losing out on Winter Fuel Payments will in many cases therefore be to worsen hardship, rather than necessarily increase the number of people living in fuel poverty as per the official measure.

It is important to reiterate however, that even if the changes to the Winter Fuel Payments do not lead to an increase in the number of people living in fuel poverty for technical reasons, the impact on people's lives will be very real. Many low income pensioners will be hit hard by the decision and it is likely to lead to an increase in older people going cold this winter.

### **3. The detail of the new Warm Homes Programme, including the energy efficiency measures offered, changes to eligibility criteria, the approach to delivering advice services, and the development of an area based approach**

There is much to welcome in the approach the Welsh Government has taken to the new Warm Homes Programme. The programme's "worst first" approach (i.e. prioritising resources for those households living in the most fuel-poor homes) is a positive development, as is the decision to expand the eligibility criteria for the programme. The changes to the programme to ensure that a whole home/fabric-first approach is taken are also positive. We do have some concerns, however, about the way that the programme is currently operating.

First, the amount of money invested in the Warm Homes Programme is not sufficient to address the scale of fuel poverty in Wales. Documents produced as part of the procurement process for the new Warm Homes Programme detailed the Welsh Government's expectation that 11,500 homes would receive adaptations over a 7-year programme period. If this pace of works were to be followed until all fuel-poor households in Wales (estimated by the WG to be up to 217,700) had received improvements, the Warm Homes Programme would not finish its work until around the year 2160.<sup>6</sup>

The Welsh Government has offered various grounds to explain the gap between need and programme timescales. One of these is that it expects other schemes will also shoulder responsibility for improving the energy efficiency of homes in Wales. Whilst some of these schemes are already in place or are in the process of being established (such as the UK Government's ECO 4 programme and the Welsh Government's Optimised RetroFit Programme), others, such as the Welsh Government's

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<sup>4</sup> (Excluding 'one-off' payments) Thurley, D, McInness, R, & Kennedy, S, *Winter Fuel Payments Update*. House of Commons Library (November 2019). Available at: <https://researchbriefings.files.parliament.uk/documents/SN06019/SN06019.pdf>, page 9.

<sup>5</sup> Bevan Foundation, *State of Wales Briefing: Pensions and Winter Fuel Payment* (September 2024). Available at: <https://www.bevanfoundation.org/subscribers-area/state-of-wales-briefing-pensions-and-winter-fuel-payment/>, page 9.

<sup>6</sup> Bevan Foundation/National Energy Action Cymru, *Briefing ahead of debate on fuel poverty* (December 2023). Available at: <https://www.bevanfoundation.org/wp-content/uploads/2023/12/Briefing-ahead-of-debate-on-Fuel-Poverty.pdf>.

plans for an area-based programme appear far from being implemented. Even if these programmes were fully operational, it appears unlikely that they would be sufficient to make the required level of change to end fuel poverty in Wales.

Relying on such a range of different programmes to deliver the Welsh Government's fuel poverty objectives also risks being confusing for residents, undermining the Welsh Government's efforts. Lessons from other work undertaken by the Bevan Foundation, e.g. our work on Welsh benefits emphasise that having streamlined, easily accessible programmes in place are crucial for boosting take up.

Our second concern relates to how the programme is operating on a day-to-day level. Whilst the Bevan Foundation does not itself provide frontline services, we have heard concerns from partners that people are struggling to access support via the new Nest programme, particularly if their homes are not suitable to have an air source heat pump or other low-carbon heating system installed. Any issues around accessing the programme risks leaving people without heating and hot water.

One aspect of the new programme that is of particular concern to the Foundation is the Welsh Government's 'Nest Crisis Boiler Repair/Replacement' element. At a meeting of the Fuel Poverty Advisory Panel on 6 September 2024, the Welsh Government proposed a route to enable eligible Nest applicants who meet additional eligibility criteria to access boiler repairs (or replacements in exceptional circumstances). Despite strong advice to the contrary from members, we understand the Welsh Government has proceeded with an approach to trial boiler repairs for 2024-25, limiting boiler repairs exclusively to eligible households with occupants aged 75 years and over, or with children under two years old, or with occupants with a relevant health condition, or terminal illnesses. We are concerned that this means that eligible Nest applicants will be left without hot water or heating.

These concerns are further amplified by our understanding that the Welsh Government is planning on operating this route as a "discreet service". This creates a further risk that even eligible households might be going cold this winter simply due to a lack of awareness.

#### **4. How changes from the previous programme will impact delivery, particularly in terms of the numbers of households that will be supported**

As noted in our response to the previous question we believe that the primary barrier that will prevent the new Warm Homes Programme from delivering the impact intended is a lack of investment in the programme.

#### **5. The extent to which the Warm Homes Programme is helping to address persistent fuel poverty in Wales, and if not, what further action is needed**

The lack of investment in the Warm Homes Programme is unquestionably undermining the ability of the programme to address persistent fuel poverty in Wales. However, it is important to remember that energy efficiency is only one of the factors that drives fuel poverty. High energy prices and low incomes are other important factors. In focusing only on energy efficiency measures the Warm Homes Programme cannot fully address persistent fuel poverty in Wales.

The Welsh Government's decision to focus on energy efficiency is in part a reflection of the devolution settlement. Powers over the social security system, employment and the energy sector are largely still reserved to the UK Government. Without greater action to connect the work of the

Warm Homes Programmes with UK policy in these areas, the effectiveness of the programme is likely to be undermined.

There are some other devolved policy areas where greater efforts could be made to co-ordinate action to address persistent fuel poverty. For example, the Welsh Government's work to create a Welsh Benefits System has the potential to put money back into people's pockets, easing the impact of fuel poverty. It is crucial that the Welsh Government considers how such actions link with the Warm Homes Programme to maximise its efforts to address persistent fuel poverty.

#### **6. The effectiveness of support available to households in or at risk of fuel poverty, in addition to the Warm Homes Programme**

In addition to our comments above about the need to better integrate the Warm Homes Programme with other UK and Welsh Government policies the Bevan Foundation has recently published work that highlights what more energy suppliers could be doing to support people living in or who are at risk of fuel poverty.<sup>7</sup>

To help people struggling with their gas or electricity bills, energy suppliers have developed various support schemes. These include small grants, writing off debt and providing items such as heated blankets. Whilst this support provides a vital lifeline to low income households, it does not always get to everyone who needs it.

As such, short term measures that we believe should be taken to reduce the risk of fuel poverty include:

- i) The UK Government and Ofgem should work together to require energy suppliers to take steps to better promote the support schemes that they currently offer.
- ii) The UK Government and Ofgem should work together to require energy suppliers to take steps to improve their application processes.
- iii) The UK Government and Ofgem should work together to require energy suppliers to take measures to ensure greater transparency with regards to each support scheme.
- iv) Energy suppliers should work with the advice sector to better understand their needs to ensure greater co-operation.

#### **7. How effective local authorities have been at accessing and utilising ECO Flex funding**

The Bevan Foundation is not in a position to provide detailed comment on how effective local authorities have been in accessing and utilising ECO Flex Funding. We do believe, however, that ensuring local authorities maximise the ECO Flex funding used in Wales is vital if we are to drive down rates of fuel poverty. This is especially true given that the investment in the Warm Homes Programme is not sufficient to reduce fuel poverty at scale.

#### **8. How the Welsh Government is working with the UK Government to address fuel poverty**

As set out in our response to question 5, given the limitations of the devolution model, ensuring that the UK and Welsh Governments work together effectively is crucial if we are to make a significant change to the levels of fuel poverty in Wales.

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<sup>7</sup> Bevan Foundation, *Help with energy bills: experiences in Wales* (August 2024). Available at: <https://www.bevanfoundation.org/resources/help-with-energy-bills/>.

Given that the new UK Government was only elected to office in July, there is as yet relatively little to comment on in terms of the Welsh and UK governments' cross-working on fuel poverty.

Beyond the areas already set out in this response where there is a need for collaboration between the UK and Welsh Governments there are two other areas where we believe it is vital that the two governments work effectively together.

First, the UK Government should work with Ofgem to ensure more Wales-specific data is made publicly available about the energy market. The lack of regularly published Wales-specific data on issues such as energy debt and the estimated spend by suppliers on households in Wales through the Warm Home Discount makes it difficult to develop approaches to fuel poverty that best meet the needs of the people of Wales.

Second, the Welsh Government should work with the UK Government, Ofgem, and energy suppliers to increase affordability in the energy market for those on the lowest incomes. Amongst the measures that should be considered is the introduction of a social tariff so that people on the lowest incomes can access gas and electricity at more affordable rates. Whilst the powers to introduce such a tariff are reserved to Westminster it is vital that the Welsh Government's perspective is listened to in any conversation, given that fuel poverty falls within its responsibility.