

Social Justice and Social Security Committee

34th Meeting, 2022 (Session 6), Thursday 08 December

Winter Heating Payment – Evidence session

Note by the Clerk

1. The [Winter Heating Assistance \(Low Income\) \(Scotland\) Regulations 2023](#) were laid on 16 November 2022.
2. In the summer, following consultation, the Scottish Government published a draft version of the Regulations.
3. The Scottish Commission on Social Security (SCoSS) reported on the draft and made some recommendations. Energy Action Scotland (EAS) fed into SCoSS' considerations. EAS contribution focused on the impact on fuel poor and vulnerable consumers. On 18 November, the Scottish Government published a response to the SCoSS' report.
4. At its evidence session on 08 December, the Committee will hear from Energy Action Scotland and SCoSS. A briefing from Energy Action Scotland is available at [Annex A](#).
5. The Committee will then consider the Regulations with the Minister for Social Security and Local Government on 15 December.

Clerks to the Committee

5 December 2022

Social Justice and Social Security Committee 15 December 2022
Energy Action Scotland Submission

Introduction

Unprecedented increases in energy costs are set to have a devastating impact on households across Scotland this winter. Pre-pandemic a quarter of households, over 600,000¹ were struggling with their energy costs.

The UK Government has provided a number of financial supports during 2022 through social security and energy suppliers. It has introduced the Energy Price Guarantee which held unit cost price increase on 1 October to a 25% increase on April 1 2022 costs and a second review will result in a further 20% increase on unit costs from 1 April 2023.

Scottish Government estimates of the impact of 1 April 2022 price increases was that over 1 in 3 households in Scotland² would be in fuel poverty and 1 in 4 will be in extreme fuel poverty. Millions of households in the UK are in energy debt already.³

Energy Action Scotland estimates of the impact of financial support, including changes to benefits provided by Social Security Scotland, and the 1 October price increase means that the estimates for 1 April remain broadly true.

The impact of this will undermine the health and wellbeing of many people and put pressure on the NHS, fuel poverty related NHS costs pre-pandemic are estimated to be over £100million in Scotland. Sadly, higher costs, with inadequate financial support will lead to an increase in excess winter mortality, which already accounts for over 6 deaths every day in winter. The UK has amongst the highest levels of excess winter mortality in Europe.

Fuel Poverty is highest in remote and rural Scotland (See table 1.), where there are more all-electrically, oil, LPG, or solid fuel heated homes.

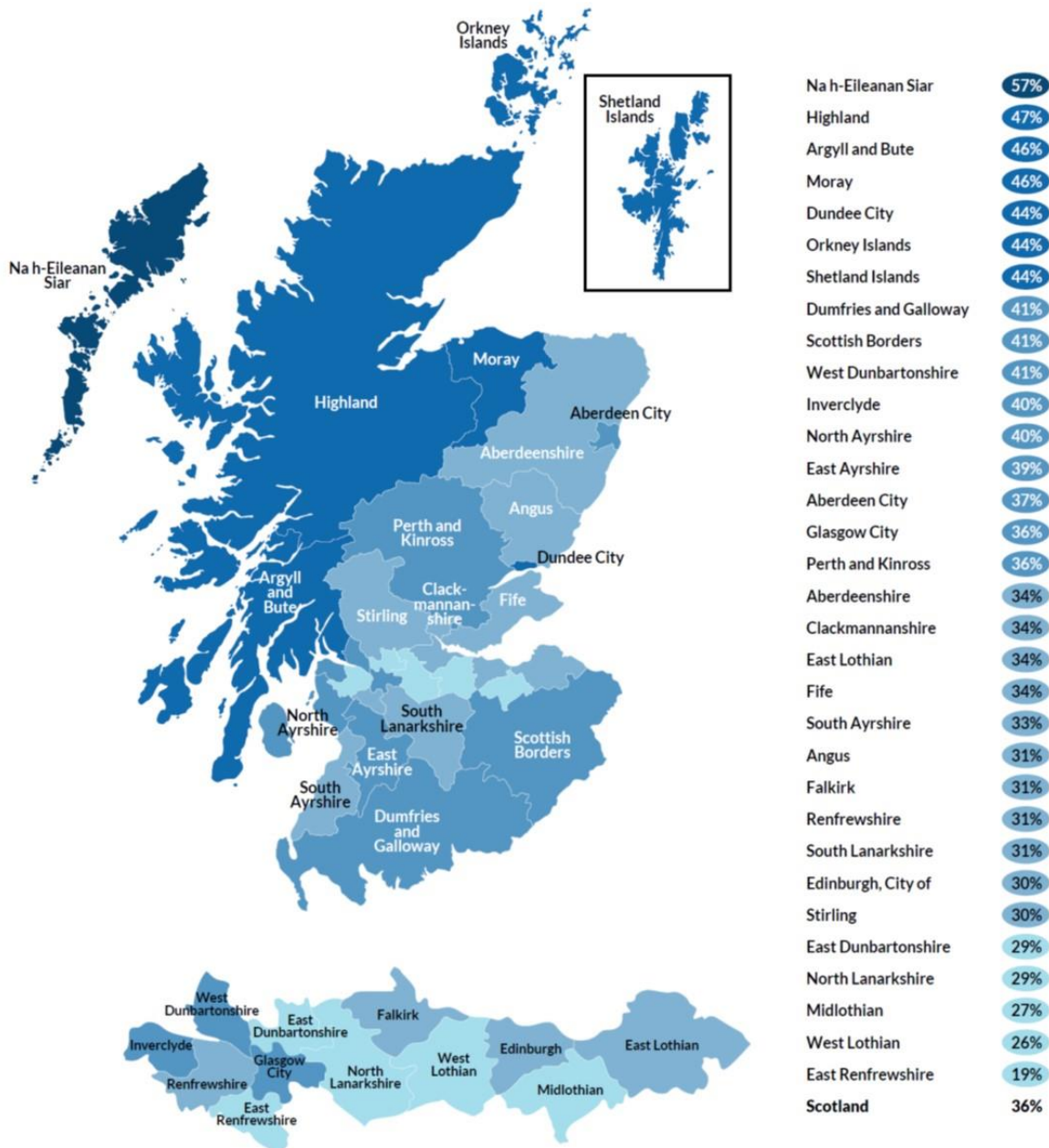
¹ <https://www.gov.scot/publications/scottish-house-condition-survey-2019-key-findings/pages/1/>

² <https://www.gov.scot/publications/budget-statement-stage-3-2022-23/>

³ <https://www.cas.org.uk/news/increasing-numbers-people-missing-energy-bills>

Diagram 1 – Fuel Poverty in Scotland 2022 (estimated)

FUEL POVERTY BY LOCAL AUTHORITY



February 2022 Source: Statement by Cabinet Secretary for Finance and the Economy, Kate Forbes MSP

Climate plays a significant role in the need for households to consume energy to stay warm. In Scotland in the region of 50% of all homes are at Energy Performance Certificate levels of D or worse⁴. These homes are not efficient, they will be hard/expensive to heat therefore cold and damp during the winter months. This will exacerbate conditions such as respiratory or coronary but also affect the mental health and wellbeing of those enduring these conditions.

Financial benefits and support for households

There is a patchwork of financial support being provided to households in response to the cost of living crisis. None of which recover a position for any household consistent with the level of energy costs proportionate to income experience in 2019/20. Of course 1 in 4 households in Scotland were in fuel poverty at that time.

One-off payments have been normalised as the response to the crisis. Many are still not effectively reaching those in most need. Targeting has generally been poor. At best some payments were means tested but there have been universal supports provided to even the wealthiest of households.

It is clear that without the Energy Price Guarantee and the cost of living package provided by the UK Government that many more households would have face simply unaffordable energy costs.

The Scottish Government through its fuel insecurity fund has provided crisis payments to a relatively small number of households. Important for those that received them but insufficient in themselves. None of these supports reflect what was known about fuel poverty in relation to the geographic and demographic factors that increase the likelihood of people experiencing difficulty.

Winter Heating Payment

We are disappointed in the approach taken by the Scottish Government to the new Winter Heating Payment. As a result of the movement away from the Cold Weather Payment this will result in some households receiving considerably less support than they would have during periods of cold weather. It fails to better align itself to the needs of the households and be directly relatable to fuel poverty.

The cold weather payment which is being replaced by the Winter Heating Payment benefits low-income households on means tested benefits and is mobilised when the temperature falls. Meaning that the communities experiencing the coldest conditions for sustained periods receive more payments that those in more moderate climates.

There were 7 triggers for cold weather payments in the whole of GB winter 2019-20, all of which were in Scotland. In 2020/21 there were 73 triggers. 7 triggers were experienced in Braemar, 6 in Aviemore and 6 in Eskdalemuir. The impact that payments have is dependent on multiple factors including the thermal efficiency of the property a person lives in and the type of heating they have.

⁴ <https://www.gov.scot/publications/scottish-house-condition-survey-2019-key-findings/>

Qualifying Date

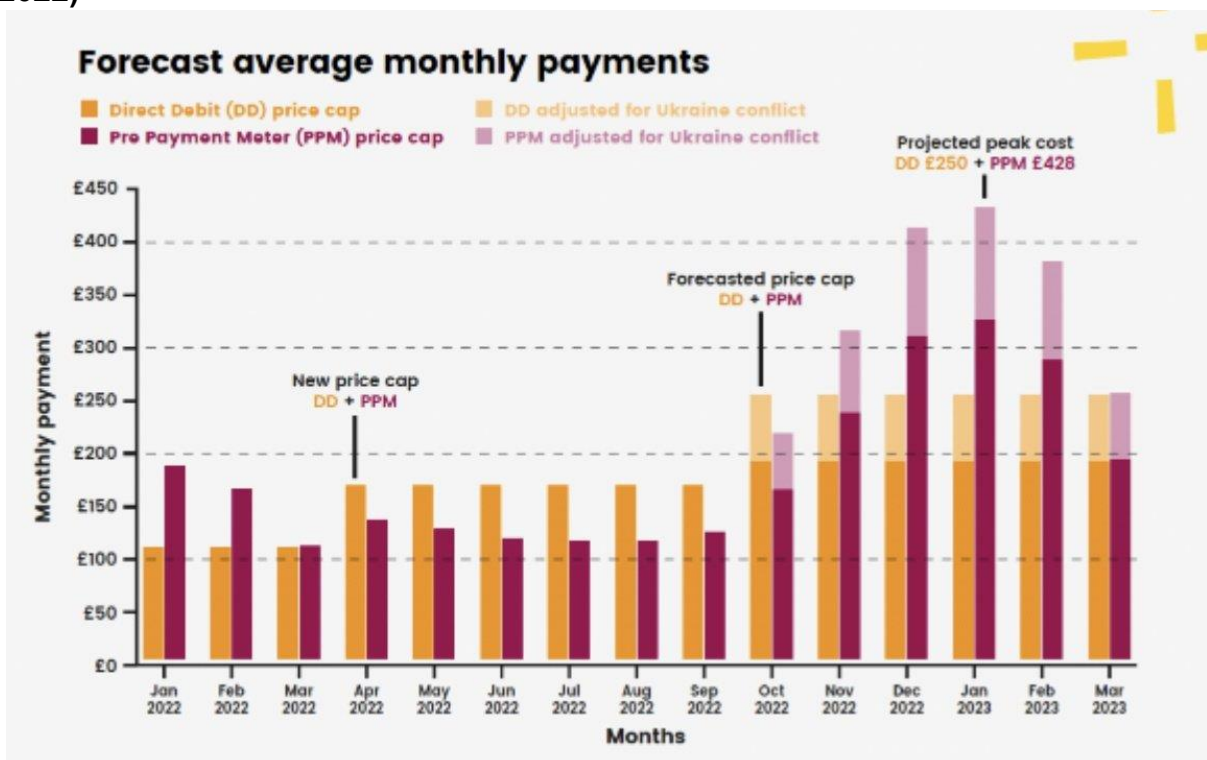
Whilst, from a budget management perspective, a qualifying date provides certainty, it creates a disadvantage to households whose circumstances change after the qualifying date. This could be mitigated by an application process yet it isn't clear why an automatic or proportionate payment systems across the months attributed to 'Winter' was not considered.

The Cold Weather Payment provides payment to eligible households without a qualification date as such. The weather is the trigger for the payment and it is automatically applied to those on the qualifying benefits in that period.

With a qualifying date it further creates opportunity for over payment whereby a person meets the qualification date and their circumstances change, enter employment/no longer eligible for the qualifying benefit. This adds further administration and is entirely a consequence of the design of the payment criteria.

The length of time between eligibility/qualifying date and final payment (Feb 23) only highlights the flaw in the design of the payment. People on means tested benefits require payment in advance of need, not in retrospect. This is even more relevant to people with pre-payment meters who require a substantially different cashflow requirement (see diagram 2) than those on credit contracts.

Diagram 2 – Prepayment Meter Households (source Fuel Bank Foundation 2022)



The value of the payment

£25 a week is a useful boost when you have a modern mains gas boiler, however its effect in heating amenity is much less if you heat your home with electric storage heating. You can approximately buy 3 times the amount of heat with a gas boiler than you can get with an electric storage system for the same money. In effect £25 worth of gas heating delivers £8.30 worth of equivalent electric heating.

The current level of the flat payment (£50) does not adequately address the complexity of fuel poverty or indeed the potential severity of our climate during winter months. As energy prices have increased the amount of heat that these payments provide has been eroded considerably. During winter 2020/21 when multiple triggers for cold weather afforded payments of £175 to qualifying communities in the highlands this provided, at typical consumption estimates and at 2020/21 prevailing rates for energy, 56 days of heat. A £50 payment to the same community at current rates provides 7.3 days of heat. Across winter 2023/24 the £50 payment will provide 6 days of heat. Even less heat is afforded by those with prepayment meter and standard credit (periodic bill payment) who experience and 10% and 15% premium respectively for their energy costs. If the payment had been index linked to the utility it is described as supporting the payment would need to be £125 to keep pace with the Energy Price Guarantee in 2022/23 and £150 in 2023/24.

Breaking the link with 'weather'

In the event of extreme weather conditions or indeed sustained low temperatures over the winter it is impossible to see anything other than a detrimental impact to those households in communities most likely to experience this.

In the event of such circumstances lives will be lost due to the inadequate level of support provided. It is entirely foreseeable that this may occur and it is incumbent on the Scottish Government to have a plan in place that will support these households.

Energy Action Scotland recognises the dilemma that the Scottish Government has. Climate varies from year to year, payments will vary. The Winter Heating Payment provides budget spend certainty and reaches all eligible households with a payment. However in Scotland these payments do not provide equity for heat. The level of heat provided by the payment is the equivalent of a single crisis payment provided by the Fuel Bank Foundation.

Even if this benefit is updated in line with inflation it still increases the detriment that will be experienced in communities where it provides the greatest impact. It provides less impact on fuel poverty than the benefit it replaces at a time where support should be better aligned to the definition of fuel poverty including its recognition of the need for enhanced heating for vulnerable households.

Future Payment Opportunity: Winter Fuel Payment

Next winter the Winter Fuel Payment is expected to be delivered by Social Security Scotland. There is significant potential to better target and align that payment which benefits all people of state pension age. We are disappointed that there has been little or no engagement on the introduction of this important measure over that last year.

Winter Fuel Payments are made to all pensioners regardless of their circumstances. Many choose to donate these payments to charities each year. With over £150million distributed in Scotland annually through this payment this is an intervention which could and should have significant impact on fuel poverty. Yet it is proposed to deliver this on a like for like basis which fails to make efforts to align the support to those that need it most. As previously intimated Energy Action Scotland believes that, where there is opportunity to do so, every effort should be made to maximise the beneficial impact of any initiative or intervention consistent with the definitions and provisions in the Fuel Poverty (Targets, definition and strategy) Act 2019.⁵

Submitted by

Frazer Scott, CEO Energy Action Scotland

2 December 2022

⁵ <https://www.gov.scot/policies/home-energy-and-fuel-poverty/fuel-poverty/>