

# Support Needs of those in Fuel Poverty

## Delivering Support to Achieve Affordable Warmth

### DRIVERS OF FUEL POVERTY

- HOUSEHOLD INCOME
- PRICE OF ENERGY
- ENERGY PERFORMANCE OF HOMES
- HOW ENERGY IS USED

### IN SCOTLAND FUEL POVERTY AFFECTS:

**26.5%** of all households

**37%** of rural households

**51%** of households with electric heating

### Background

- > Everyone requires energy to maintain good health and wellbeing.
- > At present, fuel poverty is defined in Scotland as existing if a household is required to spend more than 10% of its income in order to maintain a satisfactory heating regime.
- > There is a correlation between income poverty and fuel poverty, but the former is not a prerequisite for the latter. Fuel poverty is driven by a combination of income, energy prices, home energy efficiency, and how energy is used.
- > The energy performance of Scottish homes and household incomes has been improving, but energy costs have been increasing.
- > The Scottish Government proposes a new definition, whereby a household would be in fuel poverty if it is required to spend more than 10% of its income on energy bills *after* housing costs, **and** once these costs have been deducted, a household would have less than 90% of the minimum income standard for Scotland.

### Key Issues

- > In 2016, 26.5% of households in Scotland were fuel poor, down from 30.7% in 2015, though the target to eradicate fuel poverty by 2016 was not met.
- > This recent reduction can be largely attributed to modest reductions in the price of energy. However, these reductions were reversed in 2017 when the 'Big Six' energy suppliers significantly increased their prices. Big Six electricity prices increased by around 12.5%. The impact of these price changes on the fuel poverty rate is yet to be seen.
- > The proposed new definition of fuel poverty would be likely to lead to an overall fall in the numbers of households defined as being in fuel poverty, with reductions among older households and owner-occupiers, but increases among younger, working-age households and those in rented accommodation.
- > The cost of living is significantly higher in remote rural and island areas of Scotland. To achieve the UK Minimum Income Standard (MIS) in these areas higher incomes of between 10% and 40% are required. The Scottish Government's definition review panel recommended that the MIS be adjusted upwards for these areas under the new definition.
- > To succeed in tackling fuel poverty, each of its four drivers – the cost of energy, household income, home energy efficiency, and how energy is used – will have to be addressed.

# Key findings and recommendations

## Research with fuel poor households conducted for CAS in 2017 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.
- > Households that 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 did not report financial struggles or problems heating their home, but this may result 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.

## Our 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 reviewing eligibility for existing financial support schemes, improving emergency credit schemes, or new benefits strategies such as 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, including 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.
- > Awareness of existing advice and support services should be improved, and, where necessary, better supported. This may include providing more consistent, longer-term funding for existing services, highlighting the role of trusted third-party organisations addressing misconceptions around the benefits of, or ability to switch supplier or tariff, and facilitating local networks of organisations to improve referrals. Switching rates in Scotland tend to be lower than in England and Wales. There should be greater support for the provision of impartial advice on how to reduce fuel bills through switching to a cheaper tariff or switching supplier.
- > Develop more bespoke or targeted support delivered to specific groups who have the greatest fuel poverty support need, including those reliant on electric heating, those in rural areas, those in rented accommodation, and vulnerable groups. Ofgem, suppliers and other key intermediaries to ensure that the most vulnerable consumers are fully supported to engage in the energy market.
- > 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 reflect higher living costs in those areas.

In 2017, the CFU commissioned Ipsos MORI and Bill Sheldrick carried out research to understand the support needs of households in fuel poverty. The research included secondary analysis of Scottish Household Survey data, qualitative interviews with fuel poor households, and details home energy assessments. 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.



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