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# Implementing the Fuel Poverty Strategy

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## About the authors

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Any errors or omissions are the responsibility of the authors.

## Summary

This case study looks at the implementation of the 2001 Fuel Poverty Strategy, a cross-government commitment to ensure that no vulnerable households would be fuel poor by 2010. The publication of the strategy fulfilled a statutory obligation under the Warm Homes and Energy Conservation Act 2000, which had established the target of ending fuel poverty 'as far as reasonably practicable' for all households within 15 years. Delivery of the strategy was jointly overseen by the Department of Environment, Food and Rural Affairs (Defra) and the Department for Trade and Industry (DTI) and its successors from 2001 until the creation of the Department of Energy and Climate Change (DECC) in 2008. The case study will focus on this period. There were separate statements by the devolved administrations setting out the actions they would take on fuel poverty in areas of devolved responsibility, but these will not be addressed directly in this study.

Following initial reductions in the number of fuel poor households, by the middle of the decade fuel poverty was on the rise – driven largely by rising international energy prices. Our analysis shows that despite the high and sustained political salience of fuel poverty and rising budgets for key policies, measures put in place to address it were insufficient and unresponsive to changes in the energy market. Implementation was hampered by the difficulty of co-ordinating efforts with relevant policies on health and housing in other departments – and even by having to compete with other policy priorities in the lead departments. Some of these tensions also got in the way of finding practical but rigorous ways of ensuring assistance reached households that were suffering most severely from fuel poverty.

## Introduction

### Context and origins

The concept of 'fuel poverty' had not been in currency within government prior to the 1997 election, though earlier official publications alluded to the related idea of 'affordable warmth' as an aim of government policy on home energy efficiency. Despite not having any explicit commitments on the issue in its election manifesto, the incoming Labour government was quick to acknowledge the problem and take action: VAT on fuel was cut early on in the July 1997 Budget; payments to help pensioners with winter fuel bills were introduced in the pre-budget report the same year; and an interdepartmental group of officials was formed to consider how fuel poverty fitted within other policy priorities around social exclusion.<sup>1</sup> This work led to the inclusion of fuel poverty in policy documents ranging from housing to social security and the development of existing energy efficiency policies to fit with emerging aims. Parliamentary interest in fuel poverty grew and the Government committed to bring forward a strategy to end fuel poverty 'as far as reasonably practicable' within a maximum of 15 years.

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<sup>1</sup> This group included officials from Department for Environment, Transport and the Regions, Department for Trade and Industry, Department of Social Security, the Treasury, and the Scottish, Welsh and Northern Ireland Offices.

## The policy model

The 2001 Fuel Poverty Strategy defined being fuel poor as needing to spend in excess of 10% of household income on fuel use to achieve satisfactory heating. It set out action on the three drivers of fuel poverty:

- poor energy efficiency in homes
- low incomes
- energy prices.

For the first it aimed to build up existing programmes. A government grant programme called Warm Front was the flagship fuel poverty policy throughout the period, while Defra also established the Energy Efficiency Commitment (EEC) – a scheme to oblige energy suppliers to offer efficiency measures to their customers. Contributions to the target from the Decent Homes Standard, an existing programme to improve social housing, were also factored in.

There were no new measures under the other two headings. On incomes, the strategy pointed to measures already being taken by the government to tackle poverty among key groups, such as the elderly and people with disabilities. On energy prices, they assumed that the fall in prices that had followed liberalisation of the energy market would continue, accompanied by new social guidance issued to the Office of Gas and Electricity Markets (Ofgem) in 2000 to take into account low income households. The strategy contained no clear trajectories or costing of what action would be required to meet the targets.

Defra officials took the lead on development and management of the main policy measures, particularly Warm Front and EEC, while DTI focused on analysis and modelling energy prices and fuel poverty figures. Wider co-ordination – with the Department of Work and Pensions (DWP) around income measures, the Office of the Deputy Prime Minister (ODPM) on local government housing, and other departments and bodies – took place through an inter-ministerial group and a group of officials at deputy director level.

The government also created the Fuel Poverty Advisory Group, constituted as an advisory non-departmental public body sponsored by DTI and Defra. This group would report annually on the progress of the strategy, to which the departments were obliged to reply, by setting out their responses to issues raised.

## The challenges

Given the scale and the complexity of the problem that the Fuel Poverty Strategy set out to address, there were a number of challenges to implementation, such as:

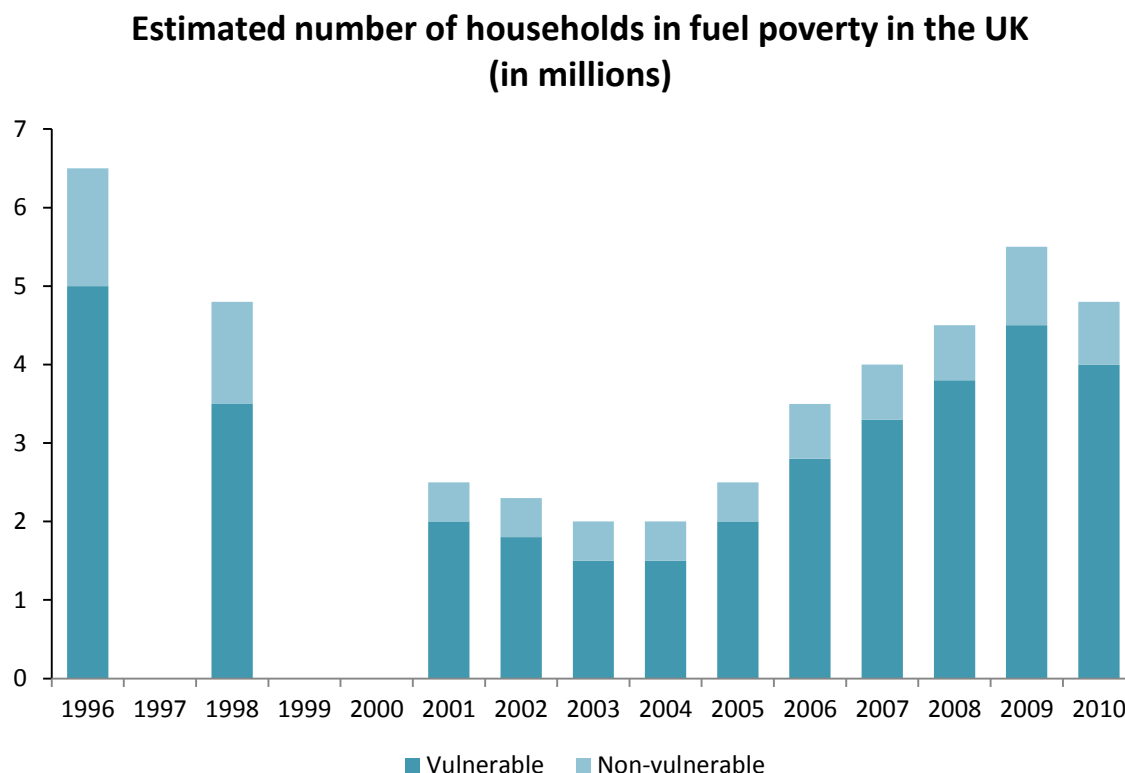
- assessing and mobilising the resources that would be required to make progress towards an ambitious goal, despite pressure from the Treasury at successive spending reviews
- establishing a reliable and cost-effective method for identifying fuel poor households and targeting policy interventions on them
- managing a major expansion in the contract for the provision of grants to cover energy efficiency measures to fuel poor households
- finding the right balance between compulsion and encouragement when persuading energy companies to maximise the assistance they provide to customers at risk of fuel poverty

- creating a regulatory and policy regime that would minimise growth in energy prices and manage exposure to changes in the international markets for domestic fuels
- securing and maintaining involvement from all government departments with influence over fuel poverty in a coherent way
- balancing the actions required to meet different departmental priorities on reducing carbon emissions and reducing fuel poverty.

## Impact

This case study focuses on the period from the publication of the strategy to the creation of the Department for Energy and Climate Change (DECC) in 2008. It is primarily concerned with the implementation of the Fuel Poverty Strategy in England. There were variations between the four nations of the UK during this period but a number of key aspects of the strategy covered the whole of the UK.

As the graph below shows, there was initial progress on reducing fuel poverty from 2001 during a period of stable wholesale energy prices internationally and increasing incomes domestically. But from 2005 onwards there were sustained rises in the number of fuel poor until the end of the decade, despite considerable extra funding for the main policy measures. These rises are largely – but not wholly – attributable to significant increases in international energy prices, which translated into higher UK fuel prices.



Taken from Bolton, P. & P. Richards, *Fuel Poverty – Commons Library Standard Note*, House of Commons Library, July 2012.

In the rest of this case study we examine why, despite making progress, government found it so difficult to deliver its objectives on fuel poverty. We start looking at implementation from

1999 – two years before the strategy was published – to consider how key elements of the government’s approach were taken up and adapted from existing policy.

## The story of implementing the Fuel Poverty Strategy

### Moving towards a strategy

#### Bouncing government into a big commitment

By the late 1990s fuel poverty was a topical issue. In 1999 an inter-ministerial group was set up by Helen Liddell at DTI and Lord Larry Whitty at the Department for Environment, Transport and the Regions (DETR) to bring together policies from across government into a strategy on tackling fuel poverty. However, the commitment to a strategy did not diminish outside interest in the issue. Fuel poverty continued to attract parliamentary attention from all parties, culminating in a private members’ bill from Conservative MP David Amess: the Warm Homes and Energy Conservation Bill, which had been drafted and promoted by a group of campaigning organisations. The bill gave the government one year to publish a strategy to show how they would meet the goal of ending fuel poverty within 15 years. The bill passed its first reading by 143 votes with none against, and the Government responded to this unanimous expression of support from Parliament – and further lobbying from campaigners – by backing the bill in its subsequent readings. As a result, the government was legally committed to produce a strategy, giving new urgency and a greater challenge to the inter-ministerial group’s work.

#### Incorporating existing decisions

By the time the Warm Homes and Energy Conservation Act (WHECA) passed in November 2000, DETR had already committed to ramp up its existing efforts on energy efficiency – the most direct lever for reducing fuel poverty.

From June 2000, the **Warm Front Scheme** succeeded the Home Energy Efficiency Scheme (HEES) as the main tax-payer-funded energy efficiency policy from government. HEES had been set up in 1991 to provide grants for the installation of energy efficiency measures in the homes of people on benefits, the disabled and the over-60s. Labour had already reinforced and refocused it as ‘New HEES’ in July 1997, and in June 2000 a number of major changes to the programme were made to bring it to bear on fuel poverty. The budget of £300 million (m) agreed for 2000-02 under New HEES was extended to £600m over four years and the new scheme was refocused on the private sector, having previously been aimed at social housing. Rather than continuing with a single managing agent, the scheme was moved to a competitive tender for scheme managers across four regions in England to deliver Warm Front, which was rebranded to encourage take-up by householders.

Government had also launched a consultation on the new **Energy Efficiency Commitment (EEC)** in March 2000. EEC was intended to build directly on the experience of a predecessor scheme, the Energy Efficiency Standards of Performance (EESoP). EESoP was an innovative supplier obligation run by the energy market regulator that imposed targets for energy savings which the largest gas and electricity retailers had to meet through assistance to their customers. Having previously been focused on reducing consumption and carbon emissions, with the overall targets set by the regulator, the replacement announced in 2000 was to have targets set by government directly. The proposed EEC was skewed towards fuel poverty through an exclusive focus on domestic properties and by the introduction of a

'priority group' of vulnerable households (those claiming a defined range of benefits) to which 50% of the savings had to be accrued.

DETR was also working up a new policy approach aimed at social sector housing, and published its **Decent Homes Standard** and guidance in July 2000. One of the four criteria for a decent home was 'thermal comfort', on which point a property would fail the 'fitness' test if the occupants were 'unable to heat their homes to a reasonable level – defined as those who are fuel poor'.<sup>2</sup> This was the basis of a major drive from central and local government to bring all social housing up to a 'decent' standard by 2010. It was captured in a public service agreement (PSA) target in 2000, and was allocated significant funds over the decade.

## Setting out the strategy

These substantial policy commitments provided pre-existing fixed points around which the draft Fuel Poverty Strategy in March 2001 was constructed. However, the new statutory target to end fuel poverty 'as far as reasonably practicable' by 2016 had not been fully factored into initial decisions about these policies, especially Warm Front. As a result, one interviewee told us that the strategy that emerged in November 2001 from Defra (which had assumed responsibility for fuel poverty policy after the general election that year) 'felt like just a compendium of the programmes that were in existence on that day'. Although the ministerial foreword to the Fuel Poverty Strategy suggests that it 'should not be seen as the final word' on fuel poverty policy, our interviewees agreed that substantive revisiting of the content did not take place.<sup>3</sup>

## Defining the problem

A number of features of the strategy that was produced would shape how the package of fuel poverty measures was implemented. Chief among these was its definition of fuel poverty set out in the document.

*A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income (including Housing Benefit or ISMI) on all household fuel use.*

Although described as the 'common definition' of fuel poverty, this was, and continues to be, contested. Professor John Hills has evaluated this in more detail as part of his review of the fuel poverty indicators commissioned by the Coalition Government.<sup>4</sup> However, for this case study, there were two main challenges caused by the definition. First, the fixed threshold for unreasonable energy costs left the headline figure of fuel poor households highly sensitive to changes in domestic energy costs. As a result it is difficult to use the headline indicator to track the positive impact of measures that improved energy efficiency for low income households. The measure focuses attention on whether households are crossing the threshold of spending more than 10% of their income on fuel, thereby obscuring improvements in the extent of fuel poverty being experienced by the most fuel poor households. John Clough, former Chief Executive of Eaga, suggested, 'If we'd used a gap

<sup>2</sup> Original Decent Homes Standard Guidance, published in July 2001

<sup>3</sup> DTI, *The UK Fuel Poverty Strategy*, 2001, p.1

<sup>4</sup> Hills, J., *Getting the measure of fuel poverty: Final report of the Fuel Poverty Review*, Centre for Analysis of Social Exclusion (CASE), 2012, p.30, retrieved 25 June 2014 from <http://sticerd.lse.ac.uk/dps/case/cr/CASEREport72.pdf>

approach or a balance sheet approach, we could have put a political face on what looked like failure but was actually success’.

Second, it is a long way from a ‘doorstep definition’ that could be used to guide the implementation of policies. The combination of property and householder information that would be required to assess someone for fuel poverty was recognised as prohibitive, requiring the use of proxies to target interventions. These proxies were themselves limited, tending to focus in isolation on either the income of the householder or on the nature of the property.

### Setting a trajectory for progress

The Warm Homes and Energy Conservation Act required that within the 2016 goal the strategy should ‘specify interim objectives to be achieved and target dates for achieving them’.<sup>5</sup> The 2001 document set an interim goal of ending fuel poverty for vulnerable households by 2010, but as Dr Boardman observes in *Fixing Fuel Poverty*, it ‘did not provide for a clear series of outcomes – for instance, by which year fuel poverty had to be at a specified level – other than the two main targets’.<sup>6</sup>

The only interim targets were measures of outputs, such as ‘by 2004, 800,000 vulnerable households will be assisted through the Home Energy Efficiency Scheme/Warm Front Team’ in England, in which ‘assisted’ does not necessarily mean taken out of fuel poverty.<sup>7</sup> In part because of the mismatch between the indicator and proxies used to deliver policies, the lack of reliable links between outputs and outcomes made it doubly hard to track progress on the strategy.

### Costing action to meet the overall target

Though the sums of public money attached to existing policies were large when totalled across the strategy, it was unclear from the start whether they would be enough. The budgets that rolled into the strategy from the policies already agreed, were not reviewed and brought into line with the statutory commitment once it was in place from November 2000. As a result, one attendee at our roundtable told us that there was a ‘failure to cost [achieving the target] adequately up front and to say we really need to invest this amount of money’. Funding was neither large enough, nor tied clearly enough, to outcomes. This was highlighted in the very first report from the government’s advisory group, who estimated that an ‘increase in current programmes of at least 50% is needed’.<sup>8</sup>

Despite these drawbacks, the strategy did set out a clear and purposeful platform for some key policies and was underpinned by robust (if complicated) modelling of the policy problem. An analyst, formerly working in DTI, valued having ‘a definite target – a definite statistic ... you were able, for any kind of policy vehicle, to look at what impact it would have on that statistic’. And for those who had been working for years to get fuel poverty onto the agenda, the Warm Homes and Energy Conservation Act and the Fuel Poverty Strategy provided an important, and seemingly binding, impetus. Clough, for example, had been working in this area for nearly a decade but still felt it ‘energised everyone...there was an ambitious policy objective with outcomes that mattered.’

<sup>5</sup> Warm Homes and Energy Conservation Act 2000, s.2(2)(a)

<sup>6</sup> Boardman, B., *Fixing Fuel Poverty: Challenges and Solutions*, 2010, p.7

<sup>7</sup> DTI, *The UK Fuel Poverty Strategy*, 2001, p.30

<sup>8</sup> Fuel Poverty Advisory Group (FPAG), *First Annual Report 2002/3*, DTI, 2003



## Working out the roles of stakeholders

### Establishing an Advisory Group

These features of the strategy provided a context for the Fuel Poverty Advisory Group (FPAG), established in 2002, to ‘report on the progress of delivery of the Government’s Fuel Poverty Strategy and to propose and implement improvements to regional or local mechanisms for its delivery’.<sup>9</sup> The concerns with the Fuel Poverty Strategy described above became persistent themes in its annual reports, which sought to draw attention to where action was falling short of need.

Due to its direct sponsorship by DTI and Defra, FPAG found it difficult to be truly independent, either from its parent departments or from its members – each of whom had their own outside commitments. A 2004 review of FPAG by DTI identified that a ‘lack of impartiality detracts from the group’s authority’<sup>10</sup> and that its lack of dedicated resources for analysis and support meant that it depended on what one former member described as ‘passing around the hat’ for research and analysis. FPAG’s closeness to the lead departments may also have weakened their purchase with other departments, which treated its enquiries with respect rather than urgency. Lord Whitty told us that FPAG ‘always had good access but were still frustrated about impact’.

Despite these weaknesses, former FPAG member John Clough praised the decision to establish the advisory group. ‘Good on them for putting that check and balance in place, because they didn’t have to.’ Our interviewees felt it was an important part of the delivery architecture, albeit one that could have been strengthened. Furthermore, the group’s first chair, the late Peter Lehmann, was regarded as key to keeping up the momentum and profile of fuel poverty across government in the years following the launch of the strategy. He was ‘tigerish’ in his pursuit of responses from both ministers and officials and demanding of key deliverers like Eaga. FPAG’s vice chair, Professor John Chesshire, although a different character, was also described as an important contributor to the group and particularly acute at providing analysis of the problem. A recurrent observation was that ‘wilful individuals’ like Lehmann and Chesshire were required to maintain any traction that FPAG had.

### Scoping out the role of local government

Aside from the prominent overlap with the Decent Homes Standard, the Fuel Poverty Strategy left an odd placeholder for the role of local authorities in reaching its target. The document simply observes that ‘it is clear that there would be benefits to building on the synergies between authorities’ Affordable Warmth and HECA [Home Energy Conservation Act] strategies, and potential for further integrating fuel poverty and HECA policy’.<sup>11</sup>

This had an inevitable impact on implementation. In the run-up to the Fuel Poverty Strategy, new guidance had been issued to local authorities requiring them to include policies and progress on addressing fuel poverty in their existing mandatory reporting on energy efficiency. However, the nature of this new expectation had been left open – it did not require any specific information from local authorities, such as an assessment of the scale of fuel

<sup>9</sup> Ibid, p.16

<sup>10</sup> Wooler, S., *Review of the Fuel Poverty Advisory Group*, InHouse Policy Consultancy, 2004, p.7

<sup>11</sup> DTI, *The UK Fuel Poverty Strategy*, 2001, p.40 – the Home Energy Conservation Act (HECA) placed a duty on ‘energy conservation authorities’, usually the local authority, to prepare a report for the department detailing the measures that the authority would take to improve the energy efficiency of property in its area and an assessment of both the cost and the likely impact of those measures.

poverty locally – and the 2001 strategy did not build on it. As a result, a 2003 review of these fuel poverty reports and strategies concluded that there was wide variation in their quality, and that Defra needed to give clearer and more constructive feedback on the reports submitted to encourage further action.<sup>12</sup>

In part, the open-endedness in the strategy reflects cursory engagement with local government before it was published. Aside from an open consultation that took place between the draft version in March and the final document in November, the department relied on narrower channels such as the Local Government Association. One local authority officer told us: ‘I don’t think that the Department tried that hard to come down to a local level.’ Instead of a hard-edged expectation, like setting local targets for taking households out of fuel poverty, local government was encouraged to integrate fuel poverty into their work. There were a number of prominent examples where this happened. The government award of ‘beacon council’ status for fuel poverty to five local authorities in 2002 was intended to create centres of excellence for others to learn from. However, without a clear requirement to invest more in fuel poverty, many local authorities could not justify focusing staff time and resources onto it when they were already committed to broader energy efficiency work.

#### Getting buy-in from other departments

The Fuel Poverty Strategy had set out a broad prospectus of government policies that were expected to have an impact on fuel poverty. Although the key lever was energy efficiency – where considerable additional money had been invested or planned by Defra’s predecessor from 2000 – other important levers lay elsewhere with only weak governance to tie them to the Fuel Poverty Strategy.

The first of these was wider housing policy, which remained with the Department for Transport, Local Government and the Regions (later the **Office of the Deputy Prime Minister**) following the creation of Defra in mid-2001. FPAG stressed the need for strong inter-departmental work in its first report and continued the theme with growing frustration in subsequent reports.

Given the importance of housing and given the ODPM objectives of integrating policies, it is recommended that there should be regular contact between DTI/Defra and ODPM and that ODPM should be encouraged to integrate fuel poverty policies into its own programmes.<sup>13</sup>

This remained a sticking point for the strategy, and the following year FPAG described it as ‘most puzzling’ that ODPM had not maximised its co-operation with Defra/DTI around energy efficiency, given its importance within the Decent Homes Standard.<sup>14</sup>

The second set of levers lay with the **Department for Work and Pensions**. The ‘social exclusion measures’, set out in the strategy, reflected DWP’s wider agenda on incomes and employment. Further policy development continued to take place on a largely parallel track to the measures from lead departments, even when they had a more direct link to the fuel poor. This is illustrated by the fact that Winter Fuel Payments (WFPs), which Gordon Brown had introduced in 1997 as non-means-tested income transfer for pensioners, rose in value to

<sup>12</sup> Impetus Consulting & Association for the Conservation of Energy, *Review of English Local Authority Fuel Poverty Reports and Strategies*, Eaga Charitable Trust, 2003, retrieved on 25 June 2014 from <http://www.eagacharitabletrust.org/index.php/projects/item/review-of-english-local-authority-fuel-poverty-reports-and-strategies>

<sup>13</sup> Fuel Poverty Advisory Group (FPAG), *First Annual Report 2002/3*, DTI, 2003 p.13

<sup>14</sup> FPAG, *Second Annual Report 2003/4*, 2004, p.3

£2.7 billion (bn) annually by 2007-08. WFPs were a popular and visible policy targeted at a key group of voters. As such, politics drove increased spending on a poorly-targeted policy as only a minority of pensioners who received it were actually fuel poor<sup>15</sup> and at most only 41% of WFP estimated to be spent on energy costs.<sup>16</sup> There was little consideration of the opportunity cost for the resources invested, and one member of FPAG told us that ‘even when [DWP] were interested in fuel poverty they were coming up with the wrong policies’.

Links between fuel poverty and health had been clearly established within the Fuel Poverty Strategy, and continued to feature in **Department of Health** publications from 2001.<sup>17</sup> But there was no systematic drive from either the Department of Health or the NHS to translate that into effective co-operation on the ground, for example by using GPs and health visitors as a means of referral to Warm Front. In the end, the connections that were made depended on local initiative and the department was unwilling to invest in scaling up the trials, even though they were seemingly effective. While there was no single diagnosis for this lack of co-operation, one interviewee with a health background identified the distraction caused by major reorganisations in the NHS as a barrier to focusing on cross-departmental objectives. Another interviewee pointed to ‘cultural and language barriers’ that kept property-focused energy efficiency measures and person-centred health referrals from matching up consistently.

#### Creating certainty for suppliers

While the role of other state agencies was unclear, a bold target and a prominent strategy did give greater certainty to delivery organisations and their suppliers about the Warm Front and EEC schemes. The industries that provided energy efficiency measures would be required to increase and sustain their capacity to meet demand. John Clough described how ‘confidence was critical’ to allow them to make good investment decisions. The WHECA and the strategy that followed in November 2001 helped provide that confidence.

Clough and his team played an important mediating role between Defra and the energy efficiency industry, as did managers in Powergen. They convinced key suppliers, as Clough put it ‘to just get geared up. Get people trained. Get cash invested. Make more insulation. Make more boilers. Train people in energy advice assessment’. And they reassured them that the government was committed to continued investment. Having a well-informed and credible conduit to the industry was important – and rare – because, as former Eaga manager, Ross Armstrong told us:

The assumption in government is that the industry will always just deliver because the industry is there, the industry needs to be fed and have clarity. Then the industry will always just do what it needs to do.

<sup>15</sup> In 2006, 19% of WFP recipients were estimated to be fuel poor. See Boardman, B., *Fixing Fuel Poverty: Challenges and Solutions*, 2010, p.60

<sup>16</sup> Institute for Fiscal Studies, *Cash By Any Other Name? Evidence on labelling from the UK Winter Fuel Payment*, 2011

<sup>17</sup> See for instance: Department of Health, *Tackling Health Inequalities: A programme for action*, July 2003

## Managing implementation from Whitehall

### Driving progress from Defra

Given that effective action on fuel poverty required a number of departments to act in concert, our interviewees questioned the decision to have Defra and DTI leading on the Fuel Poverty Strategy when many of the levers were in other departments. For one former permanent secretary, DWP would have been the more natural home for a strategy with a focus on social justice. But others felt that responsibility for fuel poverty should have stayed with housing policy at ODPM because the main levers addressed properties not people.

It was clear, however, that Defra was keen to maintain the fuel poverty brief. This was both because it brought greater clout to their energy efficiency policies when negotiating for budget increases with the Treasury, and because it helped to connect a department rooted in rural issues to the wider social exclusion agenda of the Labour government. But as a relatively weak and new department in government, for whom this was not in the policy mainstream, Lord Whitty said Defra was ‘not that high up the pecking order in Whitehall, for kicking other people into making their contributions’.

Lacking priority in its parent department and poorly placed for co-ordination with other parts of Whitehall, meant a dedicated and assertive lead minister was essential for the Fuel Poverty Strategy in its early years. Lord Whitty had been active on the issue at DETR and came across to Defra when it was formed after the election. Although initially Farming Minister, he stayed in touch with fuel poverty and resumed the energy efficiency portfolio from 2002. He was described by an official who worked with him as a ‘diligent, hardworking and effective minister’ who – as a former Labour Party General Secretary – was well known and respected across government. One of the scheme managers explained that he found Lord Whitty’s approach refreshing because he was both ‘a hard task-master’ when they met for reviews of the Warm Front contract, but ‘clearly was driven on a values basis’. The result of that was a tough but trusting relationship in which ‘we always knew where we stood’.

Lord Whitty stayed with the fuel poverty brief in Defra until 2005, providing a period of stability in the early implementation of the strategy that covered the first contract period for Warm Front and the duration of the first EEC programme. This may have compensated for the fact that in the other lead department, DTI, as one senior official explained, ‘reactiveness to other things meant priorities shifted around ... fuel poverty wasn’t invisible on that, but the detail was lost.’ Lord Whitty ensured that there was good communication between ministers in the lead departments and that they presented a united front when chairing the inter-ministerial group.

### Working together

Even with ministerial buy-in across the lead departments, a senior civil servant told us that there was no getting round the fact that the two departments were ‘coming from different places’ on key issues, such as regulation of the energy market. The practical impact of these differences during implementation was minimised through the clear division of responsibilities though. A former Defra civil servant told us that their team led on delivering energy efficiency schemes with ‘energy markets, anything on the evidential side, very clearly with DTI’. This was described by someone who had worked on fuel poverty in DTI as a ‘clear triage system’ that helped to keep both sides focused. An Ofgem official however, observing

the relationship from outside government, felt that this may have caused a 'slightly dysfunctional' separation of policy analysis from policy development.

The extent of departmental co-operation was felt by several interviewees to have peaked around the middle of the decade, in particular, 'pulling together at the Grade 5 level with very engaged civil servants from probably five or six different government departments' as Ross Armstrong recalls. This was partly a function of commitment from individual civil servants. One team leader described the qualities that allowed consistent, but marginal, improvements to be made to policy during this period, as 'willingness to work across what might be perceived as some of the natural barriers between different departments, different policies, different priorities and just being willing to push at them – and being ready for the fact that sometimes, those things won't work'.

Progress on more substantive issues, however, depended on officials getting signals from their ministers about priorities and then being willing to find and exploit opportunities to join up between departments. Although ministers across different departments agreed that fuel poverty should be tackled, they were more guarded when this required their own departments to adjust or refocus their policies in the face of pressing agendas. This was captured by a senior civil servant, who said 'It was an issue that had a lot of political traction...but it didn't always have the same degree of policy traction.'

Co-operation was given a boost by a joint Defra/DTI PSA target on fuel poverty. The target 'helped focus minds', said one former permanent secretary, and required the departments to wrap clearer governance around it so that it could report in to the Treasury on progress. However, the PSA further exacerbated the gap between the lead departments and others with a stake, and was only short lived. When PSAs were consolidated in 2007, fuel poverty no longer featured, which may have reflected mounting pessimism about the feasibility of the strategy goal.

## PUBLIC SERVICE AGREEMENT (PSA) TARGETS

### 2000:

- **DETR** to 'reduce fuel poverty among vulnerable households by improving the energy efficiency of 600,000 homes between 2001-2004'.

### 2002:

- **Defra** to 'reduce fuel poverty among vulnerable households by improving the energy efficiency of 600,000 homes between 2001-2004'.
- **DTI** to 'ensure the UK ranks in the top three most competitive energy markets in the EU and G7 in each year, whilst on course to maintain energy security, **to achieve fuel poverty objectives**; and (joint target with Defra) to improve the environment and the sustainable use of natural resources'.

### 2005:

- **Defra and DTI (jointly)** to 'eliminate fuel poverty in vulnerable households in England by 2010 in line with the Government's Fuel Poverty Strategy objective'.

**2007:** no dedicated PSA target for fuel poverty

## Managing implementation in a changing context

Implementation of the Fuel Poverty Strategy seemed to be vindicated by the headline indicator of fuel poverty, which continued to fall in 2002 and 2003. The first and second annual progress reports from the lead Departments described these results as 'encouraging', though they recognised there was distance yet to travel. By the third annual progress report in 2004 however, flatlining fuel poverty data raised the spectre of rising energy prices.

2004 also saw Defra release a follow up document to the strategy, *Fuel Poverty in England: The Government's Plan for Action*, which provided an update on some of the key elements of the 2001 document. However, where it could have responded to FPAG by setting out in detail the scale, nature and cost of the measures that would be required to address the problem in England, it fell short. Instead, the document emphasises continuity, promising that 'to meet our targets we will make the best possible use of the existing regulations, policies and programmes designed to increase energy efficiency, improve housing, regenerate communities, tackle poverty and improve health'. In particular, it concluded that 'current and planned policies and programmes' would be sufficient to address fuel poverty in social housing, leaving this largely to ODPM.<sup>18</sup>

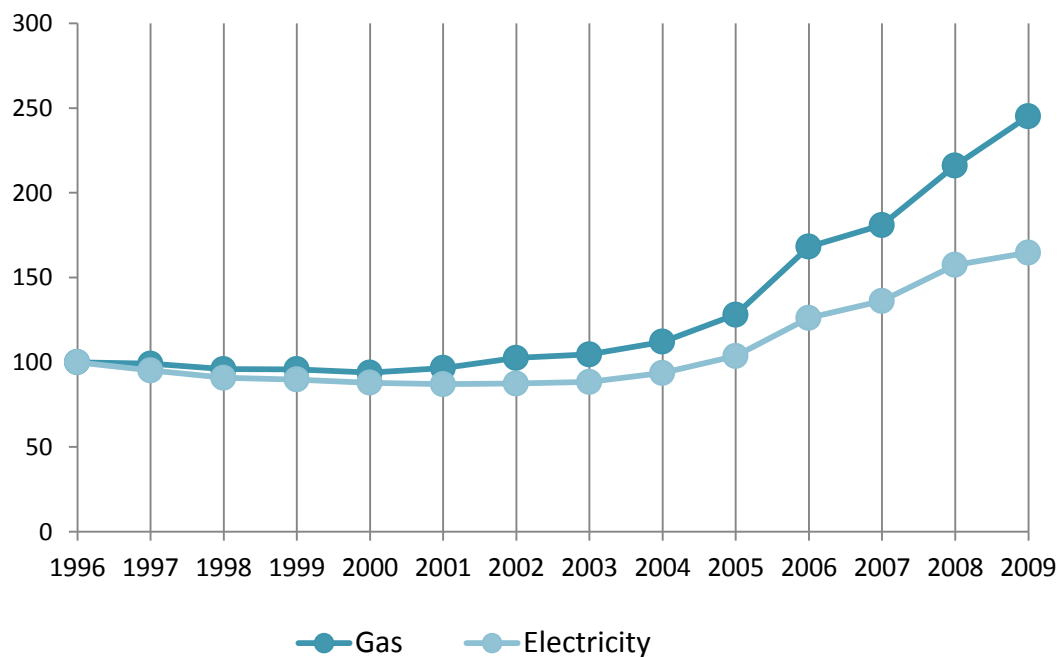
The action plan also updated the ranges that DTI were projecting for changes in energy prices to reflect a changing market, but they still presented an average scenario in which fuel

<sup>18</sup> Department for Environment, Food and Rural Affairs (Defra), *Fuel Poverty in England: The Government's Plan for Action*, 2004, p.3

poverty would fall by 20% up to 2010. In fact, it ended up more than doubling and this began to show through clearly in the official figures from 2005. This scenario was summed up at our roundtable:

It was a fantastically optimistic strategy that was never updated, so there's stuff in it which says "If gas prices really do go up by something like 15%, we'll have to have another look at this." And nobody actually did!

### Real gas and electricity price indices (1996 = 100)



Taken from DECC, *Consumer prices index UK: fuel components in the UK/relative to GDP deflator*, Gov.UK, May 2014

The Fuel Poverty Advisory Group tried to keep up the pressure on government with each of its annual reports, and became increasingly concerned about the urgency for renewed action.

### Opening lines from FPAG reports

**2003:** ‘Considerable progress has been made with fuel poverty in England.’

**2004:** ‘There has been a great deal of progress on policy in the last year.’

**2005:** ‘The high energy prices have overshadowed the solid progress, which is being made in a number of ways, with the fuel poverty programmes.’

**2006:** ‘The next few months will be critical for fuel poverty.’

**2007:** ‘It has been a bad period for fuel poverty...’

The apparent complacency of the 2004 action plan was replaced by a degree of paralysis from 2005. This was in the face of a headline measure that obscured the concrete progress which was still being made on improving the condition of many homes through energy efficiency. Ministers lacked the appetite to reappraise the fundamentals of the Fuel Poverty Strategy – John Clough saw this from the perspective of a deliverer, concluding: ‘Politicians lost heart...and they chose to run away from the problem rather than engage it.’

### Focusing on key programmes

Both rapid progress after 2001 and a rapid reversal from 2005 had similar effects on the implementation of the Fuel Poverty Strategy: a tight focus on delivering the policies already in place. In particular, the 2004 action plan makes clear that for private sector homes ‘a very large number of households will need to be taken out of fuel poverty by Warm Front’.<sup>19</sup>

As a policy that had traction with the public and visibility among delivery partners in local government and the voluntary sector, one official explained that ‘politically, Warm Front was the easiest thing to extend’ as fuel poverty began growing again. In December 2005, soon after the contracts for the four regions had been retendered, government announced a doubling in funding for 2006-08 to bring annual funding up from £187m to £350m over the period.

Although the Energy Efficiency Commitment was renewed in 2005 as ‘EEC2’ for another three-year period to 2008, Defra knew – as FPAG Chair Derek Lickorish told us – that ‘EEC wasn’t a fundamental fuel poverty tool at all’. In fact, EEC was extremely poorly-targeted on the fuel poor. As government increased the overall targets for the companies, this became more significant, as it incentivised them to achieve their savings from low-cost, high-volume measures like providing low-energy lightbulbs. Such measures may have had positive net effects, including for poorer households, but they did little to address the most substantial problems.

The energy companies had exceeded targets set for them under EEC1, including meeting the required 50% of savings from the priority group. But because the cost of delivering the energy savings was passed on to customers through higher bills, the larger the scheme was made, the more regressive it became in its effects. As a result, over time it created winners (those households that benefited from the scheme, only 50% of which were ‘vulnerable’) and losers (who paid higher bills but did not gain). And the so-called ‘hardest to reach’ were both more likely to be fuel poor and more likely to lose out.

<sup>19</sup> *Ibid*, p.4



### Changing priorities in government

Across both EEC and Warm Front, the weak targeting of assistance on households that were fuel poor reflects the competing priorities of energy policy. Energy efficiency measures had long been regarded as having the double benefit of providing more affordable warmth and reducing carbon emissions, but over the period from 2001 to 2008, the weighting of policy measures towards carbon reduction became more pronounced. Similarly, a senior official described how energy efficiency measures were used ‘to achieve multiple policy objectives at the same time, with as little trade-off or compromise to either’, but the result of this was that the focus on achieving fuel poverty objectives was sometimes diluted.

Government acknowledged that there were tensions between the four objectives of carbon reduction, reliable supply, a competitive market and fuel poverty that had constituted a balanced approach in the 2003 Energy White Paper. But while the salience of the first three rose, the latter became less central to policy in DTI. Following the subsequent 2006 Energy Review, FPAG described it as ‘extremely disappointing with very little on fuel poverty’.<sup>20</sup> Similarly, when Defra published the *UK Energy Efficiency Action Plan* in 2007, fuel poverty is clearly an objective, but increasingly a secondary one, and the document mostly rehashes the same policies.<sup>21</sup>

Furthermore, EEC was not the only scheme adding to fuel bills. The Renewables Obligation, and later the solar Feed-in Tariff, both had the effect of putting up customer bills to subsidise investment in alternative energy sources. Rather than fund such measures through general taxation, the use of the supplier obligations to pay for investment regressively raised bills through policy costs and disproportionately hit the fuel poor.

### Getting help to the fuel poor

Given how much the Fuel Poverty Strategy relied on Warm Front and EEC, and the considerable extra funding that flowed through them during the period, it is noticeable that they remained severely limited as tools for reliably taking households out of fuel poverty. This centred around three challenges that our participants identified, some – but not all – of which were improved as the policies were implemented.

### Defining eligibility for fuel poverty schemes

Defining the eligibility criteria for Warm Front was a balancing act between the need for easy identification of households to be assisted, and the intention of focusing benefits on those in fuel poverty. The decision to define eligibility according to receipt of a series of ‘gateway benefits’ erred towards ease rather than focus. As the National Audit Office (NAO) flagged up in a 2003 report, the eligibility criteria for Warm Front only weakly mapped onto actual fuel poor households. They concluded

‘There are problems with the match between eligibility for the Scheme and fuel poverty; around a third of the fuel poor may be ineligible and up to two thirds of eligible households may not be fuel poor.’<sup>22</sup>

One reason for the mismatch between eligibility under the scheme and the fuel poor was that many of the poorest households (those most likely to be in fuel poverty) did not claim the benefits to which they were entitled. So action to increase benefit take-up was

<sup>20</sup> FPAG, *Fifth Annual Report*, 2006, p.2

<sup>21</sup> Defra, *UK Energy Efficiency Action Plan*, Defra, 2007

<sup>22</sup> National Audit Office (NAO), *Warm Front: Helping to Combat Fuel Poverty*, 2003, p.1

incorporated into Warm Front and EEC – both to address the ‘eligibility’ issue so that people qualified for help, but also to boost their incomes. Eaga estimated that in 2007-08, 5,500 customers had become eligible for Warm Front as a result of a benefit check, with a total value of £35m in support, but validated figures are hard to find.<sup>23</sup>

Another way to improve targeting would have been to restrict eligibility to those on means-tested benefits, removing others such as the state pension or the Disability Living Allowance from the gateway list. However, that was highly politically sensitive and proved too controversial. For instance, one Defra minister described discussing amendments to the eligibility rules with a counterpart in DWP, only to be told, ‘That’s the end of that conversation, because I will have people in wheelchairs outside my office protesting against this.’

The most rigorous approach to addressing poor targeting would have been to introduce an energy efficiency criterion alongside income. Opinion on this was divided, however, and having supported using a property criterion in its first report, FPAG backed away from it subsequently, claiming that ‘the extent to which targeting is an issue has been overstated’.<sup>24</sup> Even the NAO acknowledged that despite its criticisms of Warm Front, such assessments could be ‘time consuming and complicated’. At our roundtable there were differing views on whether targeting should have been tightened, with a strong feeling from implementers such as Eaga that tighter targeting increased complexity for them, and that in turn this could affect take-up of Warm Front grants. William Gillis, former Chief Executive of National Energy Action, observed,

*The narrower you define the eligibility criteria, the harder it is to try and engage with people, because once you get on the doorstep and start explaining complex eligibility rules, you’ve lost them, haven’t you, within seconds.*

#### Identifying eligible households and promoting take-up

Under both Warm Front and EEC, the departments placed responsibility for finding and assisting eligible households onto the scheme managers. One former Eaga manager described this as a ‘commercial differentiator’ for Eaga, which helped them not only win contracts from Defra but also resulted in them getting work from the energy companies to help them meet targets.

The obvious supplier of data about households in receipt of benefits was the Department for Work and Pensions. However, concerns about data protection (spurred on around this time by high-profile data losses by government) and advice from government lawyers on what was permissible, got in the way of DWP providing scheme managers with the data that would have made identifying eligible houses easier. The Advisory Group pushed consistently over the period for better joining-up between these departments. ‘Customers in need will be targeted more efficiently and at lower cost if – with the necessary and appropriate safeguards – Department of Work and Pensions (DWP) and HM Customs and Revenue information about customers on benefits, and [local authority] information on council tax and housing benefit could be used more extensively.’<sup>25</sup>

<sup>23</sup> NAO, *The Warm Front Scheme*, 2009

<sup>24</sup> FPAG, *Second Annual Report 2003/4*, 2004,

<sup>25</sup> FPAG, *Fifth Annual Report*, 2006, p.4

Good relationships between DWP local offices and Warm Front managers did support awareness-raising and signposting, but it was not until 2007 that a pilot collaboration was established between government, the energy suppliers and Eaga to target communications at 250,000 pension credit customers. Following this, DWP amended the Pensions Bill in 2007 to enable sharing of data for the poorest pensioners with energy companies and scheme managers – six years after the Fuel Poverty Strategy had been published.

Eaga also developed a broad range of partnerships with other organisations that could help them identify which households were likely to be recipients of the relevant benefits. This included innovative commercial partnerships, for instance with information services providers like Experian. Such companies did not have clear-cut information on benefit recipients but they could help managers make data-informed judgements. Eaga also pursued partnerships with voluntary sector organisations that worked with low income households. They were expected to be a useful way to make referrals under the schemes, but John Clough told us that these charities ‘overplayed their hand’ early on by making out that they could deliver up to half of the anticipated work for Eaga. In the event, it was estimated they provided around 5%, and one scheme manager said this shortfall ‘left a huge hole in our ability to deliver’.

As with DWP, making use of the Department for Health to refer people for the schemes was hard work, despite a shared interest in reducing illness and death from excess cold. The action that did occur with health organisations largely bypassed central government. For example, Clough said that Eaga began to develop very local relationships with health professionals – including carers and health visitors – with a very light-touch approach, which he described as ‘a cup of coffee and a crash course in 40 minutes’. While it was labour-intensive and ad hoc, this approach required little formal input from the department other than permission, so it bypassed more bureaucratic processes.

#### Providing joined-up advice and signposting

The Energy Saving Trust (EST), which had been set up by government in 1992 to improve household awareness of energy consumption, was another key player in ensuring that advice on energy efficiency was available to householders. However, their original remit on energy efficiency focused on carbon reduction, and an interviewee who had worked there confirmed that ‘the extent to which the EST explicitly focused on fuel poverty was limited’. EST ran a large network of around 50 local advice centres, which were well-informed about local schemes to support energy efficiency and could discuss with customers whether they met the eligibility criteria for different schemes. ‘[EST] knew all about the local authority schemes, and we had a big database ... of all the schemes around the country around energy efficiency.’

However, there were boundaries between EST and Warm Front that prevented the EST advice centres and helpline from doing more than signposting potential clients to the latter. As one employee of the EST explained, ‘We weren’t Warm Front and that was a very separate programme. We’d have to ask [the client] to call a different number’. Nevertheless, in the complex landscape of schemes, any help in navigating assistance was useful, even if some potential clients may have been lost by the lack of a streamlined approach.

A further measure to simplify the potentially bewildering array of schemes that were offered to customers came about as a result of Ofgem’s work with suppliers on vulnerable households. Following the Social Action Strategy agreed with the regulator, the major energy

providers launched a joint venture, the Home Heat Helpline, in October 2005. This portal provided links into advice from suppliers themselves about how to reduce energy costs and select the right tariff, but also signposted householders to DWP information on benefits, EST advice centres for further information on energy efficiency and related schemes provided under the Energy Efficiency Commitment.

### Doing everything that was needed

The third consideration with the main fuel poverty schemes was whether the nature and extent of the measures being implemented were actually sufficient to take households out of fuel poverty. Concerns about this were highlighted in the 2003 NAO report on Warm Front, which observed that although both the grant maximum and the range of measures permitted had expanded considerably from the predecessor scheme, problems remained. Warm Front was criticised on the grounds that it ‘provides few or no effective options’ for hard-to-treat homes such as solid wall properties or homes not connected to mains gas. Those that it did offer for such properties were often too expensive to be covered by the grant, meaning that ‘if the customer is unable to contribute funds or funding from other sources cannot be secured, choices must be made which may result in a less than ideal solution being implemented’.<sup>26</sup>

Following NAO criticism and drawing on large stakeholder workshops convened by the Energy Efficiency Partnership for Homes (EEPH) – a semi-autonomous group under the oversight of the Energy Saving Trust – action to address these problems was introduced in November 2004. The Defra report *Fuel Poverty in England: The Government’s Plan for Action* set out a range of changes to Warm Front grants and measures. These included the addition of central heating to the list of measures funded and an increase in the grant maximum.

However, the problem remained and in its 2009 report on Warm Front, the NAO observed that the percentage of assessed households for whom the maximum grant was insufficient was increasing year on year. This could reflect that the easy-to-reach and easy-to-treat households had been dealt with early on and that more expensive cases were now being considered. It may also reflect inflation in the prices being charged by installers, either as a result of increased material costs or an attempt to add a premium above the grant allowance. However, the NAO criticised DECC and its predecessors for not being able to establish what proportion of cancelled applications were because of inability to pay, and which were due to the lack of available top-up funding.

### Broadening the policy approach

In the context of worsening fuel poverty, lead departments could have taken the opportunity to reappraise other approaches which might have increased their ability to deliver fuel poverty objectives. Some were underused; others neglected entirely.

### Evaluating area-based approaches

Defra had piloted an alternative model for implementing energy efficiency assistance – Warm Zones – from June 2001. This was an area-based programme that aimed ‘systematically to identify all fuel poor households within a defined area’.<sup>27</sup> This increased the

<sup>26</sup> National Audit Office (NAO), *Warm Front: Helping to Combat Fuel Poverty*, 2003, p.3

<sup>27</sup> DTI, *The UK Fuel Poverty Strategy*, 2001, p.74

reliability of capturing the target group, but the high cost illustrated the problems inherent in better targeting. Ultimately, the choice between Warm Zones and widely-drawn national schemes touched on the priorities of ministers faced with high demand for energy efficiency assistance. An Ofgem official told us about the government's attitude. 'We felt there needed to be a view on where you wanted the help targeted, but ministers didn't want to make that choice between broad but shallow assistance or acute assistance.'

Government discontinued funding for Warm Zones at the end of the pilot to focus instead on national schemes after early results fell well short of expectation. Against an aim of moving 50% of eligible households out of fuel poverty, they achieved only 7% on average during the period for which they were evaluated. Nonetheless, both costs of targeting and progress on outcomes are more transparent under Warm Zones than for the individual national schemes. In the latter the contract managers and energy companies themselves would 'price in' costs of targeting and they were only measured on outputs. Warm Zones continued as a non-profit company working with interested local authorities and energy companies.<sup>28</sup>

### Improving joining-up with Decent Homes

If the cost and co-ordination effort required for Warm Zones were felt to be prohibitive as an area-based solution, government also could have done more to maximise the impact of the Decent Homes Standard on fuel poverty. It was acknowledged that this had the major advantage of covering households likely to be on low incomes (hence in social housing) but was also based on the condition of their property. William Gillis, who now runs Warm Zones, emphasised this. 'The Decent Homes Programme has had a massive impact on fuel poverty in the social sector, but that's not targeted at individual households. It targets properties lacking certain features.'

However, the potential of this policy measure for reducing fuel poverty had been weakened at a very early stage. Following the initial roll-out of the standard as part of the Decent Homes Programme launched in 2000, local authorities and social landlords had objected to 'difficulties in, and burdens of, measuring and monitoring' fuel poverty to meet the thermal comfort criterion under the standard. When the final Fuel Poverty Strategy was published, this definition was still being consulted on and soon afterwards the Department for Transport, Local Government and the Regions (DTLR), decided to amend it simply to require 'effective insulation and efficient heating'. As a result, a 'decent home' was not enough to reliably take a household out of fuel poverty. Having watered it down at this point, subsequent opportunities to tighten it and bring it into line with fuel poverty objectives were rejected as creating uncertainty for landlords.

After 2002, the standard was applied to vulnerable households in the private sector. Local government was expected to assess how many private sector homes in their area failed the standard, and on which criteria. Had the standard been more closely linked to fuel poverty, this would have represented a useful synergy at a local level. Nonetheless, even on the weak definition of thermal comfort, more could have been achieved, but ODPM and its successor the Department for Communities and Local Government (DCLG) did not put sufficient pressure on local authorities systematically to assess the housing stock in their areas. Local authorities did not therefore enforce the Decent Homes standard in private sector homes.

<sup>28</sup> Energy Saving Trust (EST), *Warm Zones External Evaluation*, EST, Centre for Sustainable Energy & National Energy Action, 2005, p.4

This continued even after local authorities were granted additional powers to require social and private landlords to address poor conditions. The Housing Act 2004, for instance, introduced the Home Health and Safety Rating System (HHSRS) to check for a range of hazards that should trigger enforcement activity.<sup>29</sup> Excess cold featured high on the list of hazards, and guidance warned of ‘the threats to health when temperatures fall below the minimum satisfactory levels for relatively long periods’ due to poor energy efficiency. FPAG called upon DCLG in 2008 to ‘[i]mplement effectively the legislation on the Home Health and Safety Rating System (HHSRS)’ but limited action was taken.<sup>30</sup> Dr Brenda Boardman concludes that both the Decent Homes Standard and the HHSRS represent ‘a piece of brilliant policy that is completely ineffective because it isn’t enforced’ – meaning an estimated 2.4 million homes that would have failed the test for excess cold went largely untreated.

### Revisiting energy market regulation

The gap between the scale of the problem and the policies in place – which FPAG had identified as early as 2002 – grew substantially from the middle of the decade, as the sensitive headline indicator was driven up by increasing energy prices faster than funding could be found for energy efficiency. The strategy had set out a number of intentions for how it would act on the energy market to bring down fuel poverty. ‘Continuing action to maintain the downward pressure on fuel bills, ensuring fair treatment for the less well off, and supporting the development of energy industry initiatives to combat fuel poverty.’<sup>31</sup>

Of these, there was very little success on the first, largely because wholesale prices for energy increased dramatically and because the initial gains of liberalising the market could not be repeated. On the second and third, there appears to have been some ambiguity around whether it was the responsibility of DTI or of the regulator itself to take the lead in spurring on action from companies. FPAG first floated the idea of so-called social tariffs – which would mean charging certain groups lower prices for their fuel – in 2005. EDF introduced the first voluntary social tariff in 2006. But Ofgem saw mandatory social tariffs as a policy issue for government, whereas government preferred to be hands-off and let the regulator decide. One interviewee criticised the faith in Ofgem and DTI that ‘the market was operating well, despite the evidence to the contrary’.

There was also relative inaction on the role of the domestic market in putting up prices, despite pressure from FPAG in particular, who highlighted in 2006 that government and Ofgem were ‘not willing enough to examine different solutions in the light of the unexpected and unwelcome developments, resulting at least in part from the way the energy market is organised in Britain’.<sup>32</sup> However, the first energy market probe by the regulator only took place in 2008. This probe found that vulnerable customers and those not connected to the gas network routinely paid a premium as a result of being less active consumers, amounting to approximately £1bn a year in total.<sup>33</sup>

<sup>29</sup> Impetus Consulting, *Tackling Fuel Poverty Using the Housing Health and Safety Rating System*, Energy Efficiency Partnership for Homes, 2008, retrieved on 25 June 2014 from [http://eepb.org.uk/KB/LAs\\_and\\_Communities/2008-04-](http://eepb.org.uk/KB/LAs_and_Communities/2008-04-21_Tackling_fuel_poverty_using_the_Housing_Health_and_Safety_Rating_System.pdf)

[21\\_Tackling\\_fuel\\_poverty\\_using\\_the\\_Housing\\_Health\\_and\\_Safety\\_Rating\\_System.pdf](http://eepb.org.uk/KB/LAs_and_Communities/2008-04-21_Tackling_fuel_poverty_using_the_Housing_Health_and_Safety_Rating_System.pdf)

<sup>30</sup> FPAG, *Seventh Annual Report*, Department of Energy and Climate Change (DECC), 2009

<sup>31</sup> DTI, *The UK Fuel Poverty Strategy*, 2001, p.11

<sup>32</sup> FPAG, *Fourth Annual Report*, DTI, 2006, p.19

<sup>33</sup> Ofgem, *Energy Supply Probe – Initial Findings Report*, October 2008, retrieved 3 July 2014 from <https://www.ofgem.gov.uk/ofgem-publications/38437/energy-supply-probe-initial-findings-report.pdf>

Instead, within the social guidance set out by the DTI, which was updated in 2002 and 2004, Ofgem did maintain pressure on energy companies to provide greater voluntary assistance to fuel poor households overseen by their Social Action Review Group. They took forward a number of initiatives within their regulatory remit, around information for customers, best practice in providing energy efficiency assistance and concrete measures such as the Home Heat Helpline. An Ofgem official described how the regulator and the DTI ‘used our different types of influencing’ and got better over time at co-ordinating what was being asked of energy companies. However, those we spoke to thought that there was a less positive response to requests for more discretionary activity from the sector, even as energy bills soared.

Constant negotiation and moral suasion and pressure and coercion is okay to be done once, but having that as the routine way of delivering these programs was ... wearing industry down.

Derek Lickorish, who has an extensive background in the energy sector, explained that by the time social tariffs were made mandatory in the sector ‘quite a few of the companies were in a position where they were quite happy to see it put onto a mandatory basis’ because it was easier for them to explain and price-in the costs of compliance when accounting to their shareholders.

## Lessons

The 2001 Fuel Poverty Strategy set a bold ambition for government policy that undoubtedly led to a sustained increase in the attention and investment that fuel poverty received over the decade that followed. Both the Warm Front scheme and the two phases of the Energy Efficiency Commitment can be regarded as effectively implemented in a narrow sense, delivering large volumes of energy efficiency measures to vulnerable households.

But the gains in energy efficiency were widely distributed and poorly mapped onto the households suffering from fuel poverty – something that ministers seem to have considered a worthwhile trade-off. Furthermore, obvious synergies for these programmes with housing policies and across local government were not well developed, and the lead departments were unwilling to push for further regulatory action in the energy market until the problem had worsened dramatically.

Since the period addressed in this case study, Professor John Hills’ review of fuel poverty has deconstructed much of the approach to measuring and addressing the problem that was set out in 2001. But Hills also reaffirmed that ‘fuel poverty is a distinct and serious problem’.<sup>34</sup> The Coalition Government remains committed to introducing a new fuel poverty strategy before the end of the 2010-15 Parliament. Below are some lessons from implementing the 2001 Fuel Poverty Strategy that may help to inform future government strategies on this or other issues.

### Robustly assess what is required to meet your policy goal and under what conditions

The Fuel Poverty Strategy lacked a clear assessment of how funding and policy measures would need to stack up to meet its goal of ending fuel poverty for vulnerable households. Even if no additional resources could have been found, a clearer picture of the road ahead would have allowed for more robust discussions around prioritisation within a broad target

<sup>34</sup> Hills, J., *Fuel Poverty: The problem and its measurement*, CASE, 2011, p.21

group. This became more pressing as rising energy prices reversed previously positive trends, but the promised reorientation of their approach was never taken up by Defra and DTI.

#### Clearly define the priority groups for assistance using criteria that allow you to identify them in practice

Although the 'common definition' of fuel poverty used in the 2001 strategy allowed for sound analysis of the overall trends and scale of the problem of fuel poverty, it did not provide a sound basis from which to implement policies. A complex definition used for monitoring fuel poverty was combined with overly-simplistic and inaccurate proxies for identifying households to be helped under schemes such as Warm Front. The use of 'gateway benefits' was simple to administer, but this should have been weighed against the potential for considerable funding to be misallocated to those who were eligible but not fuel poor.

#### Maximise alignment – and minimise trade-offs – between objectives in the department

Because Warm Front and EEC were seen as delivering benefits that counted towards carbon reduction as well as fuel poverty, resources and effort were diverted away from the fuel poor households where the biggest long-term difference could have been made. The fact that Defra could claim double benefits to funding Warm Front was arguably important in making the financial case to the Treasury for protecting and increasing funding. But this case was not acknowledged or debated externally, for instance with FPAG.

#### Ownership of the policy in government should lie with a department that has access to stakeholders and key policy levers

For a complex issue, no government department has all the levers, but in the case of fuel poverty there was a compelling case for keeping policy development around energy efficiency with housing policy in the Office of the Deputy Prime Minister, or putting it with energy policy in DTI. The rationale for the latter was subsequently recognised in the creation of the Department for Energy and Climate Change in 2008, but until then our case study shows Defra was not in a strong position to secure buy-in from some of the most influential people and organisations involved in fuel poverty.

#### Focus on political agreement to enable co-ordination of major policies across departments

Related to the need to access policy levers in other departments, implementation of the Fuel Poverty Strategy shows that consistent progress was made on improving the joining-up between policy initiatives across departments. However, these were often official-driven and marginal. In order to unlock some of the bigger potential gains, such as GP referrals to Warm Front, data matching with DWP or strengthening the Decent Homes Standard, ministers were required to confront the objections of their peers across government and seek greater co-operation.

#### Provide clear incentives and accountability for other actors with influence over the system

When working across a system to address a problem like fuel poverty, the lead departments have a responsibility to set out the rules of the game for other actors. Local government's established role in encouraging energy efficiency under the Home Energy Conservation Act and monitoring housing stock in line with the Decent Homes Standard provided a chance for central government to set out an integrated approach, but this was weakly pursued. Similarly, Defra and DTI could have worked more closely with Ofgem to establish the non-



negotiable entitlements that energy companies should offer poorer consumers, instead of expending political capital nudging them to act under corporate social responsibility.