

November 2013

Government fuel poverty expenditure

Government schemes to assist those in fuel poverty provide three types of help: assistance to make homes more energy efficient and cheaper to heat, by providing additional income to help people pay energy bills, and by reducing bills through energy price support schemes.

Since this Government came to power new schemes to assist the fuel poor have replaced previous policies. Warm Front, the Carbon Emissions Reduction Target (CERT) and the Community Energy Saving Programme (CESP) have been phased out and replaced by the Energy Company Obligation (ECO) scheme. A voluntary agreement to hold prices down for vulnerable customers has been replaced by the Warm Homes Discount.

Reduction in Government expenditure on the fuel poor

In its response to the Fifth Report of the Energy and Climate Change Committee, 2013-14 (Energy Prices, Profits and Poverty, 10 October 2013) the Government claims

“Neither the Government’s commitment to fuel poverty nor the spending directed towards it has diminished. Spending will, in fact, be higher in 2014/15 than it was in 2009/10.”

Careful analysis of the figures by the Energy Bill Revolution campaign show this statement is not true.

Government expenditure (£ million).	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Energy Efficiency Schemes (England only)	591	626	400	277	473	473
Income Support Schemes (UK wide)	3244	3319	2317	2297	2373	2329
Price Support Schemes (GB only)	133	155	253	275	294	298
TOTAL EXPENDITURE (2012 prices)	3969	4101	2971	2849	3141	3100

This table shows

- Total Government spending on fuel poverty policies in 2014/15 will be over 20% below the level of 2009/10, and almost 25% below the 2010/11 peak.

- Government spending on energy efficiency schemes to help the fuel poor will also be lower. Expenditure in England in 2014/15 will be around 20% below that in 2009/10, though this is something of a recovery from the trough of 2012/13 when spending was 56% below the 2010/11 peak.

It is also worth noting that just 15% of fuel poverty spending in 2014/15 will be used to make homes energy efficient, the only long term solution to fuel poverty. That is just £1 in every £6.50 spent. Although short term support for the fuel poor to help pay energy bills is very important, without greater investment in energy efficiency, the remaining 85% must be spent year after year for as long as our housing stock remains poorly insulated and energy prices stay high.

How does expenditure measure up to what is needed to end fuel poverty?

It is valuable to compare current expenditure levels on fuel poverty to those required to end fuel poverty. The Energy Bill Revolution has called for carbon taxes (from the Emissions Trading Scheme and Carbon Price Floor) to be used for a major programme of energy efficiency retrofitting, which could remove 9 out of 10 fuel poor households from fuel poverty by 2027.

The programme would assist 600,000 homes a year, spending an average of £6,500 to super-insulate the home and fit other energy saving measures. This programme would require an additional £4 billion pounds of Government investment a year, taking total spending to around £4.5 billion.

Although this is a large sum, research by Cambridge Econometrics has found that this investment would create more jobs and growth than general infrastructure investment, other kinds of public spending and tax cuts. It is not only the best way to end fuel poverty, it is also the best way to bring down energy bills. An average semi-detached home can save £500 from its heating bill with such an investment.

By comparison, currently planned expenditure on energy efficiency schemes in 2014/15 is to be around £549m across England, Wales and Scotland – less than 1/8th of what is required. In England, this expenditure is entirely provided through the Energy Company Obligation (ECO). There are suggestions ECO may be further cut in the Autumn Statement on 4th December 2013 in order to reduce ‘green’ levies on energy bills.

ECO funding for energy efficiency is split with around 40% of funding expected to deliver schemes to households who struggle to afford their fuel bills (‘Affordable Warmth Obligation’ and ‘Carbon Saving Communities Obligation’). The remaining 60% is primarily intended to deliver carbon savings through energy efficiency schemes in other households (‘Carbon Saving Obligation’) and so is not targeted at the fuel poor. Even if expenditure (£760m/year) under ECO’s Carbon Saving Obligation is kept at expected levels, but entirely redirected to fuel poor households, total spending would still be only around £1.3 billion a year, less than a third of that required to end fuel poverty for 90% of households currently struggling with fuel bills by 2027.

Fuel Poverty Expenditure 2009/10 – 2014/15 (all 2012 prices)

Energy efficiency schemes – England only	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Warm Front (England only scheme)	392	378	147	100		
CERT SPG eligible households (all GB spend)	154 (179)	159 (184)	164 (190)	109 (127)		
CESP (all GB spend)	45 (52)	90 (104)	90 (104)	67 (78)		
ECO AW and CSC (all GB spend)					473 (549)	473 (549)
TOTAL (England only)	591	626	400	277	473	473

Income support schemes (UK wide)	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Winter Fuel Payments	2933	2871	2186	2151	2120	2076
Cold Weather Payments	311	448	131	146	253	253
TOTAL (UK wide)	3244	3319	2317	2297	2373	2329

Price Support schemes (GB only)	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Voluntary agreement	133	155				
Warm Homes Discount			253	275	294	298
TOTAL (GB only)	133	155	253	275	294	298

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1. Notes on tables

The tables above are based on Government figures, though some corrections have had to be made to make different schemes comparable. The main reason for this is devolution: different schemes have been extended to different parts of the UK in the past. All figures have also been converted to 2012 prices.

This devolution issue most affects energy efficiency schemes. Warm Front was an England only scheme, whereas CERT, CESP and ECO cover England, Wales and Scotland. To make a fair comparison, these wider schemes have been adjusted on a pro rata basis.

Income support schemes are all UK wide, so no correction has been made. Similarly all Price Support schemes cover England, Wales and Scotland, but not Northern Ireland. While this does make the total expenditure table somewhat confusing in a geographic sense, in a policy sense this remains the expenditure which the Westminster Government is responsible for, and it is this that they have told the Select Committee is increasing. These tables show that it is not. (It is also important to note that even if the energy efficiency schemes were not corrected to take account of devolution, overall spending would still be down).

Two policies are omitted from the tables due to difficulties in obtaining figures, though were they included they would show the spending on tackling fuel poverty - and in particular energy efficiency spending to tackle fuel poverty - had fallen even more sharply.

The first is the Decent Homes Standard, a standard put in place in 2000 for all social housing to meet by 2010, although this was later extended to 2013. Thermal efficiency was just one of the factors in the standard, and meeting it led not just to refurbishment, but also to the demolition and rebuilding of many housing blocks. As a result it is very difficult to separate out accurate figures for expenditure on thermal standards rather than more general refurbishment and redevelopment. However, the standard made an important contribution to energy efficiency expenditure in England – not least because the most frequent reason for social housing not meeting the Decent Homes standard was inadequate thermal efficiency. The policy is the main reason energy efficiency standards are on average higher in social housing than private housing. Expenditure to meet the Decent Homes standards was phased out from 2010-2013, making the reduction in spending on fuel poverty even larger than it appears in the table.

The second policy not included is the expenditure under CERT on the Priority Group of vulnerable homes rather than just the Super Priority Group listed in the tables. If this expenditure, which ran from 2008/09 to 2012/13 were included it is likely the fall in energy efficiency expenditure would be around £300 million more than appears in the tables. Overall CERT spending averaged £1.4 billion per year across Great Britain, and 40% of the target carbon savings were intended to be delivered from the Priority Group of vulnerable homes. The tables only list expenditure aimed at delivering the 15% of the target that was to be met in the Super Priority Group. Even making the generous assumption that meeting the 25% of the carbon savings required from those in the Priority Group, but not in the Super Priority Group could be met with 25% of CERT expenditure (in reality delivering carbon savings in fuel poor homes is more expensive) this would amount to an additional £300 million a year in England alone.

2. Sources

Warm Front expenditure (2012 prices) 2008/09 – 2012/13

Voluntary Agreement (2012 prices) 2008/09 – 2010/11

Warm Homes Discount (2012 prices) 2011/12 – 2012/13

Hansard Written Answers, 1 July 2013, Col. 422W

Warm Homes Discount expenditure 2013/14 £300m, 2014/15 £310m (nominal prices)

Hansard Written Answers, 1 July 2013 Col. 423W

CERT expenditure (2012 prices) 2009/10 – 2012/13

CESP expenditure (2012 prices) 2009/10 – 2012/13

Hansard Written Answers, 1 July 2013, Col. 423W

ECO expenditure 2013/14 and 2014/15: £540m (2011 prices)

Hansard Written Answers, 1 July 2013, Col. 423W

Cold Weather Payments expenditure for 2009/10 £290m, 2010/11 £431m, 2011/12 £129m, 2012/13 146m (nominal prices). Figures for 2013/14 and 2014/15 are estimated as the average of the previous 5 years.

Annual Reports by the Secretary of State for Work and Pensions on the Social Fund.

Winter Fuel Payments expenditure 2009/10 £2735m, 2010/11 £2760m , 2011/12 £2150m, 2012/13 £2151m, 2013/14 £2165m, 2014/15 £2161m (nominal prices)

Winter Fuel Payments update, SN06019, House of Commons Library, 1 November 2013 (page 29).

<http://www.parliament.uk/briefing-papers/SN06019>

All conversion from nominal to 2012 prices using Treasury GDP deflators

<https://www.gov.uk/government/publications/gdp-deflators-at-market-prices-and-money-gdp-march-2013>

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