

National **RIGHT TO FUEL CAMPAIGN** *Campaigning for a warm dry well-lit home for all*

Position Paper 3

What is fuel poverty?

Fuel poverty arises when people have insufficient income to heat their homes to the standard required for health and comfort.

Adequate warmth in the home is defined as 18° Celsius for the general population and 21° Celsius for those leading less active lives such as sick, old or disabled people. (World Health Organisation)

Factors influencing this include:

- *the condition of the property;*
- *its location;*
- *its state of repair;*
- *the type of heating system;*
- *the cost of fuel;*
- *and the level of household income.*

It is estimated that fuel poverty affects one in three households (8 million out of a total of 24 million households).

The National Right to Fuel Campaign is a company limited by guarantee with a membership comprised of voluntary organisations, individuals, local authorities, trade unions, academics and professionals in housing, welfare benefits and environmental health.

Additional Income Support for People Living in Hard to Heat Homes

The National Right to Fuel Campaign believes that the disparity in costs between poorly and well insulated homes should be recognised in the benefit system. Income Support should provide Heating Premiums to enable claimants to achieve adequate warmth in their homes.

The National Right to Fuel Campaign has estimated the annual cost of paying Heating Premiums to people living in poorly insulated homes, based on the difference between their fuel costs and the cost of fuel in adequately heated homes. For families on Income Support, this would come to more than £1 billion per year.

*However, if Heating Premiums were based on more modest criteria, as described elsewhere in this paper, the amount could be brought down to somewhere between **£150 million** and **£450 million** per annum. The precise amount would depend on policy decisions, also described below.*

The amount could be reduced over the years as insulation standards improve. There is a trade off between paying these grants and subsidising, or otherwise encouraging, programmes of insulation.

- Entitlement to Heating Premiums could be established by completion of a simple form that would not impose undue strain on the administrative system.
- The National Right to Fuel Campaign invites Government to consider these calculations and to introduce a scheme that adequately compensates poor families in hard to heat homes.

The right to live in a warm home is a fundamental right which should be guaranteed to all, along with the right to food, shelter, healthcare and education.

- Warmth should be provided, not only as a right, but also as a matter of sound economic sense. The cost to the NHS of treating illnesses caused by cold and damp living conditions has been estimated at £1 billion annually.

For low income families, the cost of adequate warmth, hot water, cooking, lighting and electrical appliances could vary between £5 and £62 per week. No low income family could afford the latter. If their home is that poorly insulated or if their heating system is that expensive to run, then they cannot be achieving adequate warmth.

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1 Entitlement to Heating Premiums

The entitlement to Heating Premiums could be established as follows.

- The head of any household entitled to Income Support would have to provide information on:
 - The type of house (one of 9 possible types),
 - The type of heating system (one of 7 possible types)
 - and to mark a check list of 11 causes of additional heating costs to indicate which of these might apply to their property.
- Administrative rules would need to be framed to allocate house types and heating systems in "other" categories:
 - Those which do not directly correspond with categories listed on the form
 - The causes of additional heating costs.
 - These rules would only be necessary to determine unusual cases. Heads of low income families should not be involved in any technical complexities.
- Two of the additional heating criteria are based on location. These could be determined from information in the post code.
 - The DSS already has a computer system which uses post codes to determine entitlement to cold weather payments.
- The household would also have to be allocated to a social category recognised in the DSS system:
 - Couple with 2 children under 11, single parent with 1 child under 11, disabled single person, pensioner couple, single pensioner, single person (18-24), single person (25 years or over).
 - This information should presumably be available already. The calculation of heating Premiums requires this information to allocate households to one of three sizes of house, the larger houses being deemed to cost more to heat.

2 The amount of the Heating Premiums

There would be 27 schedules setting out the amounts of Heating Premiums.

Information on the type of house and the social category would indicate the use of a particular schedule, 9 house types and 3 house sizes giving 27 possibilities.

A typical schedule could take one of the following forms:

(The example is for a semi-detached house of medium size, occupied by either a single parent with one child under 11 or a pensioner couple. The cost of fuel in a standard house (heating, hot water, cooking and electrical appliances) would be £7.95 per week.)

3 The standard house used for calculating Heating Premiums

The "Premiums" in Section 2 above give the weekly cost of fuel over the cost of heating a standard house.

The following assumptions have been made for the standard house:

- Heating Pattern:
16 hours a day on Saturdays and Sundays
2 periods of a total of 9 hours per day on other days.
(It is appreciated that this is a simplification and not applicable to all categories.)
- Central Heating
gas or oil central heating system with an efficiency of 65%
(short of the highest modern standards)
- Electrical appliances and hot water
reduced usage
(in accordance with the Bredem recommendation for low income households)
cylinder thermostat
50mm of cylinder insulation,
- Double glazed windows, mostly facing East and West
- Insulation
To walls, floors and roof appropriate to 1982 building regulations standards
- Location
50m. above sea level
average exposed site with wind shelter on two sides

This standard is intended to give a generally acceptable level for existing buildings. It is, in any case, higher than the present average level of energy efficiency in existing low income households. Using a higher standard such as that of current Building Regulations would mean that Heating Premiums would be actually higher than those illustrated in this paper. The intention is to set a standard to which everyone has a right. The intention behind Building regulations, namely to establish a minimum for all future buildings, is slightly different.

Heating Premiums for medium sized semi-detached house

Cost of fuel in standard house = £7.95 per week

(heating, hot water, cooking and electrical appliances)

A/ Full Schedule

	<i>Gas Central Heating</i>	<i>Electric storage (new)</i>	<i>Electric Storage (old)</i>	<i>On Peak Electric</i>	<i>Gas fires (old)</i>	<i>Solid Fuel Fires</i>	<i>LPG Central Heating</i>
Standard Calculation	None	1.10	1.55	8.80	5.25	9.60	2.35
Roof - poorly insulated	0.55	0.80	0.85	1.75	0.70	0.90	0.90
Roof - no insulation	1.60	2.40	2.45	5.15	2.05	2.65	2.65

and continued for all additional heating requirements. (Figures given in £'s)

B/ Reduced Schedule

Alternately, use could be made of a reduced schedule using only the first row and the first column of the above. The National Right to Fuel Campaign would on the whole recommend the use of this alternative for reasons given below.

Heating Premiums

Relating to more expensive heating systems

	<i>Gas Central Heating</i>	<i>Electric storage (new)</i>	<i>Electric Storage (old)</i>	<i>On Peak Electric</i>	<i>Gas fires (old)</i>	<i>Solid Fuel Fires</i>	<i>LPG Central Heating</i>
Standard Calculation	None	1.10	1.55	8.80	5.25	9.60	2.35

Additional factors relating to poor insulation, etc.

Roof Poorly Insulated	0.55
Roof No Insulation	1.60
Uninsulated Cavity Walls	1.75
Uninsulated Solid Wall	2.85
Single Glazed	0.45
No Draught Proofing	0.55
No Draught Proofing (Exposed site)	0.75
Living Room Facing North	0.20
Cold Region	0.55
High Location	0.80

4 Heating Premiums and Existing Benefits

It would not be possible to pay Heating Premiums to bring the cost of heating all houses down to that of a standard house (£7.95 as given in Section 2). A cost to the Exchequer would be over £1 billion pounds annually. The National Right to Fuel Campaign recognises that Government will wish to offset these figures against amounts deemed already to be provided under the benefit system.

A possible basis for calculations to offset costs could be the figure of £12.35 per week, a notional weekly cost of fuel used elsewhere in the calculation of benefits, or else the amounts actually used by people in low income groups, e.g. figures derived from the Family Expenditure Survey. The purpose of the present paper is to press for differential payments for hard to heat homes rather than to argue over the absolute level of benefit.

The National Right to Fuel Campaign has made estimates of the total annual cost to the Exchequer of paying Heating Premiums using each of these possible offsets. The total annual cost would be £216 million by offsetting against the notional figure of £12.35 a week or £472 million on the latter basis.

If Premiums were to be paid using the alternative simplified schedule discussed in Section 2 above, then the figures would be £134 million and £360 million respectively.

5 Transitional Arrangements

No one should be expected to lose under the new arrangements. There should be no reduction in benefit for anyone whose costs come below the amounts in the schedules.

It could, however, be accepted that notional amounts for fuel costs in the existing benefit system (£12.35 or an equivalent) might in the future not need to be raised in line with future inflation if the payment of Heating Premiums were reintroduced. In the long term, this might result in some saving to the Exchequer. The schedules of Heating Premiums would, of course, have to be adjusted annually for inflation in the future.

6 Heating Premiums and Insulation Programmes

Rules will have to be laid down to avoid any disincentive effect that Heating Premiums might have on insulation programmes. There could be a danger that some households would prefer to hang on to their Heating Premium rather than have energy efficiency measures installed.

It is suggested that:-

- Claimants in public sector housing must be told that the payment of Heating Premiums would be conditional on their accepting insulation measures when offered.
- The system of Heating Premiums should be subject to review in the year 2000 and subject to a definite term in some date thereafter. The long term aim must be to implement HECA action plans and other efficiency programmes so as eventually to render Heating Premiums unnecessary.
- Heating Premiums should be reviewed annually so that any reduction would come into effect at the end of the year rather than immediately in the week following installation of the measure. (A short period of enjoying both the money and the comfort might be a useful demonstration of the benefits of energy efficiency.)

Heating Premiums have been calculated in a way that should err slightly on the low side and it is also recommended that the alternative reduced (lower benefit) schedules should be used. This should ensure that the value of the insulation is always greater than the value of the cash from the benefit system.

7 The two schedules of Heating Premiums

As described in Section 2 above, two schedules of Heating Premiums have been calculated. The second, more simple, form compensates for more expensive heating systems by suggesting the additional cost of heating a standard house with the expensive fuel. Thereafter it gives the Heating Premium for lack of insulation measures using only the fuel price and efficiency of the standard (gas heated) house.

It is thought that some upper limit should be imposed on Heating Premiums and that the second alternative schedule would be a suitable means to achieve it, with the added advantage of administrative simplicity.

8 Alternative methods of calculating Heating Premiums

The National Right to Fuel Campaign recognises that there might be other methods of calculating appropriate amounts for Heating Premiums. A full Bredem (Building Research Establishment Domestic Energy Model) calculation might be made on each home or else a SAP assessment might be made and the rating translated into an energy cost. These methods might be more accurate in theory, but they would be more costly to administer.

9 Further Information

To back up the representations in this paper, tables have been prepared giving:-

- The annual cost of heating and the cost of all fuel uses (heating, hot water, cooking and electrical appliances) for 9 different house types of three different sizes - 27 tables in all with each table showing seven different heating systems and 12 situations related to insulation and environment.
- The same 27 tables showing the weekly cost of the standard system and the costs, additional to that standard for the 84 cells in the table.
- Tables extracted from a BRE database giving, for 9 different social categories, the same 84 cell tables with numbers of households to which each situation applies.

These schedules are too long for inclusion in this present paper, but can be made available for inspection when there is any agreement to take this matter further.

Further information about the Campaign can be obtained from:

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If you wish to become a member of the Campaign, details are available from the Administrator.