

**Review
of the
National and
Smokeless Fuel Schemes**

June 1998

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1. SUMMARY and CONCLUSIONS

This review of the National and Smokeless Fuel Allowance schemes was carried out as part of a general programme of expenditure reviews requested by the Co-ordinating Group of Secretaries General established under the Strategic Management Initiative. The review and resulting report was completed by an Interdepartmental Working Group, chaired by an officer of the Department of Social Community and Family Affairs. The draft report was considered by the Department's Steering Group, whose observations have been incorporated in this final report.

The National and Smokeless Fuel Schemes account for about 1% of overall social welfare spending or some £45m. of Programme Expenditure within the Social Welfare Vote. The National Fuel scheme was established in its present form in 1988 while the Smokeless Fuel scheme was introduced in 1990. It is necessary to be in receipt of a qualifying payment, usually a social welfare or health board payment and in addition, entitlement is subject to:

- (i) a means test which, in general, targets the allowances at households with incomes no more than £15 above the appropriate Old Age Contributory Pension rate and
- (ii) household composition test, which targets the allowances at people who either live alone or with dependants or with people who qualify in their own right.

In identifying the original objectives of the schemes, the Group found that the National Fuel Scheme exists to assist low income households with the cost of meeting their home heating needs. It was not intended to meet those costs in full. The Smokeless Fuel Scheme compensates low income households for the additional cost of the equivalent quantity of smokeless fuel.

The Group considered whether these objectives are still valid and compatible with this Department's mission and current strategy statement and concluded that they are, in the context of the current rates of payment and the focus of the Department's policy direction.

The Group also evaluated the extent to which these objectives have been achieved, taking account of improvements in the standard payment rates and concluded that it was not realistic to withdraw the fuel allowance where incomes rose marginally above the CSW minimum rate because these incomes are barely adequate. As payments increase in line with Government commitments e.g. £100 per week for old age pensioners, the cessation of the fuel scheme would be seen as a partial claw back of the increase. If the scheme was abolished, it is likely that demands would arise subsequently for special assistance, similar to the current allowance because of the higher costs which have to be met in winter time. The Group felt that if pension rates at the levels recommended in the National Pensions Policy Initiative Report were implemented, there may be no need for supplementation of fuel costs on

a general basis, although it noted the Pension Board's view that it could be misleading to take full account of Fuel Allowances (and other benefits) in arriving at a target weekly rate of payment. However, if Fuel Allowances are discontinued, then the primary weekly payment rate should be varied upwards in winter to cover additional heating costs, for example, by paying say £96 per week for summer months and £104 per week in winter months to yield an average £100 per week.

Accordingly, the Group decided that the scheme should remain in place but that the present rates of payment should remain unchanged if improvements in primary payment rates fully compensated recipients for all price inflation, including fuel price inflation. The Smokeless Fuel Scheme was introduced to compensate people on low incomes for increased expenditure which arose as a direct consequence of public policy in relation to air pollution control. Because of this, the need for the SFS would have to be considered even in any revised payment structure where the NFS was discontinued.

The Group concluded that :

- (i) it is valid that the State is doing something meaningful to help low income households with their winter heating needs;
- (ii) the scheme was warranted and should continue as a specific cash heating assistance for low income households in the winter season;
- (iii) the scheme should be promoted and advertised on a wider basis, as recipients and potential recipients may not be aware that the winter increase in their payments is a fuel allowance.

The Group agreed that there is a continuing need for the schemes and re-stated their Objectives as follows:

- (i) National Fuel Scheme - **to provide a financial supplement to low income households so as to assist towards their home heating needs.**
- (ii) Smokeless Fuel Scheme - **to help to offset the additional cost to people on low incomes arising from the ban on bituminous coal in certain built up areas.**

The Group examined the level and trend of programme expenditure and associated administration costs. NFS payment rates have not increased since 1985 and the SFS payment rates remain unchanged since the scheme was introduced in 1990. However, expenditure on Fuel Allowances increased by 55% between 1990 and 1997, about one third of which is attributable to the ban on the sale of bituminous coals in Dublin and Cork. The balance is due to the extension of the scheme to additional categories of people and increases in the number of recipients of the original qualifying payments.

With regard to the cost of administration, the Group found that the administration of the schemes is straightforward, that the associated costs are low and were unable to suggest any less costly mechanism of administration. Alternative approaches could give rise to significant increases in the cost of administering the scheme and would need to be considered carefully in view of the relatively low level of payment.

The outputs produced by this expenditure are the numbers of Fuel Allowance payments made. These directly mirror the trend of increased expenditure as there has been no increase in payment rates since 1985 (NFS) and 1990 (SFS). The rate of increase in the number of payments issued has tapered off in recent years, rising by 1.7% in 1997 compared to the previous year, compared to a year-on-year increase of 2.8% in 1996.

The Group evaluated the efficiency and effectiveness of the schemes. The Group concluded that while there are a small number of cases where payment of the allowance is paid to people who are not on very low incomes, the great majority of recipients do come within the low income category and that this, combined with the conditions on household composition, serve to ensure that the schemes are cost efficient.

The Group identified a number of adjustments to the schemes which, it considered, would improve them in terms of their effectiveness. These would extend the heating season for those over 80 years of age, ease the household composition rules for people over 75 years of age and ease the means test for all recipients. The Group did not identify any changes which would improve the administration of the scheme.

The Group examined the degree to which the objectives warrant the allocation of public resources on a current and on-going basis and concluded that significant retrenchment or withdrawal of the Fuel Allowance scheme in general would lead to hardship. However, the Group found that there is some scope for re-allocating expenditure arising from the fact some people who could not be described as being on low incomes nonetheless receive Fuel Allowances.

The Group found that the objectives of the scheme did not and indeed could not be reasonably expected to fully address the fuel poverty environment but rather, that fuel allowances are intended to address income deficiency. A programme with the objective of addressing fuel poverty would have to focus, at least in part, on capital expenditure measures to improve the quality of the housing stock in the areas such as efficient heating systems and insulation. This would not remove the need for fuel allowances, discontinuing fuel allowances would not be an appropriate means of part financing such a programme and it does not represent a viable alternative policy approach.

Finally, the Group identified twelve possible performance indicators which can be used to monitor and evaluate the schemes in the future.

Impact Statement

The overall conclusion reached by the Group was that a targeted seasonal income supplement was justified and that the Fuel Allowance schemes are an efficient and effective mechanism for delivering that supplement. A number of adjustments to the schemes were identified which would improve the effectiveness of the schemes and contribute to simplifying the social welfare system for the persons concerned. The overall cost of these improvements in the schemes is relatively modest but could be mitigated by withdrawing entitlement to Fuel Allowances in cases where they are paid to people who are not on very low incomes. A retrenchment of the schemes along those lines would have to be considered in the context of other public policy objectives in the areas of work incentives for people making the transition from welfare to employment and supports for One-Parent Families.

2. INTRODUCTION

Background To The Expenditure Review Programme

The Co-ordinating Group of Secretaries established under the Strategic Management Initiative identified a *"need for a systematic analysis of what is actually being achieved by the £12bn. in Government resources spent annually"* and recommended that *"agreements between the Department of Finance and individual Departments on delegated authority for programme expenditures (should) provide a schedule of reviews of expenditure to be carried out during the currency of the agreement, with the aim of ensuring that each programme of expenditure is subject to a thorough review at least once every three years"*.⁽¹⁾

The Government accepted this recommendation and has approved a programme of reviews with the twin aims of providing:

- (i) a systematic analysis of what is actually being achieved by expenditure in each spending programme and
- (ii) a basis on which more informed decisions can be made on priorities within and between expenditure programmes.

The Department commissioned Goodbody Economic Consultants to examine the National and Smokeless Fuel Schemes towards the end of 1996 as no fundamental review of the schemes had been carried out since they were established in their present form. Their report was submitted in April 1997 and forms the basis for the current evaluation of the scheme. The Department will be reviewing its Free Electricity and Free Gas Schemes in the 1998/1999 period and will examine issues relating to these schemes further in that context.

Structure Of The Programme

A Steering Committee chaired by the Secretary-General of the Department of Finance has been established to oversee the Civil Service wide series of Programme Evaluations. A joint Department of Finance-Department of Social, Community and Family Affairs Steering Group has been established to oversee this Department's reviews.

Each review is being carried out by a Working Group chaired at Principal level. The Working Groups include representatives from the policy and executive sections of this Department, the Department of Finance and other Departments as appropriate.

⁽¹⁾ Delivering Better Government - A Programme of Change for the Irish Civil Service, (1996), Stationery Office, Dublin, Page 60

These Working Groups report to the Steering Group which is chaired by the Secretary-General of the Department of Social, Community and Family Affairs and is composed of the Working Group Chairs and other officers at Assistant Secretary/ Principal levels from both this Department and the Department of Finance.

Working Group

The Working Group was established and held its first meeting in April 1998. The Group met on six occasions and submitted their final report to the Steering Committee at the end of June 1998.

The Group was chaired by Mr Paul Wilson of the Department's Pension Services Office, who represented the long-term Scheme areas. The other members of the Working Group were:

John Mc Dermott	D/Environment & Local Government
Ann Cody	D/Environment & Local Government
Tony Gallagher	D/Finance
Gavan O'Leary	D/Public Enterprise
Brian Duff	D/SCFA - Customer Service
Patsy Purtill	D/SCFA - Fuel Allowance Policy
Brian O Raghallaigh	D/SCFA - Fuel Allowance Policy
Orlaigh Quinn	D/SCFA - Pensions Policy
Deirdre Nichol	D/SCFA - Programme Evaluation
Christina O'Connor	D/SCFA - Short-term Schemes
Maeve Farrell	D/SCFA - Short-term Schemes
Séadna MacSeoin	D/SCFA - Short-term Schemes

Consultations

Consultations took place with the Irish National Organisation of the Unemployed (INOUE), the Senior Citizens' Parliament and the Department's Consultative Forum for People with Disabilities. The views expressed by these groups are set out in Appendix A. In addition, the Department's Customer Service Unit undertook a customer survey and consulted, where possible, with some of the Department's Customer Panels. The views expressed at the panel meetings and the results of the survey are set out in Appendices B and C respectively.

Format Of Report

The report starts with a background note and the history of the schemes. Each of the Terms of Reference are then dealt with individually and a summary of the main conclusions / recommendations is provided at the end of each of the individual sections. An executive summary detailing the main findings, conclusions and key recommendations is provided at the front of the report.

Terms Of Reference

The terms of reference for the evaluation were:

To examine and report on National and Smokeless Fuel Schemes with a view to:

- (a) identifying their objectives*
- (b) considering the extent to which these objectives remain valid and compatible with the mission and current strategy of the Department*
- (c) evaluating the extent to which these objectives have been achieved, taking account of other relevant arrangements*
- (d) establishing the level and trend of (a) the cost and (b) the staffing resources associated with the scheme activity*
- (e) defining the outputs associated with the schemes activity and identifying the level and trend of those outputs*
- (f) commenting on how efficiently and effectively the schemes have achieved the objectives, bearing in mind the groups identified as being most likely to be in need.*
- (g) evaluating the degree to which the objectives warrant the allocation of public resources on a current and on-going basis*
- (h) examining the scope for alternative policy and/or organisational approaches to achieving the objectives on a more efficient and effective basis, having regard to the causes of fuel poverty*
- (i) specifying suitable performance indicators which can be used to monitor and evaluate the schemes in the future.*

3. BACKGROUND

General Context

The National and Smokeless Fuel Schemes, sometimes collectively referred to as the Free Fuel scheme or the Fuel Allowance scheme, account for some £45m. of Programme Expenditure within the Social Welfare Vote. This represents about 1% of overall social welfare spending, taking into account both Exchequer funded and Social Insurance based expenditure. Fuel Allowances represent about 2% of Exchequer spending on social welfare.

The National Fuel Scheme aims to assist qualified householders who are in receipt of long-term social welfare or health board payments and who are unable to provide for their own heating needs.

The Smokeless Fuel Scheme aims to assist essentially the same of categories of people who live in areas where there is a ban on the sale of bituminous coal with the extra cost arising from being required to use smokeless or low smoke fuel.

The standard payment is £5 per week but beneficiaries living in “*Smokeless Fuel*” zones designated by the Minister of the Environment and Local Government receive a payment of £8 per week. Certain categories of beneficiary in these smokeless zones, who are not entitled to an allowance under the National Fuel Scheme, receive £3 per week. In all cases, payment is made for 26 weeks between mid-October and mid-April, a period known as the heating season.

Some 286,800 people received the National Fuel Allowance in any given week during the 1997/98 heating season. Of these approximately 193,100 (67%) received £5 per week. The remaining 93,700 (33%) received £8 per week which included a payment of £3 per week under the Smokeless Fuel Scheme. In addition some 4,500 people, who did not qualify for a payment under the National Fuel Scheme, received £3 per week under the Smokeless Fuel Scheme. Details of expenditure and numbers of recipients are provided in Sections 7 and 8 of this Report.

In addition to the Fuel Allowances, there is a facility available through the Supplementary Welfare Allowance (SWA) scheme to assist people in certain circumstances who have special heating needs. Under the SWA scheme, a person who has exceptional heating costs due to ill health or infirmity may qualify for a heating supplement. This can be paid as a weekly supplement in addition to other social welfare payments. An application for a heating supplement may be made by contacting the Community Welfare Officer at the local Health Centre. Up to 2,000 people receive heating supplements each year.

Where a person would not normally qualify for a heating supplement there is provision under the SWA scheme to pay an Exceptional Needs Payment (ENP). The purpose of ENPs is to help prevent hardship by providing for

essential, once-off, **exceptional** expenditure, which applicants could not reasonably be expected to meet out of their weekly income. ENPs are payable at the discretion of the Health Board taking into account the requirements of the legislation and all the relevant circumstances of the case.

History of the National Fuel Scheme

Cheap Fuel Scheme/Urban fuel Scheme (1942-1988)

The Cheap Fuel Scheme, which later became known as the Urban Fuel Scheme, was introduced in 1942 for the purpose of making a supply of fuel available to needy households. The scheme was confined to 16 cities and towns, mainly along the Eastern and Southern seaboard, and was operated by the local authorities for the areas concerned. A modified service also operated in Limerick city. Although the scheme initially provided a supply of fuel, mainly turf, it was modified to provide a voucher which could be used to purchase various types of fuel.

The Minister for Social Welfare assumed responsibility for the general control and direction of the scheme in 1947 when he also became responsible for the Home Assistance Scheme. The categories of beneficiaries were:

- (i) Old Age, Blind and Widows pensioners,
- (ii) Unemployment Assistance recipients with dependants,
- (iii) other persons on low incomes and
- (iv) Home Assistance recipients. (The Home Assistance Scheme was succeeded by the Supplementary Welfare Allowance Scheme in 1977).

People in similar circumstances were treated differently under the Urban Fuel scheme, depending on the city or town in which they lived. However, the scheme continued to operate up to 1988 despite continued calls to have it abolished and replaced by a more equitable scheme.

Health Board/National Fuel Scheme (1939 -1987)

Local Authorities, and later Health Boards, operated various schemes to assist needy persons who did not qualify for assistance under the Urban Fuel Scheme. From October 1980, a National Fuel Scheme was introduced to rationalise and extend the somewhat haphazard arrangements then being implemented by various health boards. These arrangements had come into existence under the old Home Assistance Scheme, which has been succeeded by the Supplementary Welfare Allowance Scheme since 1977. However, a Supreme Court judgement on 19 November 1986 declared the guidelines including and excluding general fuel assistance for specified categories of clients to be ultra vires the Regulations, which provided for coverage for exceptional individual needs only. As a result the National Fuel Scheme was changed to a separate administrative, non-statutory basis, with provision for exceptional needs payments continuing to operate under SWA rules.

History of the Smokeless Fuel Scheme

The Minister of State for Environmental Protection introduced regulations as part of the National Environment Action Plan banning the marketing, sale and distribution of bituminous coal and similar high sulphur fuels in 1990, on foot of increasing public disquiet at the adverse environmental and public health effects of winter smog prevalent in Dublin in the 1980s. Under the regulations the solid fuel trade replaced bituminous (smoky) coal by smokeless fuels in restricted areas in Dublin - all of the County Borough Corporation and parts of the then Dublin County Council area. A commitment was given in the Environment Action Programme to “*ensure that the costs arising from the need to use smokeless or low-smoke fuels (including Bord na Mona briquettes) will be minimised for low income groups*”.

The Smokeless Fuel Scheme was introduced in Dublin and the surrounding areas in October 1990 to compensate urban dwellers on low incomes for the additional costs associated with the purchase of smokeless fuels, following the banning of the sale of bituminous coal in the Dublin area in October 1990. The scheme was extended to Cork in February 1995, when the ban on bituminous coal was extended to that city and will be extended to Limerick City, Wexford Town, Arklow, Dundalk and Drogheda from October 1998, again in line with an extension of the ban on the sale of bituminous coals in those urban centres.

Current Qualifying Conditions

The current qualifying conditions for the National Fuel Scheme and the Smokeless Fuel Scheme, including saver cases and retention of the allowances for certain groups are listed in Appendix D.

4. OBJECTIVES

To examine and report on National and Smokeless Fuel Schemes with a view to:-

(a) *identifying their objectives*

Original Objectives

The issues which the Fuel Allowance scheme is intended to address are:

- (i) heating costs are greater at certain times of the year than at others and
- (ii) the fact that heating costs represent a relatively high proportion of the resources available to low income households.

The original objective of the National Fuel Scheme was to assist qualified householders who are in receipt of long-term social welfare or health board payments and who are unable to provide for their own heating needs.

The original objective of the Smokeless Fuel scheme was to assist people in areas where there is a ban on the sale of bituminous coal with the extra cost arising from being required to use smokeless or low smoke fuel.

National Fuel Scheme

In October 1987, the Government decided to rationalise the Urban and National Fuel Schemes in view of the fact that:

- (i) the Commission on Social Welfare recommended, among other things:
 - the continuation of the fuel scheme but on a more standardised basis;
 - retention of the allowance for all the existing recipients;
 - extension of the scheme to include all long term recipients, with particular mention of the long term unemployed¹

and

¹ *“The electricity and fuel allowances - the latter subject to rationalisation - should be extended to include all long-term recipients.” (Pg. 217)*

- (ii) several anomalies existed between the two former schemes e.g.:
 - Widow Contributory Pensioners automatically qualified under the Urban Fuel Scheme even if working, whereas they were subject to restrictions under the National Fuel Scheme and
 - Unemployment Assistance recipients with dependants qualified automatically under the Urban Fuel Scheme but did not qualify under the National Fuel Scheme.

The administrative rationalisation of the scheme was intended to:

- (i) ensure prompt and regular payment of the fuel allowance, (under the previous schemes several payment methods and payment frequencies were in operation);
- (ii) pay the fuel allowance as an integrated part of the primary weekly payment;
- (iii) establish a client base so that once entitlement was established the client would not have to reapply on an annual basis;
- (iv) provide better control of the scheme, based on the standardisation of the qualifying criteria and the central administration of the scheme by the Department; and,
- (v) provide a cost effective system of administration.

A single, unified scheme, known as the National Fuel Scheme (NFS), became operational from October 1988 with this Department processing and paying fuel allowances for all social welfare recipients. As part of this rationalisation, the NFS was extended to cover certain long-term unemployment assistance recipients. The Health Boards continued dealing with the fuel entitlement of their clients e.g. Disabled Persons Maintenance Allowance, Supplementary Welfare Allowance recipients. Local authorities had no further involvement.

Smokeless Fuel Scheme

The Smokeless Fuel Scheme exists to assist these households with the additional cost, in designated urban smokeless fuel zones, of the quantity of fuels which could be purchased with a standard fuel allowance.

Conclusion

The National Fuel Scheme exists to assist low income households with the cost of meeting their home heating needs. It was not intended to meet those costs in full. The Smokeless Fuel Scheme compensates low income households for the additional cost of the equivalent quantity of smokeless fuel.

5. CURRENT VALIDITY OF OBJECTIVES

To examine and report on National and Smokeless Fuel Schemes with a view to:-

- (b) *considering the extent to which these objectives remain valid and compatible with the mission and current strategy of the Department*

Validity

Notwithstanding the real increases in social welfare rates in recent years, the objectives of the schemes remain valid because, in the view of the Group, households on very low incomes could not reasonably be expected to provide for their full heating needs. This view is consistent with the conclusion reached by the Commission on Social Welfare that *“recipients of long-term payments, even within the reformed payment structure are likely to experience difficulty in meeting certain lump sum expenditures and, in particular those associated with energy costs. We therefore recommend that the electricity and fuel allowances be retained for existing categories of recipients and extended to include all long-term recipients”*⁽²⁾

The Commission on Social Welfare stated that *“the minimum income from social welfare must ... be set at a sufficiently high level to provide for total income needs.”* (Pg. 189) and, to that end, recommended keeping fuel allowances in the proposed revised payment structure (Pg. 208). In considering the validity of the objective in the wider context of the adequacy of social welfare payment rates, the Group felt that the objective of assisting people on low incomes in meeting the cost of the heating needs would become invalid if standard payment rates were significantly higher than they are at present and the schemes would need to be reviewed if that situation arose.

Mission

The Department has recently re-evaluated its strategic direction and, in accordance with the requirements of the Public Service Management Act, has published a new statement of strategy, “Inclusion, Innovation and Partnership”, to cover the years 1998 to 2001. This process re-affirmed the Mission statement which remains unchanged since it was first articulated.

The Department’s first formal statement of strategy, “Open, Fair and Caring”, was published in 1996. The mission set down at that time was *“to promote social well-being through income and other supports which enable people to participate in society in a positive way”*. The Fuel Allowance schemes are compatible with this mission in that they each provide income support, subject to a means test and other conditions which target the allowance at those who would otherwise face difficulty in providing for the heating needs.

⁽²⁾ Commission on Social Welfare Pg. 208

Apart from the financial implications of providing for heating needs the degree to which the allowance assists in alleviating fuel poverty (see Section 11 for discussion on Fuel Poverty) is also relevant in the context of promoting social well-being.

Strategy Statement

The Department's current statement of strategy sets out a number of policy aims relating to social inclusion, one of which is of particular importance when considering the fuel allowance schemes:

6.1 To promote an inclusive society in which people can participate in a positive way, by understanding the underlying causes of poverty and exclusion and addressing the needs of those people affected.

Under aim 6.1 the strategy statement provides that the Department will

- (a) pursue the goals of the National Anti-Poverty Strategy, all of which aim to promote a more inclusive society, progress "baseline" Departmental reports on poverty/social inclusion and co-ordinate activity on cross-cutting issues.*
- (b) develop an integrated system of social protection for the long term dependent, in conjunction with other relevant Government Departments and agencies, that takes account of their needs and provides them with an effective combination of income and other support services.*

"Sharing in Progress: National Anti-Poverty Strategy" was published in April 1997 and contains specific references to fuel poverty. It is through Department's Baseline documents and work plans that the NAPS is given effect. This Department's baseline document sets out the issues relating to fuel poverty and the key action points which must be addressed. (Relevant extracts are provided in Appendices E and F.)

Heating costs are a particular issue for the long term dependent and the schemes are targeted at those in receipt of long term payments. The fuel schemes are part of the existing response to addressing the needs of those who are long term dependent.

Conclusion

Having considered the above, the Group concluded that in the context of the current primary rate levels of payment and the focus of the Department's policy direction the objectives of the schemes are still valid and compatible with this Department's mission and current strategy statement.

6. HAVE OBJECTIVES BEEN ACHIEVED ?

To examine and report on National and Smokeless Fuel Schemes with a view to:-

- (c) *evaluating the extent to which these objectives have been achieved, taking account of other relevant arrangements*

Introduction

The objectives of the schemes are to address recurring needs of low-income households. Consideration of whether the objectives have been reached therefore focused on whether the target groups are being reached and whether alternative arrangements have reduced or eliminated the need for fuel allowances. In this context, the “other relevant arrangements” to be taken into account are the improvements in the standard payment rates.

National Fuel Scheme - Improvements Since Introduction

Improvements to the scheme since it was established in its present form in 1988 have concentrated on extending the categories of people who qualify and on easing the means test. The following improvements have been made to the scheme since 1988:

Extension of entitlement to additional categories of people

- 1989** • extended to include EC pensioners
- 1990** • extended to Smallholders in receipt of long-term Unemployment Assistance
- extended to long-term Unemployment Assistance recipients who reside with a short-term Unemployment Assistance recipient
- extended to recipients of the Lone Parents allowance (now incorporated in the One-Parent Family Payment)
- age limit for a child dependent in full time education increased from 18 years to 21 years
- 1994** • extended to Disabled Persons Rehabilitation Allowance recipients
- 1995** • age limit for a child dependent in full time education increased from 21 years to 22 years
- 1996** • means limit relaxed to £15 per week or savings/investments of £8,000 above the appropriate Contributory Pension rate (this built upon previous relaxations of this criteria)

In addition, Bilateral Security Agreements have been extended as follows:

- 1990** • to include Austrian pensioners
- 1992** • to include Canadian pensioners
- 1993** • to include Australian and American pensioners
- 1994** • to include New Zealand pensioners
- 1996** • to include Quebec pensioners

Retention of entitlement as a work incentive

As part of the Government's policy of easing the transition from welfare to employment, provision was made for the retention of certain secondary benefits, including Fuel Allowances, in prescribed circumstances in the case of people participating in an employment support programmes:

- 1990** • Vocational Training Opportunities Scheme
 - Second Level Allowance⁽¹⁾
 - Third Level Allowance⁽¹⁾
- 1993** • Area Enterprise Allowance
- 1994** • Community Employment Programme
- 1995** • Back to Work Allowance
- 1996** • Jobstart
- 1998** • Revenue Job-Assist

Smokeless Fuel Scheme - Improvements Since Introduction

The terms of the Smokeless Fuel allowance scheme remain unchanged since its introduction in 1990 but its geographic coverage has been extended:

- 1995** • extended to Cork City
- 1998** • extended to Limerick City, Wexford Town, Arklow, Drogheda and
(Oct) Dundalk

⁽¹⁾ Now called Back to Education Allowance

⁽¹⁾ Now called Back to Education Allowance

Providing for the heating costs of people on low incomes

Given these developments, the validity of the scheme was examined to assess if it is still necessary and targeting the correct people, taking into account other relevant arrangements. The focus of this assessment was the income level of recipients as the only other relevant arrangements in this context are the basic adequacy of the standard payment rates.

The genesis of the National Fuel Scheme was the Second World War when arrangements had to be made to ensure that needy households could get fuel at a time of scarcity and rising prices. When the fuel scheme was standardised on a national basis in 1988, its objectives were not reassessed, even though the circumstances of social welfare recipients had improved enormously since the introduction of the fuel schemes. Given that the objective of the scheme is to help low income households, a question arises about the future of the scheme as the great majority of social welfare rates are at, or above, the minimum rates recommended by the Commission on Social Welfare (as adjusted for inflation). In particular, given the commitment to increase Old Age pensions to £100 pw by 2002, the continued payment of the fuel allowance to pensioners has to be questioned.

The Group considered whether the scheme should continue regardless of the improvements in the primary weekly payments. This is particularly relevant in the light of the Government's commitment to raise pensions to £100 per week over time, a level which is above the target rate set by the Commission on Social Welfare. A rate of that level could be viewed as covering fuel and other subsistence needs adequately without need for special supplementation.

In the first instance, the Group considered whether the fuel allowance scheme should be discontinued as payment rates reach the CSW target rates. In 1986, the Commission on Social Welfare (CSW) stated that "*The minimum income from social welfare must be set at a sufficiently high level to provide for total income needs*" (Pg. 189) and recommended minimum adequate payment rates in the range of £50 to £60 per week in 1985 prices. The CSW also stated that "*If payment levels are adequate, then there is no reason in principle why non-cash benefits should also be provided.*" (Pg. 207) but in discussing non-cash benefits the CSW went on to say that "*... a case can be made for retaining these schemes within the proposed payment structure, subject to certain modifications*" and recommended that fuel allowances should continue in the context of the recommended rates being achieved. The Commission did not reach a definitive conclusion on whether specified allowances such as Fuel should be retained.

In current values, the CSW recommended primary payment rate levels are in the range £70.10 to £84.20 per week. Almost all payment rates have now reached the lower end of the range recommended by the CSW. The highest standard weekly payment rates (i.e. excluding living alone allowance, over-80 allowance and other additional supports) are still within this recommended range and very few recipients of fuel allowance receive primary weekly payments below the recommended range. Appendix I provides more detail on the updating of the CSW's recommended rates.

For this reason, the Group has concluded that there is some way to go before Fuel Allowances could be discontinued as people on income levels close to current social welfare payment rates would face difficulty in providing for their heating needs in the absence of the Fuel Allowance. This is because these income levels are minimally adequate and do not allow a great deal of scope for fluctuations in needs, particularly as between Summer and Winter. There is, therefore, a continuing requirement to provide an increased payment during the heating season. In any event, if the Fuel Allowance was incorporated in the standard weekly payment, by paying either half the current amount or even the full current amount for all 52 weeks of the year, the Group felt that there would be calls for the re-introduction of an additional payment during the winter months in recognition of the higher living costs at that time of the year.

The Group went on to consider whether the scheme should continue in the context of the improvements in primary weekly payments beyond those identified by the Commission on Social Welfare. The Report of the National Pensions Policy Initiative was launched in May 1998 and is being considered by the Government at present. The Report states *"having reviewed the issues raised in relation to both adequacy and coverage and bearing in mind the difficulties ... of determining a target based on objective criteria, the Board nonetheless considers that a target rate of 34 per cent of average industrial earnings, vis-à-vis, the post Budget 1998 rate of 28.5 per cent, should form a backdrop to the achievement of the Government's £100 per week target and that this achievement should be accelerated, insofar as possible. In any event, the Board considers that the target which it proposes should be achieved within a 5 to 10 year period, effectively seeing achievement of this target rate as moving along an income continuum of what the Board regards as desirable. Related to average industrial earnings of £291 per week (based on estimated earnings data for 1997) meeting the Board's proposed target rate of 34 per cent would result in a current weekly pension of around £99. Moreover, the Board considers that this figure should be updated to reflect earnings increases over the 5 to 10 year period envisaged by the Board for the full implementation of its proposed target rate. (Rec. 6 S.5.1.5)"* (Pg. 10).

The Board was conscious of the role secondary benefits, including Fuel Allowances, play in the total support package provided to older people. However, they pointed out that these benefits are not universally available (e.g. household composition rules can preclude pensioners from receiving Fuel Allowance) and some of the payments are specifically targeted at the elderly precisely because of the presumption that they have special needs. For these reasons, the Board felt that while benefits such as Fuel Allowance should be acknowledged, *“it could be misleading to take full account of these in arriving at a target weekly rate of payment.”*³

Conclusion

The scheme itself, while significant in absolute expenditure terms, is of comparatively low marginal extra cost in the context of overall scheme expenditure. The individual weekly payments are also a relatively low proportion of average social welfare payments to individual clients. However, as emerged in the consultations which took place with various representative groups (details in Appendices A, B and C), the support offered by the scheme is particularly welcomed by the recipients. The Group concluded that it was not realistic to withdraw the fuel allowance where incomes rose marginally above the CSW minimum rate because it would be seen in effect as taking back the increases in main personal rates from people whose incomes were barely adequate.

The Group considered that the issue of higher costs in the winter time might result in the need for a two tiered payment, even in a revised structure where the recipients were no longer considered to be on low income. As payments increase in line with Government commitments e.g. £100 per week for old age pensioners, which would bring this social welfare payment to a level which might no longer be considered as low income, the cessation of the fuel scheme would be seen as a partial claw back of the increase. If the scheme was abolished at that stage, it is likely that demands would arise subsequently for special winter assistance, similar to the current allowance.

Accordingly, the Group decided that the scheme should remain in place but that the present rates of payment should remain unchanged if improvements in primary payment rates fully compensated recipients for all price inflation, including fuel price inflation.

The Group felt that if pension rates at the levels recommended in the National Pensions Policy Initiative Report were implemented, there may be no need for supplementation of fuel costs on a general basis, although it noted the Pension Board's view that it could be misleading to take full account of Fuel Allowances (and other benefits) in arriving at a target weekly rate of payment. However, if Fuel Allowances are discontinued, then the primary weekly payment rate could be varied upwards in winter to cover additional heating

³ National Pensions Policy Initiative, Section 5.1.4, Page 86.

costs, for example, by paying say £96 per week for summer months and £104 per week in winter months to yield an average £100 per week.

The **Smokeless Fuel Scheme** (SFS) was introduced to assist people on low incomes with increased expenditure which arose as a direct consequence of public policy in relation to air pollution control. Because of this, the need for the SFS would have to be considered even in any revised payment structure where the NFS was discontinued.

Overall, the Group concluded that :

- (i) it is valid that the State is doing something meaningful to help low income households with their winter heating needs;
- (ii) the scheme was warranted and should continue as a specific cash heating assistance for low income households in the winter season;
- (iii) the scheme should be promoted and advertised on a wider basis, as recipients and potential recipients may not be aware that the winter increase in their payments is a fuel allowance.

Given the above, the Group agreed that there is a continuing need for the schemes and re-stated their Objectives as follows:

- (i) **National Fuel Scheme - to provide a financial supplement to low income households so as to assist towards their home heating needs.**
- (ii) **Smokeless Fuel Scheme - to help to offset the additional cost to people on low incomes arising from the ban on bituminous coal in certain built up areas.**

7. EXPENDITURE

To examine and report on National and Smokeless Fuel Schemes with a view to:-

- (d) *establishing the level and trend of (a) the cost and (b) the staffing resources associated with the scheme activity*

Programme Expenditure

As stated earlier, the Fuel Allowances account for some £45m. of Programme Expenditure within the Social Welfare Vote. This represents about 1% of overall social welfare spending, taking into account both Exchequer funded and Social Insurance based expenditure. Fuel allowances account for about 2% of Exchequer spending on social welfare.

The Fuel Allowances are paid on a per household basis (details of the qualifying conditions are set down in Appendix D.) The rates of the Allowances - NFS £5 and SFS £3 - have not been increased since October 1985 and October 1990 respectively. The table below sets out the expenditure on the allowances from 1990.

Year	Expenditure on the National Fuel Scheme		Expenditure on the Smokeless Fuel Scheme		Total Expenditure	
	£m	% growth	£m	% growth	£m	% growth
1990	26.785		2.330		29.114	
1991	28.542	6.5	5.595	140.1	34.136	17.2
1992	31.500	10.3	5.857	4.7	37.356	9.4
1993	31.726	0.7	5.798	-1.0	37.524	0.4
1994	33.831	6.6	6.072	4.7	39.903	6.3
1995*	35.693	5.5	7.053	16.2	42.746	7.1
1996	36.693	2.8	7.645	8.4	44.338	3.7
1997	37.286	1.6	7.659	.02	44.945	1.4

Expenditure is based on a calendar year

* Smokeless Fuel Allowance extended to Cork

Expenditure on the Smokeless fuel scheme (SFS) has increased by approximately 36% since 1991, which was the first year that the scheme operated for the full heating season. The growth in expenditure on the SFS is explained largely by the extension of the scheme to the Cork urban area in February 1995, which affected expenditure on a full year basis from 1996 onwards. Expenditure also reflects increases in the number of recipients of qualifying payments.

Total expenditure on the National Fuel Scheme has grown by £10.6m or approximately 40% in the period from 1990 to 1997. The Goodbody report gave three reasons for the increases in expenditure up to 1995 :

- extension of the NFS coverage (certain DPMA recipients and certain participants in Community Employment)
- increases in the number of recipients of qualifying payments (most notably Long term unemployed, lone parents, invalidity pensioners, and PRETA recipients); and
- increased penetration of the NFS among the population on qualifying payments (PRETA, and to a lesser extent lone parents).

The first two factors listed above are the dominant reasons for the increase in expenditure, as penetration levels remained relatively unchanged. Expenditure on the fuel allowances can be divided into seven main categories of recipients:

- (i) the elderly,
- (ii) the unemployed,
- (iii) widow/ers and
- (iv) the ill and disabled,
- (v) one-parent families,
- (vi) people in employment support programmes,
- (vii) other recipients.

Details of the primary weekly payments which are included in each of these categories are provided at Appendix G. Expenditure across these categories for 1995, 1996 and 1997 is set out in the table below:

Recipient Category	National Fuel Scheme Expenditure (£000)			Smokeless Fuel Scheme Expenditure (£000)		
	1995	1996	1997	1995	1996	1997
Elderly	9,483	9,553	9,737	1,316	1,369	1,396
Unemployment	9,100	9,083	7,884	2,125	2,313	1,847
Widowed	6,700	6,739	6,705	1,444	1,470	1,424
Ill & Disabled	2,858	3,073	3,551	449	539	765
One Parent Families	2,933	3,359	4,025	805	926	1,088
Employment Support	1,805	1,999	2,421	338	420	523
Other	2,786	2,886	2,963	576	608	616
TOTAL	35,664	36,693	37,286	7,053	7,645	7,659

The 1998 Estimates provide for Fuel Allowances as follows:

National Fuel Scheme (NFS):	291,000 x £5 x 26 weeks	=	£37.8m
Smokeless Fuel Scheme (SFS):	95,000 x £3 x 26 weeks	=	<u>£ 7.4m</u>
Total		=	<u>£45.2m</u>

The increase of £514,000 provided in the 1998 Estimates for expenditure on the NFS over the 1997 outturn was due to an expected increase in the average number of recipients. SFS was expected to show a reduction of £259,000 in view of the fall in the Live Register. This is reflected to a greater degree in the SFS figures as certain unemployed people receive SFS but are not entitled to NFS, although the fall in the number of recipients of both NFS and SFS is mitigated by the provisions for retention of Fuel Allowances as a work incentive in certain cases where people make the transition from unemployment to work.. This original estimate did not take account of the extension of the allowance to 5 new areas - Limerick city, Wexford town, Arklow, Drogheda and Dundalk from October 1998 which is expected to cost £.5m in 1998 and £1m in a full year.

The Goodbody report considered future trends in expenditure and concluded that growth in expenditure would be relatively modest in the medium term if no further extensions of the scheme took place. In the longer term, the report suggested that as the number of elderly persons in the population is expected to increase from 11 percent of the population to 16 per cent by the year 2021 (CSO, 1995) a stronger underlying growth in expenditure may be evident in the next decade.

Administration Costs

Establishing the cost of administration of these schemes is difficult insofar as they are administered for the most part in conjunction with the recipients' primary weekly payments (Old Age Pension, Unemployment Assistance and so on).

In 1994 an apportionment exercise which attributed all administrative costs against the schemes operated by the Department was undertaken. (Copy of letter to the Department of Finance setting out the basis for the exercise is attached at Appendix H.) The exercise was based on staffing levels and expenditure in the year ending 31/12/92. At that time the cost of administration of the National Fuel Scheme was determined to be 0.32% of overall Departmental administration costs and the incremental cost of administration of the Smokeless Fuel Scheme was 0.02% of overall Departmental administration costs (i.e. the cost of administration associated with those who receive both NFS and SFS - £8 per week - is attributed in full to the NFS) .

While there have been improvements in the schemes since the exercise was carried out, they are not considered to have had a significant impact on the cost of administration of the schemes. It is assumed for the purposes of this Review, therefore, that the proportions of overall Departmental administration costs attributable to the Fuel Allowance schemes have not changed since the most recent apportionment exercise was completed in 1994.

On that basis, the cost of administration of the NFS in 1997 amounted to £614,700 with a further incremental cost of £38,400 in respect of the SFS, within total Departmental administration costs of £192m. The cost of administration of both schemes taken together was approximately £653,000 equivalent to less than 1.5% of programme expenditure on Fuel Allowances. This compares favourably with the average cost of administration for all of the Department's schemes, which was equivalent to 4.62% of total Departmental programme expenditure in 1997. This low administrative cost overhead is due partly to the incorporation of fuel allowance administration within general pension and allowance claim processing systems, as well as to the cost-efficient method of fuel allowance claim processing and payment.

Administration Procedures

Application

Application forms for the fuel allowances are submitted for decision to the office appropriate to the claimants pension/allowance. In the case of those on a means tested payment a further means test is not carried out. Once the allowance is put into payment a recipient does not need to re-apply in each heating season.

Generally (subject to other work demands) an annual check is carried out each year on a percentage of customers at the commencement of the fuel season to ensure that they retain their entitlement to the fuel allowance.

Appeal

As the schemes are not statutory i.e. not set out in legislation, no automatic right of appeal exists. However, the decision on a fuel application will be re-examined in the light of any new facts available.

Payment method

At present the allowances are paid with/as part of the qualifying payment either weekly or monthly by being incorporated into the qualifying payment (included in the pension book at renewal time). The method of payment therefore depends on the main method of payment i.e. EFT, PPO, Cheque, Postdraft, EIT. Those in receipt of a payment under a Bilateral agreement or EU regulations are paid weekly via a PPO book or where possible by a composite book. The Goodbody report recommends that the allowance should continue to be paid as a supplement to the primary weekly social welfare payments.

Staffing resources

As fuel is not administered through a central section figures in relation to staffing resources associated with the administration of the schemes are not readily available. The relevant sections have estimated the amount of resources involved and have provided details of the work undertaken as set out below.

- *Local Offices (LOs)*

It is estimated that resources equivalent to approximately 14 staff members throughout the 57 Social Welfare Local Offices are involved in administering the schemes. The staff requirement by Local Office obviously depends on the volume of claim in flows in each Local Office.

In areas where the Smokeless Fuel Allowance is payable an application form is issued once a person has signed the unemployment register for 78 days. A person in receipt of the Smokeless Fuel Allowance automatically receives the National Fuel Allowance if they qualify for Long Term Unemployment Assistance. In areas where the SFS is not payable a person is issued with an application form for the NFS if they qualify Long Term Unemployment Assistance.

- *Pensions Services Office (PSO)*

The amount of staff resources involved in operating the National and Smokeless Fuel Schemes in the PSO is estimated at 10 clerical staff. Most of the work in the PSO is undertaken in the early part of the fuel season in deciding on applications, putting claims which are awarded in to payment and responding to queries as they arise.

Claims for the allowances are generally desk assessed i.e. based on the information supplied on the application form and the material available within the Department. Apart from deciding on new claims the office also deals with a small number of repeat claims from people whose claims have been rejected in the past and from people in receipt of the allowance who are not aware that they are getting the payment. a number of claims which were previously rejected

When a claim has been awarded the Payments section calculates any arrears due and orders the necessary payment book or sets up an electronic payment. In general these allowances are incorporated into the recipient's primary weekly payment, and therefore do not incur additional payment agency charges for the Department. The Maintenance section undertakes the ongoing upkeep of the claim. It is responsible for calculating overpayments and the 6 week after death payments. It is also responsible for recalling payment books where the client details change.

- *Longford*

The amount of staff resources involved in operating the National and Smokeless Fuel Schemes in the Longford office is estimated to average out at 2.5 clerical staff per annum. Most of the work in the Longford Office is undertaken in the early part of the fuel season in deciding on applications, putting claims which are awarded in to payment and responding to queries as they arise. Claims for the allowances are generally desk assessed i.e. based on the information supplied on the application form and the material available within the Department. Apart from deciding on new claims the office also deals with a small number of repeat claims from people whose claims have been rejected in the past. In general these allowances are incorporated into the recipients basic payment.

The Group considered that, in the absence of any significant changes to the scheme or the current administrative arrangements, administration costs in the future were likely to remain similar to the percentages set down in the apportionment exercise. For example the allowance is currently paid in conjunction with the recipients basic payment, if a separate payment order was to issue for the fuel allowance the cost would be approximately 80 pence per transaction.

Conclusion

Administration of the two schemes amounts to 0.34% of total administration costs whereas programme expenditure on the National and Smokeless Fuel Allowance Schemes amounts to approximately 1% of the Department's total programme expenditure. The cost of administration of the schemes is therefore about one third of the average for all the Department's schemes.

Expenditure on Fuel Allowances increased by 55% between 1990 and 1997. About one third of this increase is attributable to the ban on the sale of bituminous coals in Dublin and Cork. The balance is due to the extension of the scheme to additional categories of people and increases in the number of recipients of the original qualifying payments. The rate of increase in expenditure has tapered off in recent years. NFS payment rates have not increased since 1985 and the SFS payment rates remain unchanged since the scheme was introduced in 1990.

The Group considers that the administration of the schemes is straightforward, that the associated costs are low and were unable to suggest any less costly mechanism of administration. Alternative approaches could give rise to significant increases in the cost of administering the scheme and would need to be considered carefully in view of the relatively low level of payment.

8. OUTPUTS

To examine and report on National and Smokeless Fuel Schemes with a view to:-

- (e) *defining the outputs associated with the schemes activity and identifying the level and trend of those outputs*

Defining the outputs

The outputs of the schemes are the number of payments made. Fuel Allowances are paid per household and that the number of beneficiaries of the allowance will vary from household to household. Figures for household composition of recipients are not available. Only one fuel allowance is payable per household in cases where more than one household member would otherwise qualify, as for example, in the case of an unemployed person living with an elderly parent. For this reason, beneficiaries who are not fuel allowance recipients may themselves be potential recipients should their current household composition change. The table below shows the average number of recipients in each of the years from 1990 to date.

Year	Number of Fuel Allowances
1990	206,000
1991	221,800
1992	235,000
1993	251,000
1994	260,200
1995*	274,500
1996	281,900
1997	286,800
1998(E)	291,000

Recipient numbers are based on a calendar year

* Smokeless Fuel Allowance extended to Cork

(E) Estimated

Year	Smokeless Fuel Scheme Recipients
1990	69,700
1991	72,000
1992	75,000
1993	76,500
1994	79,100
1995*	91,100
1996	98,700
1997	98,200
1998(E)	95,000

Recipient numbers are based on a calendar year

* Smokeless Fuel Allowance extended to Cork

(E) Estimated

Note: Some 4,500 people receive Smokeless Fuel Allowance of £3 per week and do not qualify for the standard National Fuel Scheme payment. In all other cases, the Smokeless Fuel Allowance is included in the total Fuel Allowance payment of £8.

Profile of Fuel Allowance recipients

A breakdown of the number of recipients into seven main categories is provided in the Table below for the years 1995, 1996 and 1997.

- (i) the elderly,
- (ii) the unemployed,
- (iii) widow/ers and
- (iv) the ill and disabled,
- (v) one-parent families,
- (vi) people in employment support programmes,
- (vii) other recipients.

Details of the primary weekly payments which are included in each of these categories are provided at Appendix G.

Recipient Category	National Fuel Scheme (includes people who also receive £3 pw Smokeless Fuel Allowance)			Smokeless Fuel Scheme (all but 4,500 also receive £5 pw National Fuel Allowance)		
	1995	1996	1997	1995	1996	1997
Elderly	72,945	73,486	74,898	16,873	17,550	17,906
Unemployed	69,999	69,871	60,650	27,249	29,659	23,678
Widowed	51,537	51,838	51,574	18,509	18,844	18,256
Ill and Disabled*	21,984	23,638	27,315	5,743	6,915	9,807
One-Parent Families	22,558	25,840	30,964	10,324	11,865	13,950
Employment Support	13,883	15,380	18,623	4,330	5,388	6,703
Other*	21,431	22,200	22,793	7,384	7,782	7,897
TOTAL	274,337	282,253	286,817	90,412	98,003	98,197

* Recipients of Disabled Person's Maintenance Allowance, now Disability Allowance, was re-categorised from "Other" to "Ill and Disabled"

Profile of unemployed recipients

A breakdown of those in receipt of the allowance, during the 1997/1998 heating season, based on a qualifying unemployment payment is provided below by gender, age and marital status. This shows that 83% of recipients are male and 64% are aged between 35 and 54 years. 55% of recipients are married, 34% are single, with deserted people comprising the single largest category of the remaining 11%.

97/98 season	Male	Female	Total
NFS only (£5)	22,053	4,104	26,157
SFS only (£3)	1,472	702	2,174
Both (£8)	15,442	3,332	18,774
Total	38,967	8,138	47,105

Age Profile of Recipients of NFS (£5) and both NFS and SFS (£8)	
Under 25 years	2,171
25-34 years	9,578
35-44 years	13,775
45-54 years	14,863
55-59 years	3,008
60 years +	1,536

SFS Only (£3) not included

Marital Status of Recipients of NFS (£5) and both NFS and SFS (£8)	
Married	23,728
Single	15,330
Deserted	2,052
Divorced	1,457
Common Law / Cohabiting	875
Separated	323
Widowed	130
Legally Separated	12
Unknown	1,024

SFS Only (£3) not included

Profile of elderly recipients

Fuel allowances paid to people aged 66 years or more account for 40% of all fuel allowances. A breakdown of the 115,061 people in receipt of the allowance, during the 1997/1998 heating season, who are aged 66 years or more is provided below. This shows that 50% of these recipients are aged 76 years or more (about 20% of all fuel allowance recipients) and 25% are aged 81 years or more (about 10% of all fuel allowance recipients).

Recipients Aged 66 and over			
Age Group	NFS (£5)	Both (£8)	Total
66-70	19446	7622	27068
71-75	22626	7883	30509
76-80	20580	7218	27798
81-85	13902	5076	18978
86-90	5967	2446	8413
91-95	1365	665	2030
96-100	171	76	247
101-105	10	8	18

Recipients aged 66 and over do not receive SFS only.

As was pointed out earlier, the SWA scheme also provides for the payment of heating supplements in certain circumstances who have special heating needs. SWA also provides Exceptional Needs payments (ENPs) in respect of essential, once-off, exceptional expenditure, which applicants could not reasonably be expected to meet out of their weekly income. Most of the ENPs related to heating needs are in respect of arrears owed to the ESB or An Bord Gais for overall household electricity or gas used. For completeness, the following Tables shows the number of recipients of heating supplements and ENPs which are at least partly related to heating needs:

Recipients of Heating Supplements	
YEAR	TOTAL
1994	1,902
1995	2,004
1996	1,754
1997	1,522

Number of recipients of SWA Exceptional Needs Payments related to Heating needs				
Year	ESB	GAS	Other	Total
1994	7,834	1,333	1,271	10,438
1995	5,927	1,118	1,159	8,204
1996	5,054	1,194	1,111	7,359
1997	4,403	1,133	903	5,319

In a small number of cases some recipients may receive more than one payment during the year.

Conclusion

Fuel Allowance outputs directly mirror the trend of increased expenditure as there has been no increase in payment rates since 1985 (NFS) and 1990 (SFS). The rate of increase in the number of payments issued has tapered off in recent years, rising by 1.7% in 1997 compared to the previous year, compared to a year-on-year increase of 2.8% in 1996.

9. EFFICIENCY AND EFFECTIVENESS

To examine and report on National and Smokeless Fuel Schemes with a view to:-

- (f) commenting on how efficiently and effectively the schemes have achieved the objectives, bearing in mind the groups identified as being most likely to be in need.*

Efficiency

Efficiency at the most basic level can be considered as the ratio of outputs to resources. These have been looked at in detail in Sections 7 and 8 preceding and the Group is of the view that the schemes are extremely efficient from an administration cost perspective.

In a broader sense, efficiency can be considered in the context of the extent to which the allowances are paid to people who either do not need them or who choose to use them for other purposes. The Household Budget Survey conducted by the Economic and Social Research Institute shows that the average percentage of household expenditure spent on fuel and light for the State as a whole is 5.0%. The following households/individuals spend more than the average:

- (i) Retired people - between 6.8% and 10.8%
- (ii) People who are out of work - 6.7%
- (iii) Households living in residences which are owned outright (perhaps a disproportionate number of older houses) - 6.1% - and local authority houses - 7.7%.
- (iv) One or two person households (7.8% and 6%, respectively)
- (v) Low income households, particularly the first three deciles.
- (vi) Households at the lower end of the socio-economic scale.

Further detail is provided in Appendix J.

The NFS/SFS target some of these groups specifically (e.g. retired people, the unemployed, low income households). The eligibility criteria for the NFS/SFS regarding residence (the customer must live alone or with a person/persons who would also be eligible) mean that one or two person households are already closely targeted for receipt of the Allowances.

The ESRI publication "Poverty in the 1990's- Evidence from the 1994 Living in Ireland Survey" contains data from surveys carried out in 1987 and 1994 on "Life-Style and Deprivation Indicators". Respondents were asked which items they believed were "*necessities-that is things which every household (or person) should be able to have and that nobody should be able to do without*", which items they did not themselves have/avail of and which of these they would like to have but had to do without because of lack of money.

Regarding the question on heating, in 1987 the question was whether the respondent had "*heating for the living room when it is cold*" while in 1994 it was a much broader one on availability of "*adequate heating for your home*" to which a much higher proportion responded in the negative. The Report states that the wording in the two surveys is "*sufficiently different to make direct comparisons misleading*" (page 100).

Additional questions were asked in both surveys. Regarding the heating issue, the household manager was asked whether "*s/he had to go without heating during the last year through lack of money i.e. having to go without a fire on a cold day or to go to bed early to keep warm or light the fire late because of lack of coal/fuel*".

In 1987 the percentage of household managers answering this in the positive was 6.6% and in 1994 it was 8.3%. This is the only one of the four additional questions (the others refer to food, entertainment and debts) which showed an increase in the number of respondents who said that they experience that form of deprivation. However, it seems quite likely (though this is not referred to by the ESRI) that the increase in respondents answering in the positive to the additional question regarding heating may be related to the much broader initial question asked earlier (see above). For that reason, the Group concluded that no inferences could be drawn in relation to the effectiveness of the schemes on the basis of this survey data.

The Goodbody report looked at efficiency in the context of the extent to which the allowances are paid to people who either do not need them or who choose to use them for other purposes, taking account of the wider fuel poverty environment. That Report found that "*The Allowance does not particularly target those with the highest heating costs. Greater efficiency could be achieved if the Allowance could be target on households residing in old houses and relying on open fires.*" (Pg. 54) However, that report did state that "*The allowance is directed at those on low incomes by virtue of the means test which is applied to those on social assistance qualifying payments and the income ceiling for those on contributory benefits. It is well targeted from the 'income side'.*" (Pg. 23)

While the Group broadly agreed with this later view, some of the expenditure on Fuel Allowances is directed to households with incomes significantly greater than that provided by standard weekly social welfare payments, which range from £68.40 (Supplementary Welfare Allowance/ Short term Unemployment Assistance personal rate) to £83 (Retirement Pension personal rate). Examples include people who retain entitlement as a work incentive on moving into employment or self-employment and One-parent Family Payment recipients who can earn up to £12,000 per annum and retain entitlement to a reduced rate of One-parent Family Payment which in turn automatically carries entitlement to Fuel Allowance. This point is illustrated in the following Table which sets out the upper income limits up to which fuel allowances are paid to various categories of recipient:

Income limits for various household types which qualify for the Allowances

Payment Type	Household Make-up	Weekly D/SCFA Payment	Household income limit
Old Age Contributory Pension	Personal rate (under 80)	£83.00	£98.00
Old Age Contributory Pension	Personal rate (under 80) Qualified Adult (under 66)	£135.50	£150.50
Invalidity Pension + Carer's Allowance	Personal rate(u-66)= £72.20 Carer's Allowance = £70.50	£142.70	£157.70
One-Parent Family Payment	OFP = £85.70 (one child)	£85.70 + earnings £115	in effect £201.08
Long term UA	Personal rate = £70.50 Qualified Adult = £41.20	£111.70 + QA earnings £60	in effect £171.70
Back to Work Allowance - Year 1	Personal rate Qualified Adult	£83.78	£250
Area Allowance (Enterprise)	Personal rate = £70.50 Qualified Adult = £41.20	£111.70	none

All rates as at June 1998

An issue of equity arises here when the situation of a contributory pensioner who does not qualify for the allowance because they have a small occupational pension (e.g. £16 per week) is compared to that of an Area Allowance Enterprise recipient who retains entitlement regardless of income or a One-Parent Family Payment recipient who can have income from employment of up to £230 per week and still qualify for the allowance. The following Table shows number of recipients of One-Parent Family Payment for various payment ranges and shows that only small numbers of recipients are paid below the standard rate. While One-parent Family Payment clients can earn up to £6,000 and receive a maximum-rate payment most One-Parent Family recipients do not have significant (or any) income from employment:

Recipients of One-Parent Family Payment	
Payment Range	Number
0-80	7,456
80-90	44,360
90-100	6,848
100-130	2,570
130-240	277
Total	61,511

(There is a close correlation between the rate of payment and the number of children in one-parent families. To the extent the Fuel Allowance is being paid to those on higher rates, this is due to increased number of child dependants in those families. Increased family size, and presence of younger household members, increases heating requirements in those households, warranting ongoing fuel allowance assistance in those higher-rate cases also. .

In the case of the SFS, the payment is made to all eligible applicants living within the designated areas without any knowledge of the type of heating used. Thus, it is likely that a certain proportion of households within the designated areas are receiving the allowance even though they are not using the more expensive smokeless fuel. The Goodbody report considered this issue and concluded that *“The extent to which recipients do not have an open fire is unknown, although it may be relatively small”*.

The Group considered that the only way to eliminate payments where households were not using smokeless fuels would be to establish what type of heating system is in use in each house where payment is currently being made and for all future applications. It would be uneconomic to introduce a differentiated Fuel Allowance scheme based on each individual’s home heating arrangements as the administrative cost was likely to significantly outweigh any savings (£3 X 26 weeks = £78 per household per annum) which would arise from disqualification. However, the Group felt that overall Smokeless Fuel Allowance usage patterns should be monitored and if it were found that significant numbers of recipients were not purchasing smokeless fuels, then the need for the Smokeless Fuel Allowance in general would have to be reviewed.

Impact of SFS on air quality

In general, the Group did not consider that social welfare clients per se, or the existence of the SFS, has any appreciable bearing overall on air quality. Rather the assistance scheme is available to low-income households as a consequence of air quality improvement measures affecting all residents and industries in the relevant designated areas.

Nonetheless, it was felt within the Group that it is important that adequate supplies of smokeless fuels are provided by the solid fuel trade, and that relevant local authorities ensure an efficient enforcement regime is implemented in the designated smoky fuel sale ban areas. Otherwise the benefits to air quality will not be fully realised, and the returns on Exchequer funding aimed at offsetting the additional cost of purchasing smokeless fuels by social welfare clients will not be fully maximised.

There are some anecdotal indications that the incentive of a potential additional £3 a week through the Smokeless Fuel Allowance for social welfare clients might be a factor in encouraging other urban areas to seek to attain smokeless fuel designation irrespective of, or at least in addition to, actual winter air quality levels in those areas. As against that, there are also indications that social welfare clients are not necessarily aware that they are receiving a specific fuel allowance in their aggregate weekly payment in winter, and also that the cash allowance might be used for expenditures other than fuel in any given week. On balance, the Group considered that this scheme is not seen as being of significant influence on urban areas' seeking to have smokeless fuel designation. However, the group considers it important to promote awareness the existence of the scheme more actively amongst low-income households generally, so that clients are aware that they are being assisted with heating costs in winter months and - in the case of the SFS - they are receiving additional Exchequer support towards extra fuel costs in the designated areas.

Effectiveness

Effectiveness is a measure of the degree to which the schemes have met their objectives. It may be considered in the context of the number of low income households which face difficulty in meeting their heating needs because the schemes do not reach them or because they provide an inadequate level of support.

While, the Goodbody report considered effectiveness, it did so from a wider fuel poverty perspective and concluded that *“the Allowance has been only moderately effective in combating fuel poverty.”* This view was based on

“evidence of:

- *excessive expenditure on fuel;*
- *considerable recourse to the Supplementary Welfare Allowance system for additional support towards heating bills;*
- *evidence, albeit of a patchy nature, that average temperatures in Irish homes are below acceptable norms;*
- *evidence of spatial shrink; and*
- *excessive mortality rates during winter periods.”* (Pg. 22)

The report suggested that this relatively low level of effectiveness was:

“because of:

- *the low level of payment relative to the required heating expenditures of certain low income households. This is particularly a problem for households which live in older dwellings with poor insulation standards and no central heating;*
- *the failure to extend the Allowance to all low income groups which are at risk of fuel poverty, in particular, the short-term unemployed and the long term disabled who spent above average durations in the home; and*
- *the flat rate nature of the payment, which means that it does not reflect the greater space heating requirements of larger households.”* (Pg. 22)

The Group examined each of these factors, the first two of which were considered to be the most important in reducing the effectiveness of the scheme.

Low level of payment

While the rate of payment has not increased since 1985, the overall combination of primary weekly social welfare payment plus the fuel allowance has increased considerably over the years, giving recipient the option of reducing the proportion of total income going on heating costs. The Group considered whether the Fuel Allowance rates should be indexed and if so, on what basis. The table below sets out the percentage movements in payment rates, the full Consumer Price Index (CPI) and the Fuel & Light component of CPI in the period since the current rate of Fuel Allowance was set in 1985:

Standard Retirement Pension + £5 NFS

Year (Oct)	Weekly Payment including £5 NFS	Total Payment Index	CPI - All items	CPI - Fuel & Light
1985	£56.40	100.0	100.0	100.0
1990	£66.50	117.9	117.7	100.3
1995	£77.80	137.9	133.2	105.6
1997	£83.00	147.2	137.4	107.5
1998	£88.00	156.0	139.3*	108.1*

* CPI indices are based on Yearly figures. 1998 figures are based on year to April 1998.

Long Term Unemployment Assistance + £5 NFS

Year (Oct)	Weekly Payment including £5 NFS	Total Payment Index	CPI - All items	CPI - Fuel & Light
1985	£39.95	100.0	100.0	100.0
1990	£57.00	142.7	117.7	100.3
1995	£67.50	169.0	133.2	105.6
1997	£72.50	181.5	137.4	107.5
1998	£75.50	189.0	139.3*	108.1*

* CPI indices are based on Yearly figures. 1998 figures are based on year to April 1998.

The above tables show that the aggregate rates (including Fuel Allowance) have been increased ahead of general trends in the consumer prices, and significantly ahead of the comparatively low increase in fuel costs. The Group concluded that indexation of the Fuel Allowance rate was not warranted, when considered in the light of positive improvements in the overall social welfare rates paid to recipients.

Failure to address fuel poverty

The purpose of the schemes is to provide a seasonal income supplement to assist low income households with meeting the additional costs they face during the heating season. Fuel Allowances are not intended to address the particular difficulties faced by those in fuel inefficient dwellings or fuel poverty in general and, for that reason, it is not appropriate to assess the effectiveness of the schemes in the context of the contribution they make to addressing fuel poverty.

However, the question of the reach of the schemes remains. Details of qualifying payments are given in Appendix D. The Goodbody report had recommended extending the scheme to other groups which they considered to be in need of the allowance. These included:

- (i) long-term Disability Benefit recipients,
- (ii) short-term Unemployment Assistance recipients and
- (iii) Occupational pensioners on the same basis as Old Age Contributory Pensioners.

The report also considered that some short-term Disability Benefit and Unemployment Benefit recipients might also have a need for the allowance but these were considered to be of a lower order of priority.

The Group considered whether these categories should qualify and concluded that extending the schemes to short-term recipients and to long-term Disability Benefit recipients was not sufficiently strong and would have considerable implications in terms of extending other supplements to these groups.

In considering the needs of Occupational Pensioners, the Group found that there is an anomaly at present in that a person with an occupational pension at a level which excluded them from receiving an Old Age non-contributory Pension (OAP) on means grounds could nonetheless have a lower income than persons with Old Age Contributory Pensions (OACP) who qualify for Fuel Allowances. This is because the upper income limit for receipt of Fuel Allowance in the case of Old Age Contributory pensioners is the standard rate of OACP, currently £83, plus £15, giving an income limit of £98 per week. On the other hand, the maximum weekly income which qualifies a person for Old Age non-contributory Pension is £78.50 per week. For this reason, a person with an occupational pension of, say, £80 per week does not qualify for OAP and therefore does not qualify for Fuel Allowance, while a person with an OACP and small occupational pension giving a total weekly income of £98 per week qualifies for Fuel Allowance.

Extending the allowance to include this group would necessitate new administrative arrangements and consideration of giving access to other similar schemes e.g. the Free Schemes. The numbers of additional people involved are not known, although the Group did not consider that they would be numerous. The Group concluded that occupational pensioners on a similar level of income to a person with an Old Age Contributory Pension should be treated in a similar manner.

As the objectives of the scheme related to low income households the Group considered how best to define low income. Three options were considered:

- (i) current method (i.e. available to those on incomes at non-contributory rates up to contributory rates plus £15)
- (ii) CSW target rate (upper end of the recommended range)
- (iii) CSW upper target rate plus £15

As stated in Section 6, most of the social welfare rates have now reached the lower rate recommended by the CSW (See Appendix I). Given that the CSW recommended that certain supplements be continued even if the CSW's recommended rates were reached, the Group concluded that households at these levels would continue to be considered as low income households.

The Group also considered that removing the fuel allowance as different categories of recipients reached the CSW upper target rate would be viewed as discriminating between various groups, clawing back on the increase in contradiction with the Commission's views. Accordingly, the most valid definition of low income when considering the target group for this allowance and in the current rates level situation was considered to be option (i) above.

The Group recognised that there could come a time when incomes from social welfare would be at such a level that it would be reasonable to expect people to meet their heating needs on such incomes without need for further specific assistance. In this context the Group considered that the definition of low income would need to be reviewed over time in the light of changing circumstances and expenditure priorities. However, even in those circumstances, there may be need for categories with exceptional heating needs (eg the very elderly), to continue to receive specific assistance. There may also be a need to consider a winter/summer rate differential generally in order to reflect higher heating costs in winter compared to summer months. The Group considered that such a review would be appropriate at the stage when pension rates reach the current Government target of £100 per week.

Flat rate of payment

The flat rate of payment does not reflect the greater space heating requirements of larger households. However, the Group considered that developing a rate structure based on household composition or fuel efficiency of the dwelling would

- be unduly cumbersome from an administrative point of view
- add enormously to the cost and complexity of administering the schemes which, as they are presently organised, are straightforward and efficient;
- cause resentment among those living in well-heated homes
- represent a disincentive to those with means to upgrade the fuel efficiency of their homes.

The Group concluded that moving away from the current single rate payment was not warranted.

Categories covered

As stated earlier, there is a case for extending the schemes to non social welfare pensioners (i.e. occupational pensioners) who may come within the low income category but are ruled out on the basis that they are not in receipt of a qualifying payment. While the Group were not able to establish the cost of such a move, it felt that the cost would not be great and concluded that the biggest issue to be resolved would be the administration of this extension of the scheme.

The additional heating requirements of groups who are confined to the home has been noted and this is particularly so in the case of people who are seriously ill or people with a disability. While groups representing the elderly and people with disabilities were consulted in the context of this study, the question of extending the allowance to households where a Carer's Allowance was being paid was not raised. However, in the context of a review of the Carers Allowance a number of groups consulted in that regard referred to the Free Schemes. The Carer's Allowance Review Group is considering the view that the allowance should be "passported" on the basis of payment of the Carer's Allowance and that the household composition rules should be waived in view of the Government's policy of supporting care in the community. The Fuel Allowance Review Group considered that notwithstanding the merits of the arguments for supporting those providing care in the home, payment of fuel allowances without reference to household composition would create anomalies with respect to other categories of recipients who were disqualified on the basis of household composition.

Extent of Coverage

The Group considered whether all the client categories are dealt with adequately at present and questioned whether the household composition rule should be removed for those aged 75 and over in line with the rules applying to claims for Free Electricity/ Gas. The Group concluded that the same household composition rules should apply to Fuel Allowances as apply to Free Electricity/ Gas, Free Television License and Free Telephone Rental Allowance. [The estimated cost of easing the household composition rules for those aged 75 and over is not yet available].

Income disregard

Pensioners on Retirement or Old Age Contributory Pension can have an additional income, for example from an occupational pension, of up to £30 per week and still qualify for Free Electricity/ Gas, Free Television License and Free Telephone Rental Allowance. However, the same individuals would qualify for Fuel Allowance only if their total income is no more than £15 per week more than the Retirement or Old Age Contributory Pension. The Group felt that this was anomalous and concluded that the Fuel Allowance income disregard should be increased to £30 per week, in line with the other schemes. **The estimated cost of easing the means test is less than £1m. per annum.**

Duration of Payment

In the course of rationalising the NFS, the number of weeks of payment, the heating season, was reduced from 30 to 26 to offset the cost of extending the scheme to other categories. There have been repeated calls to reintroduce the 30 week duration and other calls to extend the allowance throughout the year. Extension of the heating season was raised by those we consulted and in the comments returned by the respondents to the customer survey. The Goodbody Report stated that *“ the case for reinstating the 30 week duration is not strong, given the other demands on the scheme. If an extension is contemplated, then the temperature data provide some support for extending the scheme by two weeks in April. However, the general improvement in the weather in April, as evidenced by increased sunshine and reduced rainfall, would not suggest that this is a priority area for use of the scheme resources.”*

The Group concluded, in line with the Goodbody report, that the designated heating season was generally correct, and the additional cost of extending the heating season on a general basis was not warranted. The Group also noted that the heat supplement and Exceptional Needs Payments available under the SWA scheme provides an option for people who would otherwise face hardship because of the cost of meeting their heating needs outside the fuel allowance heating season.

However, it was felt within the Group that the position of the very elderly deserves particular attention. Standard pension payment rates are increased by £5 per week for all persons on reaching 80 years of age but the Group felt that this does not obviate the need for special treatment of the over 80s with respect to their heating needs and concluded that the duration of the allowance should be extended in their case in view of their increased vulnerability. The Group concluded that other recipients are dealt with adequately and that the current heating supplement payable under the Supplementary Welfare Allowance system was the most appropriate way to deal with exceptions.

The estimated cost of extending the heating season for those aged 80 and over is approximately £0.5m. per annum for each week by which the season is extended for recipients aged 80 and above.

Air quality policy and Energy Conservation policy

The Group considered the scheme in relation to the effectiveness of public policy programmes in relation to air quality and energy use. The Department of the Environment and Local Government is continuing to monitor air quality in relation to EU standards. The recent extension of smokeless fuel sale bans to 5 more urban centres is all that is warranted on air quality grounds for the present.

In general, energy conservation policy and programmes are directed mainly at the commercial and industrial sectors, and towards liberalisation of energy markets. Apart from general promotion of energy conservation in the domestic sector, there are no plans for more active programmes or grant assistance for householders in relation to the type of fuel used, or in insulation etc. In that context the Group concluded that the Fuel Allowance scheme is not of direct relevance to energy policy.

Conclusion

The Group concluded that while there are a small number of cases where payment of the allowance is paid to people who are not on very low incomes, the great majority of recipients do come within the low income category and that this, combined with the conditions on household composition, serve to ensure that the schemes are cost efficient.

The Group concluded that overall, the schemes achieve their objectives efficiently and effectively but that this could be improved by:

- (i) withdrawing Fuel Allowances in all cases where household income is more than £30 per week above a reference amount and recommends the Old Age Contributory Pension as the most appropriate reference amount for this purpose. This reference level is consistent with existing Free Electricity /Telephone rental Allowance Scheme eligibility limits for non-social welfare clients with occupational pensions. * This change would affect relatively small numbers of One-Parent Family Payment recipients and people who retain entitlement to Fuel Allowance on taking up employment;
- (ii) extending the duration of payment by at least two weeks in the case of people aged 80 years and over;
- (iii) easing the household composition rules for people aged 75 years and over;
- (iv) easing the means test by increasing the disregard from £15 per week to £30 per week in all cases.

The Group did not identify any changes which would improve the administration of the scheme.

* The Group recommends that the reference levels would continue to be aligned with other Free Scheme eligibility income thresholds, and that this factor be considered in the context of any review of Free Schemes generally.

10. ALLOCATION OF RESOURCES

To examine and report on National and Smokeless Fuel Schemes with a view to:-

- (g) *evaluating the degree to which the objectives warrant the allocation of public resources on a current and on-going basis*

As set out in the preceding sections, the Group considered that

- the objectives of the scheme remain valid;
- the schemes are reasonably well targeted on low income households, although some low income households do not qualify;
- the schemes are relatively cost efficient in terms of its administration cost and programme spend; and,
- the schemes remain an effective mechanism for meeting this need.

The Group concluded that households on low incomes require additional assistance during periods of cold weather as they could not be reasonably expected to meet their full annual heating needs on current standard social welfare payment rates.

Significant retrenchment or withdrawal of the Fuel Allowance scheme in general would lead to hardship. However, a relatively small number of people on incomes significantly above standard social welfare payment rates receive Fuel Allowances. This arises from the operation of One-Parent Family Payment income disregards and the retention of fuel allowances as a work incentive in certain instances. This presents some scope for re-allocating expenditure.

11. ALTERNATIVE POLICY AND ORGANISATIONAL APPROACHES

To examine and report on National and Smokeless Fuel Schemes with a view to:-

- (h) *examining the scope for alternative policy and/or organisational approaches to achieving the objectives on a more efficient and effective basis, having regard to the causes of fuel poverty*

Fuel Allowances and Fuel Poverty

The term fuel poverty has been defined as “*the inability to afford adequate warmth in the home*” (Lewis, 1982) and as “*the inability to afford warmth because of energy inefficiency in the home*” (Boardman, 1991). Fuel allowances, fuel poverty and the quality of housing stock are linked in that people on low incomes are more likely to live in poor housing and to suffer fuel poverty. Fuel allowances are not intended to address fuel poverty per se but rather, are intended to address one immediate symptom of fuel poverty in that they provide an income supplement to assist with the cost of meeting heating needs which is higher than it otherwise would be if the recipient lived in a more fuel efficient dwelling.

Three factors in particular have to be considered in connection with fuel poverty:

- (i) household composition
The need for warmth is usually influenced by the circumstances of the household e.g. the elderly, the sick, the disabled, those spending long periods in the home due to unemployment or caring responsibilities, number in the household.
- (ii) standard of accommodation
Poor quality or inadequately insulated accommodation or a reliance on expensive heating fuel or inefficient appliances puts a household at greater risk of fuel poverty.
- (iii) level of income
Households on low incomes may have insufficient resources to purchase adequate fuel and to take steps to remedy inadequate insulation etc.

The primary indicators of fuel poverty are that the household often ends up living in low temperature conditions, they may spend a higher than average portion of their income on heating and may only heat one room in the house and concentrate living activities in this room. In the longer term the effect of such practices is to reduce the living standard of the occupants and also to increase the risk of ill-health due to poor heating.

An alternative public policy approach to the payment of fuel allowances could be to address the inadequacy of the dwelling through capital assistance towards improving the fabric of the home, the installation of a more efficient home heating system and better insulation. Such a public policy would involve a retro-fit of the existing housing stock to bring it up to modern standards. Rectifying inefficient heating systems and inadequate insulation in low income households is a matter for the Department of the Environment and Local Government but the Group found that:

- the costs of such a measure were considered to be in the region of £800m in 1996 (Harvey, 1996)
- retro-fitting all houses would not target those at most risk of fuel poverty
- retro-fitting public housing could leave fuel efficiency problems in private housing.

New insulation standards are being introduced in respect of new dwellings in the 1998 Building Regulations. However, these standards will only affect new homes and will not address conditions in existing dwellings. The Group also noted that progress was being made in implementing adequate minimum insulation standards and fuel-efficient heating systems in more modern local authority housing. It will be many years before this process covers the full client group concerned. Even if there was an accelerated programme for the older local authority housing stock, it is likely that, while health and comfort levels would be improved in that situation, low income households would continue to require assistance towards winter heating costs.

Given the above and in view of the ongoing need for Fuel Allowances as identified by this group, there can be no question of the schemes' resources being diverted to housing insulation or other home improvements. People on low incomes, even if they are living in fuel efficient dwelling, still have heating needs: the fact that their dwelling is fuel efficient means that the expenditure results in better value to the household but does not remove the need for heating.

Alternative Fuel Allowance Policy Approaches

Value of Allowance

Consideration was given to withdrawing the allowance on the basis that individuals with difficulties would have recourse to an Exceptional Needs Payment under the Supplementary Welfare Allowance system. The Group concluded that this would not be cost effective as there was likely to be considerable recourse to such payments and that the cost of administering the scheme in this manner would exceed the current administrative costs. It should also be noted that one of the objectives for the scheme in 1988 was rationalisation and standardisation - this objective would no longer be met if the scheme was dealt with on a case by case basis.

The Goodbody report recommended that the standard fuel allowance of £5 per week should be increased to reach a target rate of £10 as resources permit. The cost of increasing the allowance by various amounts to reach this target are set out below:

Amount of increase	Full year cost of increase
£0.50	£3.8m
£1.00	£7.6m
£2.00	£15.1m
£3.00	£22.7m
£4.00	£30.3m
£5.00	£37.8m

Fuel Allowances are intended to contribute towards a household's heating costs but are not intended to meet those costs in full. Although the allowance has not been increased since 1985, fuel prices have increased by only 12% (CPI Fuel and Light Index for fuels used by low income groups) since then, so that the real value of the allowance has not been seriously diminished. In contrast, social welfare rates have, in general, increased considerably since 1985. For example the contributory old age pension is now almost 62% higher than in 1985. (See table in Section 9 for comparison). Accordingly, in these circumstances a good case can be made for not indexing the allowance as the ratio of fuel costs to total income has fallen over the past decade or so.

Apart from this argument, there is a problem related to increasing the rate of any allowance which is not paid throughout the full year. At present, the fuel allowance in smokeless fuel areas is £8 per week, so that when this is withdrawn in the spring, very many people are aggrieved at this sharp fall in income. If the allowance were increased, the disruption to recipients' income and spending patterns would be even greater.

In view of the arguments set out above, the Group considered that there is no good case for increasing the allowances in line with the Goodbody recommendation and that if such funds were available for expenditure within this area, other policy changes which would be more targeted, for example to assist the very elderly, were preferable.

Alternative Fuel Allowance Organisational Approaches

Nature of Payment

In the past the fuel allowance was paid by voucher redeemable through a fuel supplier. It is considered that the advantage of a voucher system is that the allowance is spent on heating needs. Past experience of operating the voucher system indicates that this is not always the case as some individuals exchanged vouchers for cash. Such a system would also have administrative difficulties e.g. production and distribution of vouchers, lost and stolen vouchers. There is also an issue of stigmatisation when an individual presents a welfare voucher as opposed to cash. As pointed out earlier the cost of administering a voucher system would be considerably greater than the costs incurred in the current arrangements which in many cases have zero transaction costs as they are included in an existing payment. The Group concluded that this was not a viable option.

Alternative methods of payment, such as household budgeting and one or two lump sum payments were considered. The household budgeting allows social welfare recipients to have part of their payment deducted and paid towards certain utilities. While paying the fuel allowances direct to suppliers has some merits, the utilities with which the Department currently operates the household budgeting scheme would not be the most appropriate in the context of the fuel allowances e.g. payments to the ESB in instances when electricity is not the most energy efficient form of space heating. The customer survey indicated that 58% of respondents were happy with the current method of payment. About half of the remaining 42% would prefer a single payment, 8% would prefer two payments and 12% would prefer the direct debit/household budgeting mechanism. The most significant demand for an alternative method of payment was for a single payment (22%) which, while efficient from an administrative point of view, could cause difficulties in that the payment would be made in October even though the recipients' circumstances may change during the heating season so as to disqualify them and secondly, the fuel provided by the lump sum may not be rationed across the whole heating season causing hardship and recourse to SWA payments towards the end of the season. In view of the above the Group concluded that a single payment type was not preferable to regular weekly allowances as at present.

Integration of scheme with other D/SCFA schemes

The option of integrating the payment into the Free Electricity / Gas allowance scheme was considered. This would reduce recipients' choice and could adversely affect the effectiveness of the scheme. However, as the Free Electricity and Gas schemes will be the subject of a review later this year or early next year, this issue can be addressed again in the context of that review.

Conclusion

Having considered the causes of fuel poverty, the Group was of the view that a seasonal income supplement targeted at those most at risk of fuel poverty was justified.

The Group found that the objectives of the scheme did not and indeed could not be reasonably expected to fully address the fuel poverty environment but rather, that fuel allowances are intended to address income deficiency. A programme with the objective of addressing fuel poverty would have to focus, at least in part, on capital expenditure measures to improve the quality of the housing stock in the areas such as efficient heating systems and insulation. This would not remove the need for fuel allowances, discontinuing fuel allowances would not be an appropriate means of part financing such a programme and it does not represent a viable alternative policy approach.

12. PERFORMANCE INDICATORS

To examine and report on National and Smokeless Fuel Schemes with a view to:-

- (i) *specifying suitable performance indicators which can be used to monitor and evaluate the schemes in the future.*

Introduction

When developing Key Performance Indicators, key objectives must be defined and indicators produced which show the progress made towards achieving them. Key performance indicators must be meaningful, there must be a method of reporting them, a clear position must be established as to how they will be used and there must be a review mechanism in place. Performance indicators need to measure quality, effectiveness, time and cost. The relevant activities must be measured, not what easily can be measured.

The Group identified twelve possible performance indicators under the following headings:

- (a) Effectiveness, Efficiency and Adequacy
- (b) Customer Awareness and Coverage
- (c) Customer Satisfaction
- (d) Process times
- (e) Accuracy
- (f) Control

In general, these indicators reflect the outputs of the Fuel Allowance scheme, rather than the outcomes. The Group investigated the extent to which the Fuel Allowance scheme could be related to the general outcome of lower morbidity or mortality amongst recipient categories. A number of health statistics/ indicators were collected, especially relating to levels air-quality related illness or deaths in the designated urban areas. However, on balance the Group did not consider that these provided a useful performance indicator for the scheme, firstly because there is no obvious direct causal relationship between fuel allowance, actual fuel-types purchased, and long-term health; and secondly, because the fuel allowance is a comparatively low weekly assistance towards fuel costs rather than the main source of heat funding for the categories concerned. Issues such as house insulation and build quality were at least as relevant to this health outcome as the existence of the fuel allowance scheme.

(a) Effectiveness, Efficiency and Adequacy

Five metrics were identified under this heading:

1. *Percentage of Fuel Allowance recipient households which are considered by a D/SCFA standard to have "a low income".*

The standard identified under this heading was "*X% of households which receive Fuel Allowance to have a low income*". The rationale of having a target of less than 100% for this metric would be to encourage unemployed people to return to employment (e.g. BTW scheme customers and OFP recipients who are working) by allowing them to retain the allowance for a specified period after they starting working and move to higher income levels.

Measurement methods: To be established via the data held on the D/SCFA computer systems and by the carrying out of customer surveys.

2. *Percentage of Smokeless Fuel Allowance recipients who use smokeless fuel.*

Measurement methods: Customer surveys could be used to establish this figure. Data is available from Household Budget Survey in relation to the use of smokeless fuels by the general population.

3. *Percentage of household fuel costs covered by the Fuel Allowance.*

The Allowance is paid to individuals based on their entitlement usually established on the basis of a means-test and the composition of the household in which they reside. The question arises as to how the "household fuel costs" should be calculated. Household Budget Survey figures show the range of average weekly fuel and light costs for a one-person, two-person etc. household.

The average Household Budget Survey (1994/95) figure of **£15.48pw** reflects all household types (covering a wide variety of incomes and standards of accommodation). This compares with the lowest three household income deciles (roughly corresponding to the Fuel Allowance recipient sections of society) as follows:

Lowest 10%:	£ 9.81
Second Lowest 10%:	£11.62
Third Lowest 10%:	£14.16

Measurement methods: Data available from Household Budget Survey. Also customer surveys could be carried out on Fuel Allowance recipient households which, inter alia, would establish an average figure for their weekly fuel costs. The figure would then be used when calculating the extent to which the Allowance meets household fuel needs.

4. *Value in real terms of the combined Fuel Allowance and primary payment rate in the context of increases in the CPI in general and CPI fuel and light element.*

Measurement method: Rates are readily available from D/SCFA and CSO publications.

5. *Necessity to issue extra payments to cover further fuel needs in "cold spells".*

The cold spell is determined as a period of, say, five consecutive days or more when the average temperature is below a certain level. There would be no need for a change in the administrative conditions if the number of cold spells (inside or outside the heating season) was below a certain number. If that number was reached or exceeded, then the policy and administrative conditions could be reviewed.

Measurement method: Data available from Meteorological Office.

(b) Customer Awareness and Coverage

Two metrics were identified under this heading:

6. *Percentage of potential recipients who are aware of the Allowance*

Measurement method: Number of potential recipients is available to D/SCFA. Awareness rate can be established by customer surveys.

7. *Percentage of potential recipients who receive the Allowance.*

Measurement method: Data is available to D/SCFA.

(c) Customer Satisfaction

8. *Percentage of customers satisfied with the delivery, conditions and rate of Allowance.*

Currently the standard of 90% overall satisfaction with service delivery is applied across all schemes.

Measurement method: Satisfaction rate can be established by customer surveys.

(d) Process times

9. *Service standard for separate applications (those not linked to claims for and general reviews of pensions and allowances).*

Different standards would be applicable for different schemes.

Measurement method: Management Information Systems would need to be set up to capture and collate such information.

(e) Accuracy

10. *Percentage of accuracy in processing claims/reviews and requests for information.*

Measurement method: Samples of decisions on Fuel Allowance applications and reviews would be examined to confirm that accurate decisions were made on the basis of the information provided by the customer and available to D/SCFA.

The accuracy of decisions could be further gauged by interviews of customers and visits to their addresses.

(f) Control

Two metrics were identified under this heading:

11. *Percentage of Fuel Allowance customers reviewed.*
12. *Detected fraud and abuse as a percentage of Fuel Allowance expenditure.*

Measurement method: Data is readily available to D/SCFA in each case.

Appendices

Appendix A: Consultations with representative groups

1. Irish National organisation of the Unemployed (INOUE)

A representative from the INOU attended a meeting to give the organisation's view point. The INOU stated:

- (i) recipients place great value on the fuel allowance;
- (ii) the organisation not happy with the amount of payment as the allowance has not been increased since its introduction;
- (iii) DB/UB/CE should have access to the fuel scheme (Loss of Fuel allowances and CDAs are seen as obstacles to coming off CE programmes);
- (iv) happy with the frequency of payment but would be interested in having a choice between (a) lump-sum payments to allow cheaper bulk fuel purchase and (b) the current weekly payment
- (v) The INOU feel the inadequacy of the SW payments can be measured by the reliance on the SWA scheme. They will provide a 2 page submission on the fuel allowance;
- (vi) would be opposed to removal of allowance, even if rates were raised in future to CSW target levels as this would be seen as a clawing back of Government commitment to people on low incomes who face higher costs during the heating season.

2. Senior Citizens Parliament

Representatives of the Working Group attended a meeting with the Senior Citizens Parliament to discuss the fuel allowances. The following feedback was received:

- (i) the scheme is strongly welcomed;
- (ii) they are happy with the frequency of payment, bulk payments could be an added option;
- (iii) the rate of the allowance should be indexed each year; and,
- (iv) the allowance should meet full heating costs.

3. Consultative Forum for People with Disabilities

At a meeting of the Forum for People with Disabilities the fuel allowance was raised for discussion. The views given were that:

- (i) there should be more flexibility in the scheme;
- (ii) the fuel allowance should be paid by way of vouchers cashable over the 12 months to give people the flexibility to buy fuel when they need it;
- (iii) the rate of the allowance should be increased;
- (iv) retention of the Fuel as a secondary benefit under schemes e.g. Back to Work Allowance etc. should not be subject to the £250 income limit;
- (v) the conditions on living alone or with certain persons should be more flexible; and,
- (vi) the Heating Supplement available from the Health Boards under Supplementary Welfare Allowance should be highlighted on the information leaflet for the fuel allowances.

Appendix B: Consultations with Customer Panels

1. Old Age Customer Panel

The Old Age Customer Panel met in Limerick and the fuel allowances were raised for discussion. The following feedback was received:

- (i) great value is placed on the scheme;
- (ii) they are happy with the frequency of payment;
- (iii) the duration of the scheme should be extended; and,
- (iv) the rate of the allowance should be increased.

Appendix C: Customer Survey

As part of the evaluation the Group agreed that it would be useful to get some feedback from customers in addition to the representative organisations. Time constraints prevented a large scale in depth survey and the Group agreed that the most appropriate mechanism was to survey current and former customer panel members from various client categories. It was considered that there was more chance of getting a response from these individuals than from a group of customers selected at random, as these individuals had expressed an interest in contributing to the Department's customer consultation process. It is acknowledged that the results may not be representative of the population as a whole given this selection process. However, the survey in itself is intended as an indication of the general position and the Group are not suggesting that the results be considered as a statistically sound basis upon which decisions could be based. It is intended that a more statistically robust survey would be undertaken in the context of the review of the Free Electricity and Free Gas schemes which will be examined in 1998/1999.

136 questionnaires issued to client categories as follows:

Customers with disabilities	12
Lone Parents	43
Old Age Pensioners (Non-Contributory)	22
Unemployed	38
Old Age/retirement Pensioners (Contributory)	21

Of the 136 questionnaires that issued 85 were returned i.e. **63%** of those who returned the questionnaire 20 are in a Smokeless zone i.e. **24%**

The breakdown of the answers is as follows.

1. Did you receive the Fuel Allowance in the heating season ended last month?

52% answered "Yes".

If "Yes" how satisfied or dissatisfied were you with the way your claim for Fuel Allowance was dealt with?

40% very satisfied	36% satisfied
18% not satisfied	6% very dissatisfied

2. If you previously applied for Fuel Allowance but did not qualify what was the reason?

20% means

13% other household member in receipt of allowance

40% other household member disqualified respondent

27% other reasons including not being aware of the scheme

3. If you have never applied for Fuel Allowance please give the reason why?

27% didn't know about the scheme

53% didn't think they would be entitled

3% because of other household members

10% thought they would automatically become entitled

7% for other reasons

4. How did you become aware of the Fuel Allowance ?

32% information leaflet

24% Local office

31% friend/relative

13% other source e.g. TD

5. If a choice were possible on how you are paid which of the following would you prefer?

58% Book of payable orders

8% Twice in the heating season

22% Once in the heating season

12% By direct debit to ESB or other relevant provider

6. Do you have fuel costs outside the heating season?

94% answered "Yes".

Those who answered qualified it usually by stating early October and April/May. Some elderly customers mentioned that they had heating needs all year round.

7. What is your main source of fuel?

49%	coal	39%	electricity
34%	logs	27%	cylinders of gas
24%	smokeless coal	24%	oil
18%	turf	15%	natural gas

37% used 1 source of fuel
27% used 2 sources of fuel
21% used 3 sources of fuel
8% used 4 sources of fuel
7% used over four sources of fuel

8. How often do you buy fuel

	Mid October - Mid April?	Mid April - Mid October?
54%	weekly	33% weekly
9%	fortnightly	20% fortnightly
22%	monthly	17% monthly
15%	once or twice	30% once or twice

9. What are your weekly fuel costs

Mid October - Mid April?	Mid April - Mid October?
19% less than £10	81% less than £10
21% less than £15	13% less than £15
60% more than £15	6% more than £15

Breakdown of 60% more than £15:-

50% £15 - £20

34% £20 - £25

5% £25 - £30

11% £30 plus

10. In the comments section 72% of those who returned the questionnaire chose to comment. The comments received can be broken down into the following categories.

46% higher rate of payment

21% season should be lengthened

13% method of payment

11% no means test

10% certain people should receive preferential treatment e.g. the elderly, people with disabilities, one-parent families.

8% lack of awareness of the scheme

5% complimented the scheme

5% miscellaneous other comments e.g. enquiries etc.

Appendix D:

CURRENT QUALIFYING CONDITIONS FOR NFS

To qualify for a fuel allowance under the National Fuel Scheme a person must satisfy a number of criteria, as follows:

A. be in receipt of one of the qualifying payments listed in the table attached

AND

B. live alone or only with:

- a dependent spouse/partner or child(ren);
- a person in receipt of a qualifying payment who would be entitled to the allowance in their own right;
- a person providing full-time care and attention if the person applying is an invalid or a semi-invalid;
- a person receiving short-term Unemployment Assistance.

AND

C. he/she, and other members of his/her household, must be unable to provide for their heating needs from their own resources.

D. A means test must be satisfied to fulfil this condition. Normally a person who is in receipt of a means tested payment does not have to undergo another means test for the fuel allowance except for cases such as F below.

E. The applicant and household members cannot have a combined income of more than £15 per week or savings/investments of £8,000 or more in addition to the relevant maximum social welfare contributory pension rate.

F. Means tested payments and entitlement to half rate Benefit Claimants who are in receipt of means tested payments payable from the Pension Services Office and are also receiving half rate Disability Benefit/Unemployment Benefit/Occupational Injuries Benefit, are not paid a Fuel Allowance. The relevant Pension Services Office means tested payments would be One Parent Family Payment, Deserted Wife's Allowance, Prisoner's Wife's Allowance, Widow's and Widower's (Non-Contributory) Pension, and Blind Person's Pension. They are assessed as having £15 per week in excess of the appropriate Old Age Contributory Pension rate.

In addition, an applicant must not have access to his/her own turf.

EXCEPTIONS

- (i) Where an applicant has a turf bank and can show that the cost of saving the turf was in excess of £130 for the 6-month period from mid-October to mid-April, (e.g. bill for labour), s/he may qualify for a fuel allowance.
- (ii) His/her heating needs covered by a deed transferring property.
- (iii) Where an applicant's needs are covered under a deed transferring property but where the provision in the deed is not being honoured the actual circumstances of the client should be considered and a fuel allowance awarded.
- (iv) heating supplied at low cost by a Local Authority (LA) if living in LA housing.

PERSONS RECEIVING PAYMENT FROM ANOTHER COUNTRY

In addition to satisfying the conditions set out at A and B above a person receiving a pension/benefit from another country may qualify for the allowance paid under the NFS if:

- (a) he or she is in receipt of a pension/benefit or equivalent payment from a country covered by EC Regulations or with which Ireland has a Bilateral Social Security agreement (this includes the USA);

AND

- (b) he or she is resident in Ireland;

AND

- (c) he or she is aged 66 or over, OR if aged under 66 is in receipt of an Invalidity Pension/Benefit for over 12 months, or a Widow's/Widower's Pension or an equivalent payment from another country.

QUALIFYING PAYMENTS FOR THE NATIONAL FUEL SCHEME

- * Old Age Pension (Contributory and Non-Contributory)
- * Retirement Pension
- * Widows(ers) Contributory Pension
- * Widows(ers) (Non-Contributory) Pension
- * Blind Person's Pension
- * Invalidity Pension
- * Deserted Wife's Benefit or Allowance
- * One Parent Family Payments
- * Orphan's Contributory Allowance
- * Orphan's Non-Contributory Pension
- * Pre-retirement Allowance
- * Prisoner's Wife's Allowance
- * Social Security Pension/benefit from another country
- * Long-term Unemployment Assistance
- * Disability Allowance
- * Disabled Person's Rehabilitation Allowance
- * Infectious Diseases Maintenance Allowance
- * Basic Supplementary Welfare Allowance
- * Special Department of Defence Allowance

SAVER CASES

Saver cases are old Urban Fuel Scheme (UFS) or National Fuel Scheme (NFS) recipients who had their entitlement "saved" when the UFS was phased out and the NFS extended to become the only fuel scheme. The change-over date was April 1988 (end of the 87/88 heating season) and they switched to the NFS for the Oct. '88 - April '89 season.

UFS savers will receive a fuel allowance for as long as they satisfy the qualifying conditions of the Urban Fuel Scheme. The UFS was operated by the Local Authorities and had automatic entitlement for recipients of Old Non Contributory Pensions, Blind Pensions and Widows Pensions (both contributory and non-contributory) regardless of means, subject to the one per household rule, provided they resided in the functional area of the Local Authority or in a house provided by it.

Persons who received a fuel allowance from the Health Board under the old NFS will continue to have an entitlement UNLESS a change in circumstances has occurred since 15.4.88.

CURRENT QUALIFYING CONDITIONS FOR SFS

In order to qualify for a smokeless fuel allowance, a person must satisfy the conditions for receipt of a national fuel allowance or be in receipt of one of the following payments:

- Disability Benefit for at least 3 months;
- Unemployment Benefit or Unemployment Assistance for at least 3 months;
- Family Income Supplement (FIS).

RETENTION OF SECONDARY BENEFITS

Participants on the following employment support schemes - Community Employment (CE), Jobstart, Work-place, Back to Work Allowance (BTWA), Area Allowance Enterprise (AAE), Back to Education Programme (BTE) and Revenue Job-Assist - may retain the fuel allowance as a secondary benefit, if the participant was in receipt of or had an entitlement to the allowance prior to participating on the scheme.

In the case of CE the allowance included in the payment administered by FAS and the monies are recouped from this department. For Jobstart participants the allowance is scheduled by the appropriate Local Office on a monthly basis and paid by Accounts Branch. Participants on Work-place, BTWA, AAE, BTE have the allowance included in the person's primary weekly social welfare payment in the normal way. Administrative arrangements for the new Revenue Job-Assist have yet to be finalised.

Appendix E: "Sharing in Progress: National Anti-Poverty Strategy"

Fuel Poverty: A review of the Free Fuel Scheme operated by the Department of Social Welfare is currently being finalised. The recommendations of this review will be considered with the aim of bringing forward proposals for the future development of the scheme. Other aspects of fuel poverty (in particular relating to insulation standards in local authority housing) are being pursued by the Department of Transport, Energy and Communications.
(Page 15 par. 7)

4.3 Fuel Poverty

A fuel allowance is payable to recipients of social welfare during the winter months. Nevertheless, the problem of fuel poverty, which is the inability to afford adequate warmth in the home, is a subject of growing concern particularly for low income households. Fuel poverty means having to pay a relatively high proportion of your overall income on fuel and energy costs, having to live at low temperatures in winter, being forced to confine one's activities to only one or two rooms, the inability to install or run an efficient means of heating, the lack of information about energy saving methods, the inability to afford energy saving items in the home and lack of central heating. It also results in ill health, a decline in the maintenance of homes due to inadequate heating, pollution in areas where the main source of heat is coal and general energy waste because of inefficiency. In addition, for low income households, there is often an issue of debt for those who are not able, over long periods of time, to meet their fuel bills.
(Page 55 - 4.3)

6.3 Health

A consequence of poverty which has been well documented has been its effect on health and levels of stress. Poverty has been found to manifest itself in psychological distress, physical ill health and reduced life expectancy. Socio-economic circumstances can have various impacts on health; for example, the links between damp housing and respiratory disease, links between poor diet and nutrition and ill health, and the greater risk of accident and exposure to environmental hazards. These aspects are summarised by Nolan (1994):

"it is particularly relevant ... to emphasis that the persistent marked differences across socio-economic groups in health and life expectancy found in Ireland and elsewhere are not likely to be amenable to "treatment" through the health services. While the structure and design of the health services must take them into account and direct care where it is most needed, health inequalities reflect wider inequalities in material circumstances, and alleviating poverty may be the most effective way of narrowing differentials in health and life expectancy".

(Page 77 - 6.3 paragraph 1)

**Appendix F: D/Social, Community and Family Affairs -
Baseline Document June 1998 (draft)**

Fuel poverty

- 8.6 The term fuel poverty has been defined as “*the inability to afford adequate warmth because of the energy inefficiency in the home*”. It refers to the problem faced by low income families who are unable to afford or achieve comfortable, safe and healthy temperatures in their homes. Disadvantaged households are especially susceptible to problems caused by fuel poverty because, in addition to their low income level, they are more likely to be living in fuel inefficient dwellings and are also likely to spend a greater proportion of time in their homes. They are thus more exposed to the effects of fuel poverty than the population in general.
- 8.7 The Government’s main emphasis in tackling fuel poverty is an income-based approach through social welfare heating additions for people who are unable to provide for their fuel needs from their own resources and who satisfy a means test. The most important of these is Fuel Allowance, paid under the National Fuel Scheme (NFS), which is administered by the Department of Social, Community and Family Affairs. An allowance of £5 per week is paid to each eligible household, with an additional allowance of £3 per week to households in designated smokeless fuel zones, which is paid under the Smokeless Fuel Scheme (SFS). Approximately 287,000 households are in the NFS of which about 99,000 are currently included in the Smokeless Fuel Scheme. A further 14,000 or so households will come within the ambit of the Smokeless Fuel Scheme in the 1998/ 99 heating season when the ban on the marketing, distribution and sale of bituminous coal is extended to Limerick City, Wexford Town, Arklow, Dundalk and Drogheda. Households receive fuel allowances at an annual cost of **£45 million** to the State. In addition to the fuel allowance scheme, there are a number of other State schemes relevant to fuel poverty including free electricity allowance etc. and the discretionary Exceptional Needs Payments administered by the Community Welfare Officers.

Meeting Fuel Costs

- 8.31 Fuel poverty arises where incomes are low relative to heating costs and will occur in households with high warmth requirements residing in dwellings with poor fuel efficiency characteristics. Household warmth requirements are a function of the temperatures which the household members feel are adequate: the household size, which determines the number of rooms to be heated: and the lifestyle of the household members, which influences the length of time they spend in the home. The fuel efficiency of the dwelling depends on house characteristics (e.g. type of construction or room size, insulation standards, age, etc.) and the heating system provided.

- 8.32 A number of factors are cited as contributing to fuel poverty. These include low income, absence of or inadequate heating systems, poorly insulated dwellings, lack of access to the most economic fuels and special heating needs. The ESRI has questioned the efficiency of a ‘stand alone’ income based scheme as a means of tackling fuel poverty when heating systems and insulation standards are of such a poor standard (**Fuel Allowances to Heat the Sky** - ESRI, 1995). The present fuel schemes, and in particular the NFS, are linked to means-tested payments and have been adapted as problems or anomalies arose but they have not been designed to address fuel poverty but rather, to mitigate its consequences.
- 8.33 Four groups have been identified as spending longer periods in their homes and having high warmth requirements. These are elderly people, the unemployed, households with children who are of pre-school age and people restricted to the house due to illness and disability. The Irish housing stock has poor levels of insulation: one-third have no attic insulation and two-thirds have no draught-proofing. Some 43 per cent of all dwellings and over 50 per cent of local authority dwellings do not have a central heating system. The people most at risk of fuel poverty are those residing in old non-centrally heated dwellings and on low incomes.

Fuel Poverty

- 8.38 The Fuel Allowance scheme is currently being reviewed as part of the Department’s series of Programme Evaluations. Among the issues identified are:
- The need to take account of the Fuel Poverty Environment (See “Constraints” and Cross Cutting Issues” below).
 - The effectiveness of the scheme is hampered by: the low level of payment relative to the required heating expenditure of certain low income households; the failure to extend the allowance to all low income groups who are at risk of poverty (e.g. recipients of Long Term Disability Benefit do not qualify); and the flat rate nature of the payment, which means that it does not reflect the greater space heating requirements of larger households.
 - It does not particularly target those with highest heating costs (mainly people living in old houses and relying on open fires).
 - There is no ‘scientific’ basis on which a precise target rate for the allowance may be set. However, given that average fuel costs are £15 per week, the £5 clearly falls short of fuel needs, even recognising that the recipient should be expected to contribute to fuel expenditures from the basic social welfare payment.

Fuel Poverty

8.45 Fuel Allowance provides an income supplement during the heating season to mitigate the consequences of fuel poverty but it could be argued that capital investment in addressing the cause of fuel inefficiency (e.g. poor insulation) would provide a better outcome in some instances. The fuel schemes, as constituted, cannot address the root causes of fuel poverty.

Fuel Poverty

8.50 The policy response to fuel poverty needs to address the fact that this is not solely an income maintenance issue. Investment in improving insulating standards of dwellings is a very efficient means of tackling fuel poverty. This will require input from the Departments of the Environment and Local Government and Public Enterprise. As mentioned above, a Review of the Fuel Allowance scheme is currently underway as part of the Department's series of Programme Evaluations, with involvement from the Departments mentioned.

8.52 **Key Action Points**

Fuel Poverty

- Consider target for increasing the allowance; at a minimum, indexation of the allowance, in line with energy prices facing low income groups, is warranted on income adequacy grounds.
- Consider its extension to other groups. These might include people on long-term Disability Benefit, and unemployed people.
- Move towards greater involvement of other Departments in easing fuel poverty.

Appendix G: primary payment categorisation

Category of recipients	Payments included
Elderly	<ul style="list-style-type: none"> • Old Age Pension (Contributory & Non-Contributory) • Retirement Pension
Ill and Disabled	<ul style="list-style-type: none"> • Invalidity Pension • Occupational Injury Benefit • Disability Allowance • Disability Benefit
Unemployed	<ul style="list-style-type: none"> • Unemployment Allowance • Unemployment Benefit
Employment Support	<ul style="list-style-type: none"> • Back to Work Allowance • Area Enterprise Allowance • Community Employment • Job-Start • Back to Education Allowances • Family Income Supplement
One-Parent Families	<ul style="list-style-type: none"> • One- Parent Family Payment
Widow/ers	<ul style="list-style-type: none"> • Widow/ers (Contributory & Non-Contributory pension)
Other	<ul style="list-style-type: none"> • Deserted Wife's Benefit • Deserted Wife's Allowance • Prisoners' Wife's Allowance • Pre-retirement allowance • UK Pensioners • Blind Persons Pension • Supplementary Welfare Allowance • Infectious Diseases Maintenance Allowance • Orphans Pension (Contributory & Non-Contributory)

Appendix H: Text of Letter to D/Finance re apportionment exercise

The Secretary,
Department of Finance,
Merrion Street,
Dublin 2.

F.A.O. Mr. Paul Molloy
RE: Apportionment of administration expenses

I refer to my minute of 18 January 1994 and your response thereto of 8 March 1994 regarding the apportionment of administration expenses as between the Social Insurance Fund and the Social Welfare Vote. The necessity for apportionment exercises flows from legislative requirements contained in section 5 of the Social Welfare (Consolidated) Act 1993. The relevant section of that legislation provides that:

- (1) Any expenses incurred by the Minister or any other Minister in carrying this Act into effect shall to such extent as may be sanctioned by the Minister for Finance, be paid out of moneys provided by the Oireachtas
- (2) There shall be paid to the Minister for Finance out of the Social Insurance Fund at such times and in such manner as the Minister for Finance may direct, such sums as the Minister may estimate, on such basis as may be agreed upon between him and the Minister for Finance to be the part of the said expenses of the Minister or any other Minister which relates to the scheme of social insurance provided for in PART 2 and any sums so paid shall be appropriated in aid of moneys provided by the Oireachtas for carrying this Act into effect.

As I indicated in an earlier minute, the work on the most recent apportionment of expenses was conducted using the standard project management methodology employed in the Department, namely a Project Board to oversee the project and a Project Team to undertake the actual detailed work involved. Among the members of the Project Board was a professional accountant. As the project progressed the services of an additional accountant with extensive experience of similar work, in industry, became available to the group. The professional expertise available for this project was, consequently, of a very high order indeed.

However, the position is that a formal report, as such was not submitted. This was largely due to the unavoidable departure of the analyst from the Department of Finance, to pursue a course of academic studies at Trinity College, Dublin. The Project Board of course met regularly to discuss the progress of the Project Team, and to make any decisions necessary on any

difficulties arising. At the final meeting of the Project Board the results of the exercise were presented in detail.

At the inaugural meeting of the project board it was decided that with the exception of certain exceptional, and therefore unrepresentative expenditure incurred as a result of the Postal Strike, the expenditure data to be used for this exercise would be that for the year 1992.

I have already indicated in earlier correspondence the results of the exercise and the effects of the consequent apportionment on the DSW Vote. At the time of my earlier letter the application of the results of this latest apportionment would have resulted in a reduction of the charge to the Social Insurance Fund of about 18m while there would have been a reduction in Appropriations in Aid of 18m, also. The net effect on the Vote for Social Welfare would therefore be nil. There would of course be some reductions in the amounts repayable to OPW, Department of the Environment and the Vote for Superannuation.

In essence the apportionment exercise to be done did not differ materially from those on previous occasions. The starting point was the production of a mission statement which formed the basis of a discussion on how the project should proceed. The analyst from the Department of Finance then made a presentation setting out his understanding of the requirements of the exercise.

As you know, administrative costs incurred are recorded on our computerised General Ledger System, both on a nominal and cost centre basis. The cost centres represent the individual operating units. If we look for example at salary costs the General Ledger System collects data which shows expenditure incurred in the disability benefit area, medical referees, maternity allowance and so on. Where an operational area such as disability benefit exclusively deals with insurance schemes then the full expenditure on salaries and overtime can be assigned fully to the insurance category. Where a cost centre such as child benefit, is exclusively assistance then the expenditure on that can be assigned to the assistance category.

Where however an operational area (cost centre) deals with both contributory and non-contributory items then the expenditure for that cost centre has to be apportioned on the basis of the resources applied to each element (assistance/insurance) comprising the total. To ensure that this exercise was carried out accurately, the team conducted detailed discussions with senior managers in all the operational areas concerned. An explanatory letter was also issued setting out the purpose of the apportionment exercise.

While only the management of the areas were those with the requisite knowledge to carry out this apportionment, the project team carried out a detailed sanity check on the responses received from line sections. The Project Board is satisfied that the apportionments represent an accurate analysis of the insurance/assistance split in these areas.

The above analysis accounted for the bulk of the expenditure. However there are certain support functions, such as Personnel Branch, where such an approach would not have been appropriate. In the case of Personnel Branch the ratio obtained from the numbers of staff overall, broken down as between insurance/assistance was considered to be the most appropriate ratio to apply.

Similar methodology as applied to salary expenditure was used to apportion subheads A2, A3, A6, A7.

Costs in relation to subheads A4, A5, A8 are captured at the level of more centralised cost centres and alternative apportionment bases had to be employed for these. These bases include numbers of staff, claim statistics, numbers of items of equipment in use (telephones, VDUs, etc.)

The results of the apportionment exercise on a subhead basis, based on the 1992 expenditure (excluding the exceptional expenditure already referred to,) are given in the attached appendix. In addition there are numerous tabular statements showing detailed breakdown of each subhead and these can be made available to you if you so wish.

In conclusion, the apportionment exercise has been carried out on a basis which is consistent with previous apportionments, and the results reflect the large increase in the assistance claims being processed by the department.

E. RICE
ACCOUNTANT
15 August 1994

APPENDIX 1

Results of apportionment exercise on a subhead basis, based on the 1992 Provisional Outturn.

<u>Subhead</u>	<u>Outturn*</u> <u>£000</u>	<u>SIF</u> <u>£000</u>	<u>Vote</u> <u>£000</u>	<u>SIF</u> <u>%</u>	<u>Vote</u> <u>%</u>
A1 Salaries	63,625	29,553	34,072	46.4	53.6
A2 T&S	2,069	928	1,141	44.9	55.1
A3 Incidental	2,906	1,393	1,513	47.9	52.1
A4 P&T	8,407	4,092	4,315	48.7	51.3
A5 Machinery	6,916	3,508	3,408	50.7	49.3
A6 Premises	3,431	1,651	1,780	48.1	51.9
A7 Consultancy	749	347	402	46.3	53.7
A8 PPO (DLRS)	1,347	674	673	50.0	50.0
TOTAL	89,450	42,146	47,304	47.1	52.9

Revised Formula:

The charge to the SIF for its share of the Vote administration expenses is 47.1% of subheads A1 to A7, plus the PPO production element of A8. [Other subdivisions of A8 are directly attributable to the Vote and SIF. These include An Post agency charges (Vote) and payments to medical certifiers (SIF).]

Therefore:

47.1% of 89,450	=	£42,131
MedCert element of A8	=	£ 1,878
TOTAL	=	<u>£44,009</u>

* Differences between these figures and the provisional outturn are accounted for by the exclusion of costs identified in respect of the postal dispute, which are once-off.

Appendix I: CSW rates and SW rates as % of CSW rates

COMMISSION ON SOCIAL WELFARE RATES				
YEAR	CPI *	Main CSW Rate		
		£50	£60	
1985	122.0	£50.00	£60.00	
1986	126.7	£51.90	£62.30	
1987	130.7	£53.60	£64.30	
1988	133.5	£54.70	£65.70	
1989	138.9	£56.90	£68.30	
1990	143.6	£58.90	£70.60	
1991	148.1	£60.70	£72.80	
1992	152.7	£62.60	£75.10	
1993	154.9	£63.50	£76.20	
1994	158.6	£65.00	£78.00	
1995	162.5	£66.60	£79.90	
1996	165.3	£67.70	£81.30	
1997	~ 167.8	£68.80	£82.50	
1998	# 171.1	£70.10	£84.20	

* Annual Average, Base : Mid-Nov 1982 = 100.
 ~ Estimated 1.5% Inflation in 1997.
 # Estimated 2.0% Inflation in 1998.

SOCIAL WELFARE RATES AS A % OF CSW MAIN RATE

Scheme	Main £50 CSW Rate £70.10 in 1998 terms			
	<u>1985</u>	<u>1997</u>	<u>1998</u>	Under 66 and 66 and over
Old Age (Con) Pension	103%	113%	-	118%
Retirement Pension	103%	113%	-	118% *
Widow/er's (Con) Pension	93%	103%	106%	109%
Deserted Wife's Benefit	93%	103%	106%	109%
Carer's Allowance	-	102%	105%	108%
Invalidity Pension	91%	101%	103%	118% *
Old Age (Non-Con) Pension	88%	98%	-	103%
Widow/er's (Non-Con) Pension	86%	98%	101%	103%
One-Parent Family Payment	86%	98%	101%	103%
Deserted Wife's Allowance	86%	98%	101%	103%
Prisoner's Wife's Allowance	86%	98%	101%	103%
Blind Person's Pension	88%	98%	101%	103%
Disability Allowance	-	98%	101%	-
Injury Benefit	109%	98%	101%	-
Disability Benefit	79%	98%	101%	-
Unemployment Benefit	79%	98%	101%	-
Pre-Retirement Allowance	-	98%	101%	-
Long-Term Unemployment Assistance	70%	98%	101%	-
Short Term Unemployment Assistance	66%	95%	98%	-
Supplementary Welfare Allowance	64%	95%	98%	-

* Applies where person is aged 65 or over

APPENDIX J

Selected data from the Household Budget Survey on household expenditure on fuel and light:

	%
The State as a whole:	5.0
Urban areas	4.5
Rural areas	5.8
Retired person without spouse/children	10.8
Adult with spouse/ children	4.3
Retired person with spouse/children	8.2
<u>Residence</u>	
owned outright	6.1
owned with mortgage	4.0
rented from local authority	7.7
<u>Persons in household</u>	
One person household	7.8
Two person household	6.0
Four person household	4.4
Eight person household	4.3
<u>Gross household income</u>	
first decile <£77.92pw	11.3
second decile <£121.60pw	9.5
third decile <£154.70pw	8.6
seventh decile <£425.89	4.6
<u>Social Group of H/hold reference person</u>	
Gp 1: Weekly expenditure of £487.93	3.5
Gp 5: Weekly expenditure of £255.08	5.8
Gp 6B: Weekly expenditure of £148.52	8.1
<u>Livelihood status of H/hold reference person</u>	
Employee	3.9
Out of work	6.7
Retired	6.8
<u>Household composition</u>	
1 Adult	7.8
2 Adults	5.9
2 Adults/2 Children	4.3
2 Adults/4 or more children	4.8

APPENDIX K

Extract from the Report on the National Fuel and Smokeless Fuel Schemes prepared by Goodbody Economic Consultants for the Department in 1997:

Conclusions and Recommendations

Expenditure on the Schemes

Total expenditure on the National Fuel Scheme has grown by one third since 1990. Expenditure on the Smokeless fuel scheme has increased by just over one quarter since 1991, which was the first year that the scheme operated for the full heating season.

The growth in expenditure on the SFS is explained by the extension of the scheme to the Cork urban area in February 1995, which affected 1996 and particularly 1996 expenditure levels.

The growth in expenditure on the NFS is the result of extension of the NFS coverage (DPMA, Community Employment); increases in the number of recipients of qualifying payments (most notably Long term unemployed, lone parents, invalidity pensioners, and PRETA recipients); and increased penetration of the NFS among the population on qualifying payments (PRETA, and to a lesser extent lone parents). The first two factors were the dominant reasons for the increase in expenditure, with penetration levels remaining relatively unchanged.

In general terms, if no further extensions to the scheme take place, then growth in expenditure may be relatively modest in the medium term.

The Fuel Poverty Environment

Fuel poverty arises where incomes are low relative to heating costs. Fuel poverty will tend to occur in households with high warmth requirements residing in dwellings with poor fuel efficiency characteristics. Household warmth requirements are a function of the temperatures which the household members feel are adequate; the household size, which determines the number of rooms to be heated; and the lifestyle of the household members, which influences the length of time they spend in the home. The fuel efficiency of the dwelling depends on house characteristics (e.g. type of construction or room size, insulation standards, age etc.) and the heating system provided.

Four groups of people spend longer periods in their homes and have high warmth requirements. These are elderly people, the unemployed, households with children who are of pre-school age and people restricted to the house due to illness and disability. The Irish housing stock has poor levels of insulation: one-third have no attic insulation and two-thirds have no draught-proofing. Some 43 per cent of all dwellings and over 50 per cent of local authority dwellings do not have a central heating system. The people most at risk of fuel poverty are those residing in old non-centrally heated dwellings and on low incomes.

There is a continuing high level of fuel poverty in Ireland, as evidenced by the disproportionately high level of expenditure on fuel and light by low income groups, the considerable recourse to the Supplementary Welfare system for additional help with fuel bills, the low prevailing temperatures in Irish dwellings, and excessive mortality rates in the Winter.

Efficiency and Effectiveness of the Fuel Allowances

The Allowance has been only moderately effective to-date because of the low level of payment relative to the required heating expenditures of certain low income households; the failure to extend the Allowance to all low income groups which are at risk of fuel poverty; and the flat rate nature of the payment, which means that it does not reflect the greater space heating requirements of larger households.

The Allowance does not particularly target those with the highest heating costs. Greater efficiency could be achieved if the Allowance could be targeted on households residing in old houses and relying on open fires.

Income Support versus Investment Policies

Although the benefits of investment in insulation and improved heating systems are well documented, no programme of this nature has ever been undertaken in Ireland. It would be judicious, therefore, to plan for the development of the National Fuel Scheme in the medium term on the assumption that the scale of investment in fuel conservation and efficiency will not dramatically reduce the demands on the scheme.

Rationale for the National Fuel Scheme

Analysis of the causes of fuel poverty indicates that low income households are generally reliant on inefficient forms of heating and often reside in dwellings with poor insulation standards. Even if their incomes are brought up to the minimally adequate level, these deficiencies will continue to cause an excessive drain on their resources, which is not recognised in calculations of minimally adequate incomes. ***The objective of the Fuel Allowance should therefore be to supplement the basic and other social welfare payments so as to provide for the warmth requirements of low income households, who reside in fuel inefficient dwellings.***

Adequacy of the Fuel Allowance

There is no 'scientific' basis on which a precise target rate for the Allowance may be set. However, bearing in mind the weekly fuel costs of £15 as compared with the £5 provided by the Allowance, and recognising that the recipient should be expected to contribute to fuel expenditures from the basic social welfare payment, it is suggested that a target of £10 per week should be adopted. It is further suggested that this target should be addressed as resources permit and via a two-tier payment structure, which would target the additional payment on those most in need viz. those without central heating. This would also enable the target to be reached more rapidly in respect of those most in need.

Indexation of the Allowance

A special fuel and light index was devised, based on the expenditure pattern of low income households. Energy prices facing low income groups have risen by almost 12 per cent since 1985. On this basis, an increase in the rate of payment of the Allowance to £5.60 is warranted.

Higher Payments during Cold Spells

Special payments in respect of cold spells should not be introduced because such spells are relatively short, which reduces the degree of hardship suffered. In addition, the Allowance would not be a suitable vehicle for delivering additional help, as the cold spell would invariably have ceased before the payment could be made.

Gaps in Coverage

Priority should be given to extending the Fuel Allowance to Long Term Disability recipients. This will benefit some 6,000 recipients at a cost of £0.8m per annum.

Given that the unemployed have above average heating requirements, the Allowance should be extended to all unemployed persons on the basis of need. The priority in this regard is to extend it to recipients of Short-term Unemployment Assistance. A maximum of some 29,000 recipients would benefit at a cost of £3.8m.

Pensioners relying on occupational pensions may have incomes below the contributory Old Age Pension rate of payment. This group should have access to the Fuel Allowance on the same basis as Old Age Contributory Pensioners i.e. in circumstances where their income does not exceed the old age contributory rate plus £15. The income ceiling should not be raised above this level, as this would extend the scheme to those with incomes above the minimally adequate level.

Duration of Payment

If an extension is contemplated, then the temperature data provide some support for extending the scheme by two weeks in April. However, the general improvement in the weather in April, as evidenced by increased sunshine and reduced rainfall, would not suggest that this is a priority area for use of the scheme resources. The case for reinstating the 30 week scheme duration is not strong, given the other demands on resources.

Child Dependant Additions

Another change considered was that the additional payment should be in the form of child dependent additions. The rationale for such an approach is based on the finding that fuel poverty is related to family size. This approach is not recommended because a simple relationship between warmth requirements and family size does not exist; fuel poverty is more likely to be influenced by the quality of housing and the type of heating system; and child additions would add to the disincentive to work problems facing clients with large families.

Payment in Cash or in Kind

The allowance is currently paid as a cash supplement to basic social welfare payments. It is recommended that this approach should be maintained. The evidence is that social welfare recipients *do* spend the Allowance on fuel, when weather conditions demand provision of additional heating. Payment in cash also has the advantage that when weather conditions are relatively benign, as they can be from time to time throughout the Winter, the client has the freedom to choose to transfer expenditure to other necessities. Finally, a cash payment is relatively easy to administer, and is less open to abuse than a voucher system.

Availability of the Allowance to Local Authority Tenants in Communal Dwellings

Tenants who are in receipt of subsidised heating are generally excluded from the scheme on the grounds that they are already supported in meeting their heating needs. If this were to change, the Department of Social Welfare (and tenants who do not have an entitlement to the Allowance) would foot the bill for a local authority programme to improve the heating and insulation condition of dwellings. The additional Departmental expenditure would reduce the resources available for extension of the Allowance to the groups in need.

If investment in retrofitting local authority housings is justified, then it should receive explicit funding from the local authority and/or central Government, and not through the back-door of the Social Welfare budget.

Refugees

One of the submissions to the Department concerning the Allowance argued that special provision should be made for refugees. Refugees are treated by the social welfare system in an identical fashion to normal residents. This group may, however, be worse off than the normal social welfare claimant, as they may have no family resources to fall back on. In normal circumstances, they must wait for 15 months before entitlement to Long-Term Unemployment Assistance and access to the Allowance.

It would be difficult to support the view that such claimants should get the Allowance with Short-term Unemployment Assistance, where social welfare recipients generally do not. Many social welfare recipients on Short-term Unemployment Assistance would not have family resources to fall back on, and an anomalous situation would be created. If, however, the Allowance is extended to all recipients of Short-term Unemployment Assistance, as this report suggests, then the situation of programme refugees will be redressed.

Separate Payments

Another issue raised during the course of the review concerned the payment of the Allowance where a married couple separates. In such circumstances the basic payment is split, but only one Allowance is paid. In the majority of cases, where the couple take up separate residences, the husband has the basic entitlement but transfers the payment to his spouse. The result is that there are now two dwellings requiring heating, but only one Allowance is paid.

The separated spouse will be in a position to either claim Unemployment Assistance in her own right (if available for work), or Lone Parent's Allowance after three month's separation (if she has dependent children). If she claims Lone Parent's Allowance, then she will obtain an entitlement to the Allowance in her own right within a short period and the payment will revert to the husband. On the other hand, if she has no children and claims Unemployment Assistance, then she will not get access to the Allowance in her own right, and the husband will continue to be without the allowance until she qualifies for LTUA.

Payment of a second Allowance would create an anomaly in that separated spouses on, say, Short-term Unemployment Assistance, would have the allowance but other equally deserving recipients would not. This would be both inequities and likely to lead to confusion over qualification conditions for the scheme. The fact that a problem is perceived to exist reinforces the view that coverage should be extended to recipients of short-term benefits who are in need. Accordingly, it is felt that the problem of separated spouses should be addressed in that context.

Lump Sum Payments

A number of submissions recommended that consideration be given to allowing recipients the option of obtaining the Allowance in the form of a lump-sum rather than weekly payment. It is considered that there is a good case for allowing the payment of the Allowance on a lump-sum basis as an option, if it can be accomplished without excessive administrative costs.

Access to Own Fuel Source

Where a claimant or any of his household has access to his own fuel source, he does not qualify for the Allowance unless the cost of harvesting that fuel is in excess of £130 for the six-month duration of the Scheme. In the vast majority of cases, claimants who are refused under this condition have access to their own turf bank.

In our analysis of fuel poverty, it was established that solid fuels are the least efficient source of heating and that persons who rely on open fires for their heating are at greatest risk of fuel poverty. It is considered, therefore, that this condition be abolished. The cost of awarding such claims would be of the order of £0.13m.

Transfer of Property

Where an individual has transfers property and the deeds of transfer require that person's heating needs to be covered by the transferee, then the Allowance will not normally be awarded. However, where the provision is not being honoured, the actual circumstances of the client is considered. It is considered, therefore, that the existing treatment of such cases should be retained.

Administration of the Scheme

In general terms both the NFS and the SFS are administered in a relatively simple and economical fashion. This is conducive to a high level of take-up.

Administration and transparency of the social welfare system is complicated by the fact that the qualifying conditions for the Allowance and the Free Schemes are different. The extension of the Free Schemes to persons on a qualifying payment is subject to a means test whereby the means of the claimant must not exceed the maximum rate of Old Age Contributory Pension plus £30. In contrast, in the case of the Allowance, an applicant on a non means-tested payments may have a household income, of £15 per week or less above the appropriate maximum Irish contributory pension/benefit rate. It is not clear why different limits should apply. In addition, in the case of Free Schemes, the ceiling is applied via a means test, whereas for the Allowance it is more in the nature of an income limit.

As the addition of £15 in respect of the Allowance is sufficient and no further substantial raising of this amount is recommended, the £30 ceiling for Frees be reduced to £15 for all new claims, and any further increase should be the same for both schemes.

A further anomaly occurs in relation to the household composition condition for the two schemes viz. Short-term Unemployment Assistance is not included as a payment under this condition. Again, it is considered that identical conditions should apply, unless there are clear policy reasons to do otherwise.

Review and Control Measures

There is a strong concern within the Department to minimise the administrative costs of the scheme, so that control measures are relatively low key. While it is accepted that administration cost should be minimised, there must be concern with a situation in which the extent of fraudulent claiming is unknown. It is suggested that a special sample-based exercise be undertaken to establish the extent of fraud, both when the claim is first made and subsequently, due to changes in household circumstances. This should involve interviews with claimants. When this exercise is complete, and depending on the level of fraud detected, further ongoing control measures should be considered.

One of the problems with present arrangements is that the Central Records System is a family rather than household based database. Thus, it provides information on dependants only and not on, say, other earners in the household. If the recommendations in this report to extend the Allowance to short term recipients is acted upon, it will become increasingly desirable to be able to profile all household members. Consideration should be given to developing the Central Records system along these lines.

Integrated Short Term Schemes

The Department is integrating the payment systems for short term schemes. ISTS will provide greater control over payments of the Allowance with SWA, as information on factors such as changes of address and child dependant payments will be more readily available. Steps should be also be taken to exploit this information by transfer of such data to the appropriate Social Welfare Services Offices. The role of ISTS in controlling the Fuel Allowance scheme will become more crucial if the scheme is extended to short -term recipients.

Interim Supplementary Welfare Cases

Supplementary Welfare Allowance is a qualifying payment for the Fuel Allowance. However, Where SWA is of an interim nature, the Allowance is not paid. This arises where a claimant receives the basis SWA payment while awaiting a decision on a claim for another social welfare payment. When the claim is awarded, the Allowance is backdated to the date of the claim or the start of the heating season, whichever is the later. In a minority of cases, a considerable delay may occur between the date of the claim and its award. It is recommended therefore that the Allowance be payable with interim SWA, where the claimant is awaiting a decision on a qualifying payment.

Policy Organisation of the Scheme

The Fuel Allowance is administered within the Planning Unit by the Supplementary Welfare Allowance Section. Policy relating to the Allowance has relevance for the level of basic payments. There is also a need to better co-ordinate policy with that of the Free Schemes. Consideration should therefore be given to unifying the policy administration of these schemes within the core policy making area of the Planning Unit.