



# Speaking up: Understanding Fuel Poverty Support Needs

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# About us

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The Consumer Futures Unit (CFU), part of Citizens Advice Scotland, uses research and evidence to put consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations.

The Citizens Advice network plays a vital role as an advice provider for energy consumers, through the Extra Help Unit, Citizens Advice Consumer Service, and the 61 Citizens Advice Bureaux across Scotland. In 2016/17, our services helped clients with almost 30,000 energy issues and secured over £1.1 million in financial gain for these consumers.

## Consumer Principles





## Executive Summary

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In 2016, approximately 26.5% of households in Scotland were defined as being in fuel poverty<sup>1</sup>. While this represents a reduction on recent previous years, fuel poverty levels remain a significant concern, particularly with major increases in domestic energy prices since 2016. It is essential that all households in Scotland are able to afford adequate heating without impacting their access to other essentials such as food. The right to adequate housing and the right to standards of health are recognised in international human rights law as part of the right to an adequate standard of living<sup>2</sup>. It is our view that the ability to maintain an appropriate level of heat in the home is a fundamental part of realising these rights.

Concerns have been raised that the current definition of fuel poverty in Scotland may not lend itself to the effective targeting of support to those in the greatest need. In light of these concerns, the Scottish Government has brought forward proposals for a new definition of fuel poverty which it is hoped will reflect more accurately those who are affected most severely by fuel poverty. The new definition would continue to define a household as fuel poor if over 10% of household income is spent on fuel bills, but with two key modifications:

1. Using household income *after housing costs* instead of gross household income; and
2. A further requirement that the household has less than 90% of Scotland's Minimum Income Standard (MIS) after fuel and housing costs have been deducted.

This proposed definition may be used to more effectively target support at those households with the greatest need. It is therefore important to understand people's actual experience of fuel poverty, and the support needs of different groups who may fall into that definition. To do so, it is necessary to engage with and speak to the people who are experiencing these issues.

Existing concerns around the current definition – such as modelled energy prices not necessarily reflecting actual heating costs, or not measuring the levels of thermal comfort that households deem appropriate for themselves – further demonstrate the need for more information on the views and experiences of consumers.

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<sup>1</sup> Scottish House Condition Survey, 2016

<sup>2</sup> Article 25.1, Universal Declaration of Human Rights, 1948

To provide that insight Citizens Advice Scotland (CAS) commissioned Ipsos Mori and Bill Sheldrick to carry out research exploring the characteristics of fuel poor households that may be in the greatest need of support, and the types of support that would benefit them most.

The research found that:

- > Additional financial support for those worst affected by fuel poverty is required. Households that were struggling financially expressed a clear need for this, either through additional income, or through reductions to energy bills.
- > In relation to all of the forms of support that are available, the households who have the greatest need for support are often those who are not accessing it. Those who found it most difficult to afford their energy bills were less likely to have accessed support, and awareness of existing support was low.
- > Certain groups were more likely than others to report struggling financially or to have problems heating their homes, and were likely to express a greater need for support. These included:
  - Households in rented flats, both in the private and socially rented sector
  - Households in rural areas
  - Households that rely on electric heating
  - Younger, working age households
- > Under the existing definition most people who are defined as fuel poor do not report financial struggles or problems heating their home. However, this may result in part from differing perceptions around what constitutes 'struggling financially', or from under-heating or cutting back on other essentials. It also suggests the existing definition requires refinement to ensure support reaches those who need it most.

## Recommendations

- > Increase the financial support available to those worst affected by fuel poverty, and review how this can be most effectively delivered. This could include developing new benefits strategies, such as reviewing eligibility for, and access to, existing financial support schemes such as the Warm Home Discount, improving emergency credit schemes operated by suppliers, or looking at the potential for introducing a system of fuel credits.
- > Ongoing efforts are required to increase awareness of existing discount and credit schemes among households with the greatest need of support. This could include reviewing the practice of suppliers in making their customers aware of schemes, and examining how third party organisations can be supported to improve signposting to support.
- > Consideration should be given to how awareness of existing advice and support services can be improved, and, where necessary, how these services can be better supported. This may include providing more consistent, longer-term funding for existing services such as Energy Best Deal<sup>3</sup>, redoubling efforts to highlight the role of trusted third party organisations that are active in providing energy advice to consumers, increasing the visibility of bespoke switching support services, addressing misconceptions around the benefits of, or ability to switch energy supplier, and facilitating local networks of organisations to improve referrals.

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<sup>3</sup> Energy Best Deal is a public awareness and information programme delivered by Citizens Advice Scotland and other partners which helps households to reduce and manage energy bills, and access other forms of support.

- > There should be consideration of how bespoke or targeted support can be better delivered to specific groups who have the greatest fuel poverty support need, and face the greatest detriment as a result of fuel poverty, including those reliant on electric heating, those in rural areas, those in rented accommodation, and vulnerable groups.
- > In order to address the particular disadvantages faced by those in remote rural areas, any new definition of fuel poverty should include an enhanced minimum income standard for remote rural areas, to accurately take into account higher living costs in those areas.

At the time of writing, the Scottish Government is expected to introduce draft legislation setting out a new Fuel Poverty Strategy, which is likely to include the details of a new definition of fuel poverty. We hope that the outputs of this research will help to ensure that there is a strong consumer voice at the heart of that strategy.



# 1. Introduction

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1.1 The current definition of fuel poverty in Scotland is based on the Boardman definition<sup>4</sup>, and states that a household is in fuel poverty if it is required to spend more than 10% of its income to maintain an adequate heating regime. If a household is required to spend more than 20% of its income to maintain an adequate heating regime, it is then considered to be in extreme fuel poverty<sup>5</sup>. The definition of an adequate heating regime is based on guidance set out by the World Health Organisation<sup>6</sup>. This definition resulted in a fuel poverty rate of 26.5% in 2016. However, it is unclear whether this figure accurately represents those with a need for fuel poverty support, and given financial constraints it has been argued that support needs to be targeted to those who stand to benefit the most. This was one of the conclusions of the Scottish Fuel Poverty Strategic Working Group, of which the CAS was a member.

1.2 Recent CFU research has highlighted complexities and raised questions around this issue, in finding that around 12% of Scots say their energy costs are unaffordable<sup>7</sup>. However, Scottish consumers also said that energy bills were the second most concerning issue they faced<sup>8</sup>, so we do not consider that this simply demonstrates that only 12% of consumers require support, as other factors such as under-heating, perceptions of affordability, and the prioritisation of fuel costs over other essential services may result in lower or higher numbers perceiving their energy costs to be affordable when compared with fuel poverty figures. However, it does suggest that the current definition could benefit from refinement to ensure support reaches those who need it most.

1.3 A key priority for the CFU is to help ensure that those who require fuel poverty support have access to it, and that they are receiving support that is appropriate for their needs. It is also important that any changes to how fuel poverty is defined do not result in anyone who has a support need losing out. We therefore need to understand better the circumstances and responses of those for whom energy is unaffordable, and what kind of impact different methods of support can have on their lives, as these questions are important when considering how fuel poverty can be most usefully defined.

1.4 In order to explore this, the CFU commissioned Ipsos Mori and Bill Sheldrick to carry out research examining the support needs of those who are currently defined as being fuel poor. This research included:

- > A review of evidence on fuel poverty and associated schemes or policies which considered the nature of existing support; debates on, and technical aspects of the definition of fuel poverty; and existing literature.
- > Secondary analysis of data from the Scottish Household Survey (SHS) to assess the characteristics of those in fuel poverty. In order to explore subjective need for fuel poverty support, two existing SHS variables were used as proxies for a requirement for support. The first classified respondents as either 'managing' or 'struggling' financially, and the second classified respondents as to whether they have a problem heating their house in the winter months.

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<sup>4</sup> Boardman, B. (1991). Fuel poverty: from cold homes to affordable warmth. London, United Kingdom: Belhaven Press

<sup>5</sup> Scottish Government, Fuel Poverty Statement, 2002

<sup>6</sup> World Health Organisation (1990), Indoor Environment: Health Aspects of Air Quality, Thermal Environment, Light and Noise, WHO

<sup>7</sup> <http://www.cas.org.uk/publications/consumer-tracker-survey-2017>

<sup>8</sup> Citizens Advice Scotland, Policy Team Tracker Survey, 2018

- > Primary research among people in fuel poverty. This consisted of qualitative interviews with Scottish consumers who are defined as being in fuel poverty but who live in relatively energy efficient homes. This approach was chosen in order to focus on what types of support are required by households for whom Scotland's energy efficiency support schemes are not the answer to fuel poverty.

The key aims of this research were:

- > To assess the differences in the characteristics of fuel poor people who say they require support with their energy costs and those who do not.
- > To explore the reasons why some people who are currently defined as being in fuel poverty do not say their energy bills are unaffordable.
- > To explore the attitudes of consumers to

available fuel poverty support and the issues around seeking or accessing it.

- > If possible, to analyse the results in the context of any Scottish Government proposals to alter the definition of fuel poverty to determine the potential impact on consumers who feel that they require support.

1.5 Through this, the CFU wanted to understand the relationship between fuel poverty, as a modelled status, and the subjective need for support with fuel costs. Given the criticism of the current fuel poverty definition that it includes people who do not need support, our aim was to explore the characteristics of those fuel poor households who do need support.

## 2. The Drivers of Fuel Poverty and Existing Support

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2.1 In 2016, the Scottish Fuel Poverty Strategic Working Group identified four ‘drivers’ of fuel poverty. Each of these drivers can have a different impact upon the affordability of heating. These recognised drivers are:

- > Energy inefficient buildings
- > High fuel costs
- > Low income
- > The way in which heating systems are used

2.2 It has become clear that in order to successfully address fuel poverty in Scotland, all four drivers of fuel poverty must be tackled. For example, previous research carried out by the CFU, along with the findings of the Strategic Working Group on Fuel Poverty, indicate that eradicating energy efficiency as a driver of fuel poverty alone is unlikely to eradicate fuel poverty<sup>9,10</sup>.

2.3 The Scottish Government has taken a number of significant steps on improving domestic energy efficiency in recent years, with support schemes designed to increase uptake of energy efficiency improvements by Scottish homeowners, and demanding energy efficiency standards in the social housing sector. While there is evidence that this has made an impact on fuel poverty levels, it has become clear that energy efficiency alone will not eradicate fuel poverty. Indeed, a reduction in the rate of fuel poverty between 2015 and 2016 – from 30.7% to 26.5% – was largely attributed to temporarily lower energy prices, with energy efficiency playing a more limited part<sup>11</sup>.

2.4 Additionally, our previous research suggests that improvements in domestic energy efficiency may become increasingly difficult to achieve over time, as easier and cheaper to treat buildings are improved, leaving those that require more expensive and difficult to install measures<sup>12</sup>. This should not detract from the positive steps that have been taken around energy efficiency improvements, and the Scottish Government’s forthcoming Energy Efficient Scotland Programme, through which we expect further ambitious progress to be made. However, it makes clear that improving energy efficiency is only part of the solution.

### Existing Fuel Poverty Support

2.5 A range of schemes exist both at a UK and Scottish level which are designed to either tackle fuel poverty, or which may deliver other measures that could help to reduce it, such as energy efficiency improvements. Table 1 sets out the schemes that are currently available.

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<sup>9</sup> CFU, *Taking the Temperature*, 2016

<sup>10</sup> <http://www.gov.scot/Publications/2016/10/2273>

<sup>11</sup> The 2016 Scottish House Condition Survey attributes two thirds of this change to lower prices of domestic fuels (largely mains gas and heating oil), and one third to improvements in energy efficiency.

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<sup>12</sup> CFU, *Taking the Temperature*, 2016

**Table 1: Scottish Energy Efficiency and Fuel Poverty Schemes current at December 2017**

Supplier Obligations	Other UK-wide energy efficiency schemes	Scotland-specific schemes	UK-wide cash benefits schemes	Renewable energy schemes
Energy Company Obligation 2T		Home Energy Efficiency Programmes for Scotland: Area Based Schemes (HEEPS: ABS)  Home Energy Scotland Loan <sup>13</sup>  HEEPS Equity Loan Pilot Scheme  HEEPS: Warmer Homes Scotland Scheme  Scotland’s Energy Efficiency Programme (SEEP) Pilot 2  Climate Challenge Fund	Warm Home Discount  Winter Fuel Payments  Cold Weather Payments	Feed-in-Tariffs (FiTs)  Renewable Heat Incentive (RHI) Community and Renewables Energy Scheme (CARES)

2.6 There are clear limitations to existing fuel poverty support schemes. At a Scottish level, energy efficiency schemes have become increasingly widespread in recent years, delivering improvements more equitably across Scotland than previous UK-wide schemes<sup>14</sup>. However, even those who live in energy efficient homes can experience fuel poverty as a result of low income and high cost, often electric, heating systems. The most recent statistics indicate that of those living in dwellings in EPC band B or C, 14% are still fuel poor<sup>15</sup>. It is possible that many of these households will have low incomes, use expensive heating systems, and have limited financial resilience. The financial drivers of fuel poverty - low income and high fuel cost - are to some extent targeted by three UK-wide support schemes. The details of these schemes are set out in Table 2.

2.7 However, these schemes have varying eligibility criteria, and it is likely that some of those households who are experiencing fuel poverty largely as a result of low incomes or high heating costs will not have access to all or any of them. The Warm Home Discount – for which a wider range of households may currently be eligible – is available to two separate groups: the ‘core group’ which receives payments universally, and the ‘broader group’ which operates on a first come, first served basis, and where energy suppliers have discretion over eligibility criteria. It is also not delivered by all suppliers, suggesting that those with lower awareness of schemes may be at a disadvantage.

<sup>13</sup> Replaced HEEPS: Loans Scheme and the Home Energy Scotland Renewables Loans

<sup>14</sup> CFU, *Taking the Temperature*, 2016

<sup>15</sup> Scottish House Condition Survey, 2016.

**Table 2: Financial Support Schemes**

Scheme	Support	Eligibility
Warm Home Discount	Annual payment of £140 to two groups of vulnerable households credited (usually directly against their electricity account)	Elderly consumers in receipt of pension credit. Typically low income consumers with disabilities or young children - supplier discretion over criteria, and limited funding distributed on first come, first served basis.
Winter Fuel Payment	£200 to £300 annual payment per household depending on age and circumstances	Available to households where one member is over national female pension age.
Cold Weather Payments	£25 per week per household	Households on defined benefits. Paid when average local temperature over 7 day period is 0 degrees or below.

2.8 Eligibility for this existing support relies largely on different proxies for support need, and this leads in part to the variation in eligibility between schemes. While proxies are often imperfect, they can be useful for delivery of support. Some existing eligibility criteria have previously been identified as reasonable proxies for those at risk of fuel poverty as a result of low income, such as the Cold Weather Payments group<sup>16</sup>. However, it may be necessary to re-examine what proxies most closely reflect support need, and whether new proxies need to be developed. This may include examining whether new proxies for fuel poverty support needs are required to ensure the effective delivery of support.

2.9 Until recently, much of the policy relating to support other than energy efficiency measures has been reserved to the UK Government, both in terms of obligations on suppliers to deliver the Warm Home Discount and in terms of social security benefits. However, following the 2016 Scotland Act, powers over the design of the Warm Home Discount have been devolved to the Scottish Parliament. It has also gained powers to increase or redesign certain existing social security benefits including Winter Fuel Payments and Cold Weather Payments, or to create new benefits that are not associated with reserved areas. In this context, the Scottish Government has established Social Security Scotland – an agency that will deliver those newly devolved benefits. In light of this, there may be opportunities for alternative approaches to delivering this support at a Scottish level in the future.

<sup>16</sup> Citizens Advice Scotland, Designing a Social Security System for Scotland: Winter Fuel and Cold Weather Payments, 2015

## 3. Policy Context

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### Perceived issues with current definition

3.1 In recent years, a number of concerns have been raised about whether the current definition is fit for purpose. In 2016, in its final report to the Scottish Government, the Scottish Fuel Poverty Strategic working group identified a number of concerns with the current definition, including that it may be too broad and may not easily lend itself to allowing the effective targeting of resources at those in the greatest need<sup>17</sup>.

3.2 The Group's report pointed out that under the current definition, 58% of those considered to be fuel poor are not considered to be income poor<sup>18</sup>. The implication is that this could mean that a significant amount of support ends up being delivered to those who could potentially have less of a support need. The Scottish Government's Independent Advisor on Poverty and Inequality also highlighted concerns that the current definition may not be sufficiently reflective of levels of income poverty, stating that:

*"...questions have been raised about whether the definition of fuel poverty is helpful in terms of targeting this spend at the poorest. I have seen analysis that indicates that over half of all 'fuel poor' households probably wouldn't be classified as 'income poor' in terms of relative poverty measures. This suggests to me that the fuel poverty definition needs to be looked at again – so that future programmes focus more specifically on helping those in fuel poverty who are also in income poverty."<sup>19</sup>*

3.3 However, concerns around income alone may not necessarily mean that the definition is unfit for purpose. As outlined above, a number of factors influence fuel poverty, and income alone is unlikely to be sufficient to determine an absolute need for support.

### Scottish Government Review

3.4 In light of the concerns raised, the Scottish Government conducted an independent academic review of the definition of fuel poverty. The review emphasised that the real adverse outcomes of fuel poverty should be at the heart of the definition, and that it may need to take into account more strongly fuel poverty's interrelationship with wider poverty and deprivation<sup>20</sup>.

*"We concluded that some of the adverse outcomes associated with fuel poverty were at risk of being de-emphasised in the increasing policy focus on energy efficiency and building fabric."<sup>21</sup>*

3.5 Ultimately, the review proposed significant changes to the definition. The proposed new definition has two key features:

1. Using household income *after housing costs* instead of gross household income; and
2. A further requirement that the household has less than 90% of Scotland's Minimum Income Standard (MIS) after fuel and housing costs have been deducted.

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<sup>17</sup> <http://www.gov.scot/Publications/2016/10/2273>

<sup>18</sup> Ibid

<sup>19</sup> Independent Advisor on Poverty and Inequality to the Scottish Government, *Shifting the Curve*, 2016

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<sup>20</sup> <http://www.gov.scot/Publications/2017/11/7715/0>

<sup>21</sup> <http://www.gov.scot/Publications/2017/11/7715>

3.6 These changes are respectively likely to have the effect of increasing the number of people on low incomes and decreasing the number of people on high incomes who would be defined as fuel poor. In that sense it attempts to address the concern that the current definition includes those who may not need support, at the same time as expanding the definition to include more low income households.

3.7 A number of other changes were recommended, including that the level of the MIS should be revised upwards for remote rural areas to take into account of higher living costs, and that the age of automatic vulnerability should be increased from 60.

3.8 Following this, the Scottish Government published a consultation on a proposed Fuel Poverty Strategy for Scotland in November 2017. The proposals set out included a new definition for fuel poverty which accepted, in large part, the recommendations of the academic review. It is notable, however, that the Scottish Government does not intend to revise up the MIS for remote rural areas.



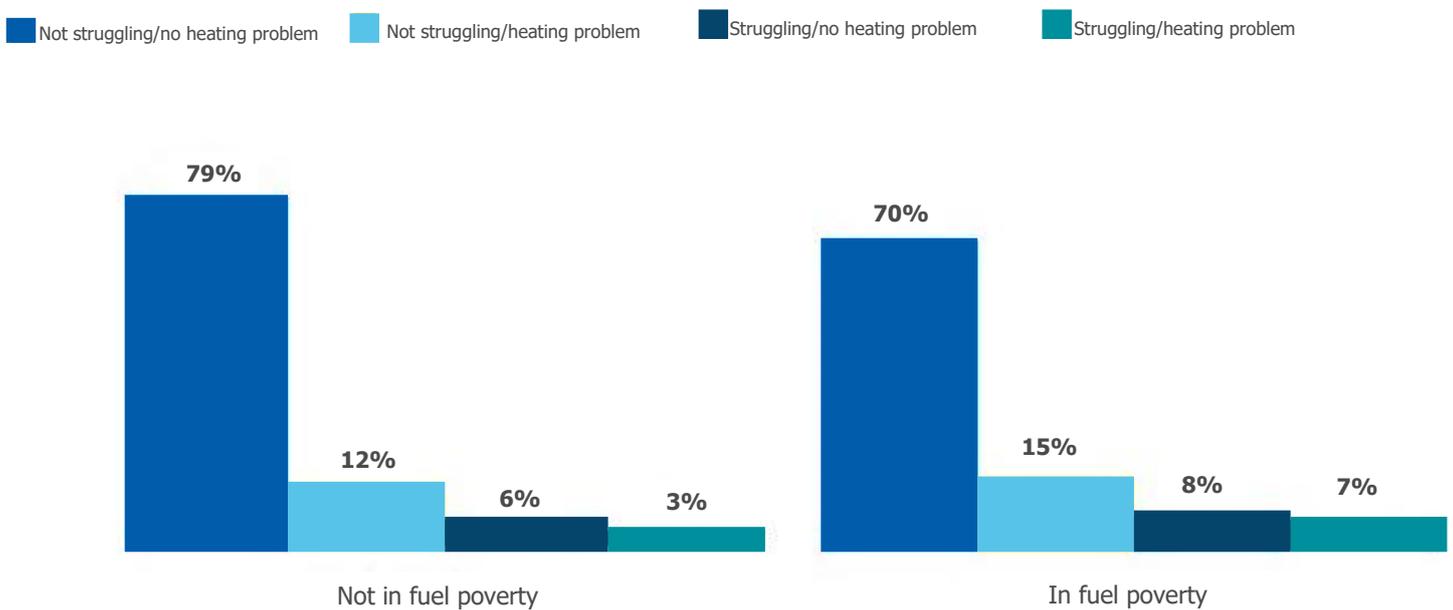
## 4. Key Findings and Analysis

4.1 The findings of this research have provided us with a great insight into the circumstances of different groups living in fuel poverty, their experience of seeking support, and their support needs. While some of these findings are valuable in building a clearer picture of the lived experience of fuel poverty, others give us an important insight into the types of support that some households have and immediate – and often pressing – need for.

### Reporting of Heating and Financial Problems

4.2 A somewhat surprising finding from the analysis of Scottish Household Survey data was that the vast majority of those who were classified as being in fuel poverty reported that they did not have heating problems and were managing financially. Only 7% of those surveyed who were in fuel poverty stated that they were both struggling financially and found it difficult to heat their home.

Figure 1: Financial and heating problems by weather in fuel poverty



Base: 5,601 adults

4.3 However, it appears that this statistic may be somewhat misleading. The qualitative interviews showed that households reporting that they are ‘managing financially’ and have ‘no heating problems’ may not mean that those households are not facing problems or do not require support. It emerged that ‘managing’ meant very different things to different groups of people. Many of those interviewed said that they were managing financially by cutting out essential things like food and travel. Many were also found to be likely to lack financial resilience, making them highly vulnerable to unexpected costs which may then push them into financial hardship over a short time. There was also evidence that some were managing as a result of under-heating their homes.

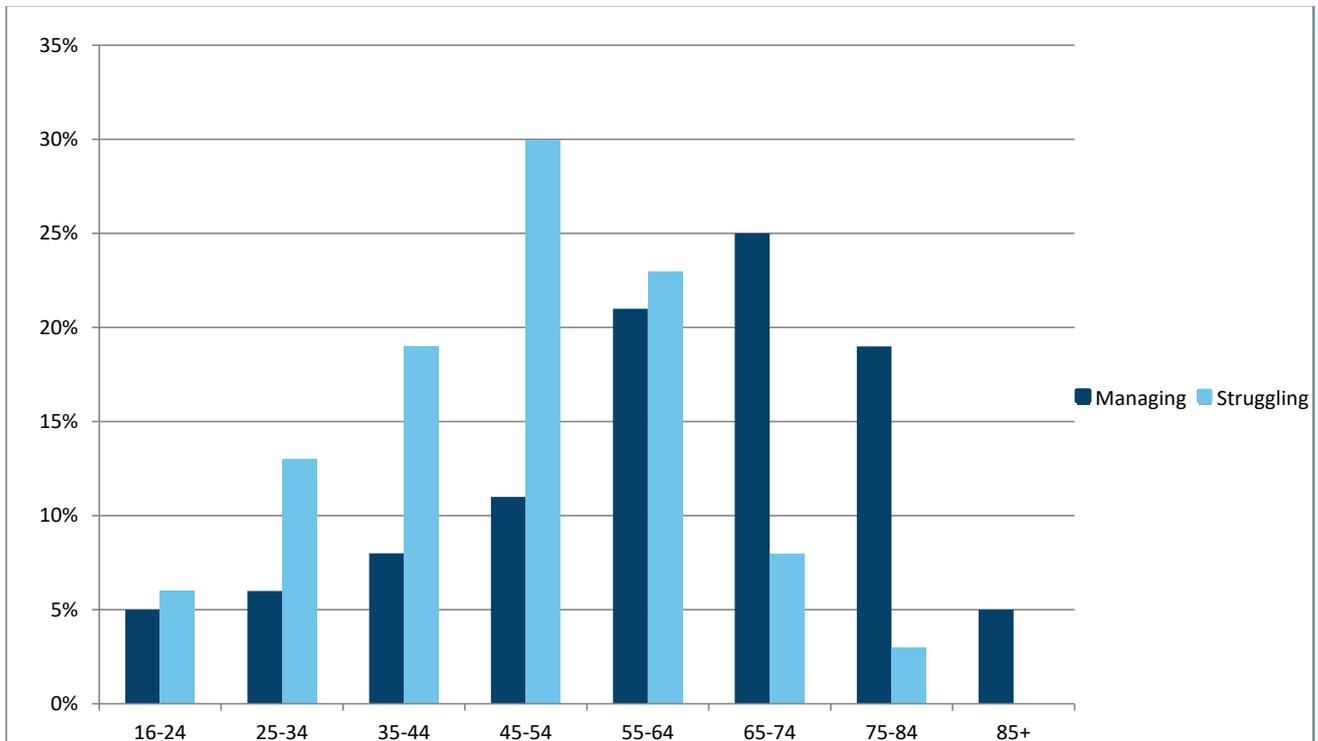
4.4 Crucially, the idea of ‘managing financially’ does not appear to be fixed, and may not necessarily indicate that an individual or household does not require support. It is possible that this reflects the absolute state of an individual’s finances without necessarily taking into account comfort or the ability to afford necessities.

## Who is Struggling?

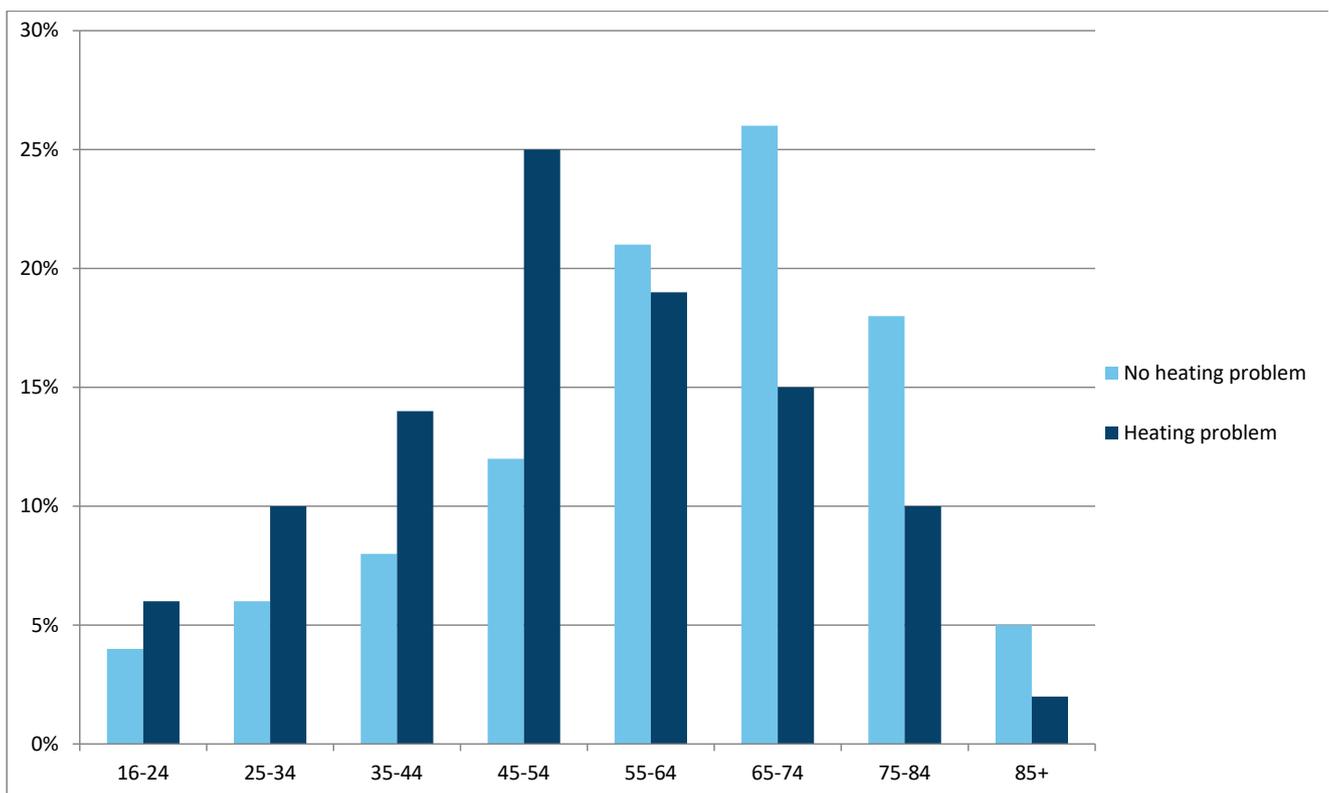
4.5 The research suggested that different demographic groups were likely to report very differently on whether they were struggling financially or had problems heating their homes.

4.6 Younger households were significantly more likely to report struggling financially than older households. Those who reported managing financially were nearly four times as likely to be over 65 as those who reported struggling financially. And while older households are more likely to have heating problems than they are to have financial problems, those households that struggle to heat their home in winter are in fact more likely to be younger than older.

## Managing/struggling financially by age group



## Heating problems by age group

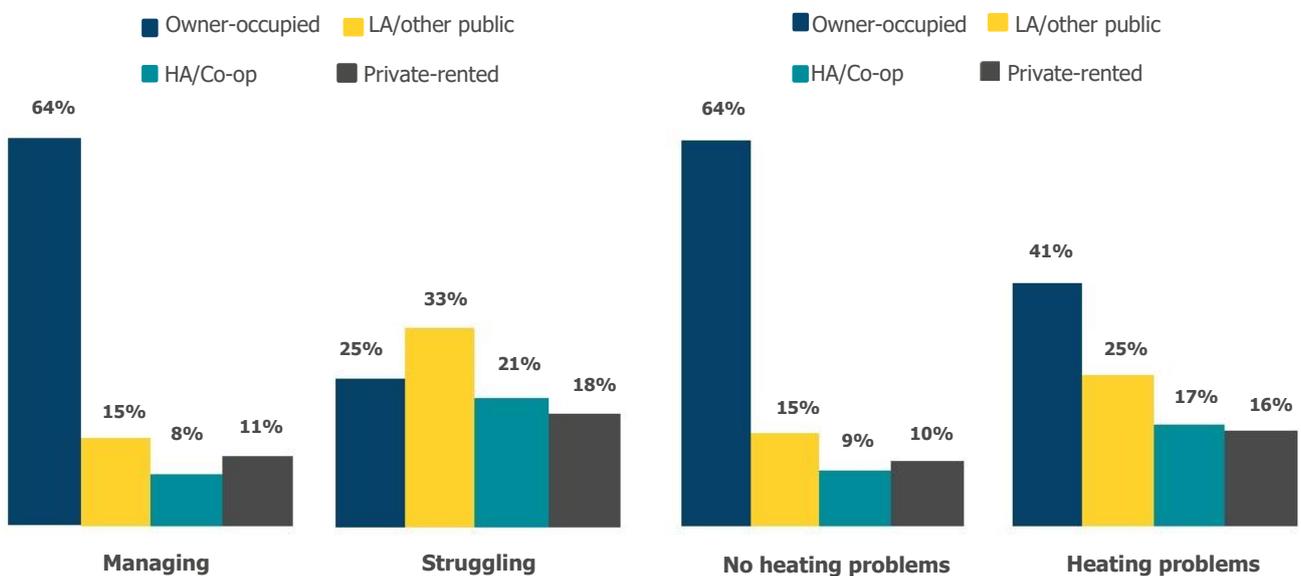


4.7 The images that often accompany discussions of fuel poverty tend to reinforce the idea that it primarily affects older people. However, these findings highlight the fact that many younger people and families experience difficulties affording to keep their home warm. As discussed above, it may be necessary to treat these results with some caution

4.8 A focus on household composition tells a similar story. Single adults, families and single parents were more likely to report to be struggling financially, and single adults were the most likely to report having problems heating their homes.

4.9 The research indicated that there are differing support needs based on tenure, with those in rented accommodation – both private or social – significantly more likely to report struggling financially and have heating problems.

Figure2: Managing/struggling by tenure



4.10 Those in flats and tenements – which account for 35% of Scottish households<sup>22</sup> – made up 55% of those struggling financially and 42% of those who find it difficult to heat their home. Those in tenements seem to be particularly associated with heating problems.

4.11 The increased likelihood of those in flats having difficulties heating their property is not explained by the prevalence of expensive electric heating in those dwellings, as most fuel poor people living in flats use mains gas, which is by far the most common heating system used in Scotland. However there is no doubt that those on low incomes with electric heating face an extra burden, particularly if they live in poorly insulated tenements.

4.12 Households living in both private and social rented flats were also more likely to face perceived barriers to switching their energy supplier. A number of these households referred to the misconception that their choice of supplier was at the discretion of their landlord as opposed to themselves. This may highlight a lack of awareness of the switching process and wider energy market among this group.

4.13 It is well established that electric heating systems are among the most expensive to run, and due to their association with both flats and rural areas, they are often used by those who can least afford it or who have elevated heating requirements. Previous CFU research has indicated that in urban areas, households that are reliant on electric heating are often close to the gas grid, but have not been connected. These households are often in flats that are more likely to have lower EPC ratings, more likely to be in lower income bands, more likely to be single person households, and more likely to be in rented accommodation<sup>23</sup>.

Those rural households that rely on electric heating are further disadvantaged by factors including the lack of access to cheaper alternatives and the significantly higher cost

of living in many rural areas<sup>24</sup>. Reflecting this, the findings from the qualitative interviews indicated that those who are reliant on electric heating face particular challenges in relation to affording their energy bills. In line with the findings from the analysis of SHS data, those with electric heating expressed particular concern about the high and rising cost of fuel. A number of participants who were reliant on electric heating also did so not through choice, but because they lived in rented accommodation and had little choice over their heating. This may point to an additional disadvantage for those in rented accommodation, and an additional need for support.

*“I do have to economise in other things, thinking, well the electricity is on now all winter, that has to come first sort of”*

4.14 Participants from rural areas also faced particular difficulties with paying for energy. It is notable that according to the current definition, fuel poverty rates are significantly higher in rural Scotland at 37%, while the figure for Scotland as a whole is 26.5%<sup>25</sup>. Similarly to those who were reliant on electric heating, participants from rural areas raised concerns about fuel bills, referencing the high and rising cost of fuel and difficulties keeping track of usage to anticipate billing amounts. This corresponds closely with previous evidence which suggests that households in rural Scotland are likely to face challenges with the affordability of energy for a number of reasons. The Rural Fuel Poverty Taskforce found that living costs in remote rural Scotland are significantly higher than urban areas, and that in these areas, between 10% and 40% higher incomes are required to meet the UK minimum income standard<sup>26</sup>.

<sup>22</sup> Scottish Household Survey 2016

<sup>23</sup> CFU Research into Off-Gas Consumers, to be published 2018.

<sup>24</sup> Rural Fuel Poverty Taskforce, 2016

<sup>25</sup> Scottish House Condition Survey, 2016

<sup>26</sup> Scottish Rural Fuel Poverty Taskforce, 2016

4.15 While a range of factors influence this, limited access to fuel types is likely to play a key role, as large parts of rural Scotland do not have access to mains gas, which consistently tends to be the cheapest type of heating<sup>27</sup>. This results in a range of alternative fuels being used, including large numbers relying on expensive electric heating. CFU research indicates that in Scotland electricity is used in 21% of rural homes, unlike elsewhere in rural Britain, where the proportion of homes using electricity for heating is similar to that in urban areas (less than 10%)<sup>28</sup>. In the qualitative interviews, a number of participants in rural areas cited the lack of access to mains gas as an issue, and a number stated that they would welcome support on accessing alternative fuel types.

### **Awareness of, and access to, support**

4.16 A key finding was that of those interview participants who found it most difficult to afford their energy bills, the majority had not taken steps to reduce their bills. Around half of the participants had not sought or received advice or support in relation to their fuel bills, mainly due to lack of awareness of available support, and these participants were all those who experience the greatest difficulty affording their fuel bills. Fundamentally, this appears to indicate that those who need support the most are very often those who are not accessing it or being made sufficiently aware of it.

4.17 Awareness of existing discount schemes among participants generally appeared to be low, particularly among those who were struggling financially. This may indicate that schemes such as the Warm Home Discount are not being accessed by many of those who would benefit from it the most. This is backed up by data from Citizens Advice Bureaux across Scotland which suggests that Scottish consumers continue to face difficulty when accessing support that they are entitled to receive. This was highlighted by the fact that requests for assistance with accessing Warm Home Discount were the second most common regulated energy issue that was brought to Citizens Advice Bureaux across Scotland in 2016/17.

4.18 The overall experience of switching supplier was mixed, with some expressing a lack of trust or confidence in the benefits. Concerns were raised that there was a need for more neutral or independent switching advice and support, and a lack of trust of transactional switching services. This may additionally indicate that there is a lack of awareness of existing services, such as Citizens Advice's independent price comparison tool<sup>29</sup>.

*“Have an independent search comparison site that everybody is on that you can go to, because it’s a big con the way you get on all these sites and none of them that I’ve seen are independent. You’re only getting a limited amount of suppliers on them... All these sites ust benefit the ‘Big Six’.”*

<sup>29</sup> <https://energycompare.citizensadvice.org.uk/>

<sup>27</sup> CFU Research into Off-Gas Consumers, to be published 2018.

<sup>28</sup> Ibid

4.19 The research found that consumers faced a number of barriers to switching their energy supplier – although some of these were perceived rather than actual barriers. As discussed above, those in rented properties faced perceived barriers around their ability to switch. Additionally, many of those using prepayment meters viewed switching either being onerous or costly. Some others who had switched felt it had not been worthwhile, or had had negative experiences, with some citing unexpected fees.

4.20 Despite this, interview participants were generally keen to receive advice and support on how to reduce their fuel bills, including by switching supplier or learning how to use their heating more efficiently.

4.21 In terms of seeking support towards energy efficiency improvements, those participants who had installed energy efficiency measures were often those who reported the least financial difficulty. It is possible that this type of support is more likely to be taken up by those who are better off, or may be seen as less of a priority for those who are struggling.

### **Additional financial support**

4.22 The research found that there is a clear need for additional financial support for some households. The analysis of EPCs that was carried out in participants' homes highlighted the limitations of energy efficiency improvements as a means of lifting households out of fuel poverty, and strongly indicated that greater support to address the financial drivers of fuel poverty may be required. This aspect of the research suggested that while some high-cost energy efficiency measures – such as upgrading storage heating and wall insulation – can help to lift some households out of fuel poverty, more common and cheaper measures like floor insulation are unlikely to have a great impact on whether a household is in fuel poverty. This indicated that there is a need to focus on support that addresses the financial drivers of fuel poverty – namely energy prices and incomes – as well as improving energy efficiency.

4.23 This further supports the findings of previous research by the CFU, which has indicated that energy efficiency improvements will be insufficient to eradicate fuel poverty alone, and additional financial support is likely to be necessary to have a meaningful impact, particularly in a market where prices are increasing at several times the rate of inflation.

4.24 The qualitative interviews also gave a clear indication that additional financial support would be of real benefit to many of those who have the greatest need for fuel poverty support. This was cited as important for those who were struggling financially, particularly for those who were unemployed, working part time, or studying. The responses suggested that there was a need for more short term support than that which is currently available, with specific references to monthly or seasonal discounts. This may reflect the needs of those who require support in the short term to 'make ends meet' at the end of the month.

*“Probably a monthly discount on bills [would be the most helpful], because it targets [the problem] precisely.”*

4.25 While the qualitative interviews revealed widespread enthusiasm for advice-based support on reducing bills or using energy efficiently, those who said they were struggling financially expressed a clear need for financial support, either additional benefit income or reduced bills.

*Well, everybody is wishing for their [benefit payments] to get put up a wee bit so that you can get some more [heating].”*

4.26 As discussed above, many of those in rural areas highlighted the lack of access to mains gas, which necessitates the use of more expensive fuels for heating, particularly electricity in low income households. Although the gas network is being extended in some areas, many remote areas have no realistic chance of ever being connected to the mains gas grid, and so will remain reliant on these off grid fuels. Energy assessments, carried out after some of the participant interviews, identified the potential for those with electric heating to benefit from modern High Heat Retention Storage Heaters. These could lead to significant savings, but as many households with electric heating are on low incomes and rent their home, is likely to require financial support to enable consumers to benefit.



## 5. Conclusions and Recommendations

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5.1 The findings from this research demonstrate the complexity of fuel poverty, the requirement for more financial support and the issues faced by different groups. We find that a new means of defining fuel poverty, and a new strategy for delivering fuel poverty support, will be positive developments, as the current definition may not accurately reflect the real life experience of fuel poverty. However, it is important that a new definition reflects this experience, and a new strategy is able to deliver support to those who need it, and is able to deliver the appropriate type of support. The following recommendations could help to achieve these outcomes.

### Increased financial support for those in the greatest need

5.2 The Scottish Government should review how financial support can be effectively delivered to those who have the greatest support need, and explore how this can be increased. The significance of household income and fuel prices in contributing to fuel poverty has made clear that those with the greatest support need would benefit from financial support, either to increase incomes or to reduce energy bills. The Scottish Government may wish to consider options for increasing financial support, including:

- > Examining new benefits strategies in addition to those already in place, which could provide targeted support to those with the greatest need for fuel poverty support. This could include developing fuel credits, either in the form of payments to fuel poor households or credits that can be used to reduce household fuel expenditure on fuel.
- > Working with energy suppliers to put in place emergency credit schemes to prevent households getting into debt, or expanding these where they already exist. These could build upon the schemes already operate by Scottish Power, British Gas, and nPower. These existing schemes should be examined to determine best practice in supporting those in debt and preventing consumers from falling into debt.

- > Reviewing if and how the eligibility for existing financial support, such as the Warm Homes Discount could be developed or improved to ensure that it is accessible by those with a fuel poverty support need. This may include examining which existing proxies for risk of fuel poverty as a result of low income are most accurate, and whether new proxies for fuel poverty support needs are required to ensure the effective delivery of support.

### Increasing awareness of existing discount and credit schemes

5.3 There should be renewed consideration to how awareness of existing fuel poverty support schemes, such as the Warm Home Discount, can be increased among households with the greatest need of support. The research made clear that many of those who would benefit most from these schemes were not aware or in receipt of them.

5.4 Many of those interviewed as part of this research expected their supplier to be responsible for drawing their attention to such schemes. Therefore, a review of energy suppliers' practice in this regard may be worthwhile to ensure a consistent approach across companies, informed by 'best practice'.

5.5 The Scottish Government may also wish to work with suppliers and other organisations to improve signposting to these schemes, and examine how organisations working with the fuel poor, such as housing associations, can be better supported in this regard.

5.6 Efforts should also continue to ensure that particularly vulnerable subgroups of consumers, including people with a disability, are made aware of any additional financial support available to them such as the Warm Home Discount Scheme.

### **Increasing awareness of fuel poverty advice and support**

5.7 Consideration should be given to how awareness of existing advice and support services can be improved, and, where necessary, how these services can be better supported.

5.8 There was a clear appetite among the participants of the research for more advice on how to switch tariff or supplier. However, it will be necessary to overcome the apparent distrust among some of switching services, and the misconception that this has a limited impact on billing amounts.

5.9 Existing campaigns such as Energy Best Deal and Big Energy Saving Week have had positive impacts on both raising awareness of the benefits of switching, and encouraging consumers to switch. In 2017/18, through Energy Best Deal, CAS delivered 131 group sessions, reaching 562 frontline workers and 776 consumers, and provided 2,420 one to one appointments. In 2016/17, Big Energy Savings week helped at least 14,784 people across the UK with their energy bills via face to face events.

5.10 This success should be built upon with greater and more consistent support for these campaigns – in particular, there should be more consistent and longer-term funding for Energy Best Deal. The successes of these campaigns may also provide an effective model for any future campaigns to engage consumers in the energy market.

5.11 There should also be consideration of how awareness can be raised of independent price comparison and switching services. An independent price comparison service is currently offered by Citizens Advice, and this research has highlighted the key role that trusted, neutral parties can play in providing these services in an effective manner. Efforts should be redoubled to highlight the positive role of trusted third party organisations that are active in providing energy advice to consumers.

5.12 There was also a clear appetite among participants for greater advice on using energy efficiently. Consideration should also be given to how awareness of organisations providing this type of advice and working with the fuel poor can be increased, and how they can be better supported.

## Developing targeted support for those most vulnerable to fuel poverty

5.13 The Scottish Government may wish to review how bespoke or targeted support can be delivered to specific groups who have the greatest fuel poverty support need, and face the greatest detriment as a result of fuel poverty.

5.14 This may help to address many of the issues set out in the recommendations above, but in a manner that deals with the specific and often complex problems faced by households in particular circumstances. Consideration could be given to how bespoke or targeted support services could be developed for specific groups including:

- > Households who are reliant on electric heating, to address confusion about the complex tariff market and high heating costs, and provide support on using and upgrading heating systems.
- > Those in rented accommodation, to address misconceptions around switching, and to raise awareness of rights and landlords' responsibilities.
- > Those living in rural areas, to help address issues including access to cheaper fuel types, the greater need for energy efficiency improvements, and higher living costs.
- > Vulnerable groups, to increase awareness of and access to existing support, such as priority service registers.

5.15 Additionally, in order to help to reflect and address the particular disadvantages faced by those in remote rural areas, any new definition of fuel poverty should include an enhanced minimum income standard for remote rural areas, to accurately take into account higher living costs in those areas. This will help to ensure that fuel poverty is accurately measured, based on households' real experience of it, and the need for targeted support in these areas can be more effectively identified.





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