EXPLANATORY MEMORANDUM TO THE DOMESTIC ENERGY EFFICIENCY GRANTS (AMENDMENT) REGULATIONS (NORTHERN IRELAND) 2021

SR 2021 No. 147

1. Introduction.

1.1 This Explanatory Memorandum has been prepared by the Department for Communities ('the Department') to accompany the Domestic Energy Efficiency Grants (Amendment) Regulations (Northern Ireland) 2021 to be made by the negative resolution procedure under powers conferred as a consequence of Article 17 of the Social Security (Northern Ireland) Order 1990.

2. Purpose

2.1 The principal Domestic Energy Efficiency Grants Regulations (Northern Ireland) 2009 have been amended by S.R. 2014 No. 52 and S.R. 2016 No 333. Regulation 5(2B) was amended by Regulation 6 of the Domestic Energy Efficiency (Amendment) Regulations (Northern Ireland) 2016 and imposed an eligibility income threshold of £20,000 for the Affordable Warmth Scheme ('the Scheme').

2.2 The Affordable Warmth Scheme is the vehicle through which the Department gives effect to targeting and supporting the most vulnerable households living in fuel poverty. The Scheme is funded by the Department and is delivered in partnership with the Housing Executive, local Councils and a range of local installers.

2.3 To be eligible for the Scheme in its current form an applicant must both be an owner occupier or a tenant in the private rented sector and have a total household income under £20,000. For applications from the private rented sector the landlord must be registered with the Department's Landlord Registration Scheme and make a contribution of 50% of the costs of the energy efficiency measures**.**

2.4 The House Condition Survey 2016[1] estimates that approximately 22% (160,000) of households in NI were in fuel poverty. Three factors impact on fuel poverty: income; the cost of energy; and the energy efficiency of the home.

2.5 The Domestic Energy Efficiency Grants (Amendment) Regulations (Northern Ireland) 2021 respond to the need to reduce the number of households living in fuel poverty by increasing the income threshold for eligibility for support from the Scheme to £23,000. This would provide the opportunity for more vulnerable households to be included in the scheme.

2.6 It is proposed that this would remain the income threshold until it becomes necessary to review it.

[1] https://www.nihe.gov.uk/Documents/Research/HCS-2016-Main-Reports/HCS-Main-Report-2016.aspx

2.7 Alongside this proposal the Department intends to remove certain benefits as being treated as income for the purposes of income assessment. These include Disability Living Allowance, Attendance Allowance, Personal Independence Allowance and Carer's Allowance. This change does not require any legislative change but will allow for more vulnerable households to benefit from the Scheme.

3. Consultation

3.1 Before consulting on proposals for changes to the Scheme the Department invited Christine Liddell MBE Professor Emeritus Ulster University, a recognised fuel poverty expert, to comment on the income threshold already in place and for a view on the support for an increase in the threshold for households which contained more than one adult. Professor Liddell put forward that the £20,000 income level is not equivalised for size of household. This means that as the same threshold of £20,000 is applied to a single person household and (for example) a couple with four children. As a consequence single person households may be more likely to benefit from the Scheme than families.

3.2 Professor Liddell concluded that if, for example, the income threshold were equivalised and lowered to £18,000, this would still be more than 10% higher than the income threshold that makes children eligible for school meals. Professor Liddell also agreed that households containing more than one adult could be disadvantaged by the current arrangement which does not take account of more people living in the house. Using statistical evidence from the Office of National Statistics, the Family Resources Survey, and the Organisation for Economic Cooperation and Development Professor Liddell therefore suggested that the income thresholds could become: £18,000 per annum for single person households and £23,000 per annum for multiple person households.

3.3 From November 2017 to February 2018 the Department held a public consultation including consultation workshops held six venues. Participants included members of the public, Fuel Poverty lobby organisations, the Consumer Council, Energy Savings Trust, Age NI, local energy providers, MLAs, the Housing Executive, Local Councils and other public representatives. The consultation included the following proposed changes to the Scheme:

- To raise the income threshold to £23,000 for households with more than one person and reduce it to £18,000 for single person households.

- That Disability Living Allowance, Personal Independence Payment and Carer's Allowance are removed from the calculation of income for the Scheme.

3.4 There was broad support for the proposal to increase the income threshold to £23,000. The element of the proposal for reducing the income threshold for single occupancy homes to £18,000 was considered less favourably at consultation.

3.5 From April 2020 the average minimum wage for workers aged 25 and over will increase to £8.72 per hour; at 37.5 hours per week (the average weekly hours worked as per Office of National Statistics) this equates to an average annual wage of £17,004. Implementation of the reduction in income threshold element for single occupancy could

therefore result in those applicants aged 25 years and over being deemed ineligible for the Scheme by simply working two additional hours per week, or by earning fractionally above minimum wage. Minimum wage for 25 year olds and over in 2014, when the current £20,000 gross annual income threshold was agreed, was £6.50 per hour.

3.6 The amendment to the Statutory Rule will therefore increase the income threshold for eligibility to £23,000 for all households, without reducing of income threshold for single occupier households.

3.7 There was broad support for removing Disability Living Allowance (DLA), Personal Independence Payment (PIP) and Carer's Allowance payments from the calculation of income.

3.8 Disability Living Allowance is a tax free allowance and at the time of the public consultation before the Scheme was introduced the Department thought it was appropriate to include Disability Living Allowance when calculation household income. In other Government Schemes, Disability Living Allowance is not included in the calculation of income, since it is recognised as supplementary income needed to ensure that people with a disability are treated on a par with other people.

3.9 Attendance Allowance is a tax-free benefit for people aged over pension age with attention or supervision needs resulting from a mental or physical disability and is normally ignored as income for working out income-related benefits and credit. While not consulted on directly Attendance Allowance will also be discounted from the assessment of income in line with DLA, PIP and Carer's Allowance.

3.10 These changes do not require a legislative vehicle and will be implemented at the same time as the date of coming into operation of the Statutory Rule.

4. Human Rights, Equality and Rural Impacts

4.1 The regulations do not engage any Convention rights.

4.2 In accordance with its duty under Section 75 of the Northern Ireland Act 1998, a screening exercise was conducted. This did not identify any significant implications for equality of opportunity or good relations. In light of this an equality impact assessment is not necessary.

4.3 A Rural Impact Needs Assessment was conducted and concluded that the changes will not impact on people in rural areas differently from people in urban areas.

5. Regulatory Impact Assessment

5.1 The Domestic Energy Efficiency Grants (Amendment) Regulations (Northern Ireland) 2021 do not impose any additional costs or savings on business, charities or voluntary bodies. The amendments do not change the current rules for landlords accessing the Scheme

6. Financial Implications

6.1 No additional funding is required for the proposed changes to the Scheme eligibility criteria.

7. Additional Information

7.1 In accordance with Article 17(8) of the Social Security (Northern Ireland) Order 1990 the Department of Finance has consented to the making of the Regulations.