

Energy Action Scotland response to Scottish Commission on Social Security: Low Income Winter Heating Assistance (LIWHA) Regulations

About Energy Action Scotland

Energy Action Scotland¹ is the Scottish charity dedicated to ending fuel poverty. Energy Action Scotland has focussed on this single issue since its inception in 1983 and has campaigned on the issue of ending fuel poverty and delivered many practical as well as research projects to tackle the problems of cold, damp, and hard to heat homes. Energy Action Scotland works with both the Scottish and the UK Governments on energy efficiency programme design and implementation. Energy Action Scotland welcomes the opportunity to respond to this much delayed and vitally important consultation.

Energy Action Scotland's response focuses primarily on those areas that it considers may impact most on fuel poor and vulnerable consumers. Energy Action Scotland is not a health organisation, but we are concerned about the health impacts of living in fuel poverty and that respiratory conditions which are exacerbated by living in a cold, damp home make up a high proportion of Scotland's excess winter deaths, which are linked to living in fuel poverty.

We appreciate the opportunity to feed into the considerations of the commissions ahead of the introduction of Low Income Winter Heating Assistance.

Our Response

Scottish Government estimates suggest that **fuel poverty** has risen to over 1 in 3 households because of the increase in energy costs. The result of this will be an increase in the number of needless deaths and as well as the devastating impacts cold homes have on their occupant's lives, this problem extends to all of us; needless health & social care costs², queues at GPs and A&E as well as delaying the discharge of the most vulnerable patients from hospital. The resulting impact on health services **costs the NHS in Scotland** in the region of **£100-200million**.

The switch to Low Income Winter Heating Assistance fails to recognise the 4 drivers of fuel poverty and fails to support the Scottish Government achieve its statutory targets for reducing fuel poverty to no more than 5% of households by 2040.

¹ www.eas.org.uk

² The health implications of cold temperatures on respiratory conditions and on frail and elderly households are well known. These impacts are also intergenerational, with children twice as likely to suffer from asthma or bronchitis if they inhabit cold and damp housing. These issues have been badly exacerbated the Covid-19 crisis. During the colder months, many people will continue to stay at home for longer periods. Alongside the psychological stress and social isolation caused by the virus, too many will have to choose between heating their home adequately and falling into debt or rationing their energy use and living in cold damp homes that are dangerous to their health and can shorten their lives. This can lead to a vicious cycle of hospital admission, discharge, and readmission. Poor housing leads to sharp rises in energy use. A recent independent analysis suggests that, if a second lockdown was re-imposed during winter months, families in cold, leaky homes would face heating bills elevated on average to £124 per month, compared with £76 per month for those in well-insulated homes – a difference of £49 (£48.7) per month. In Scotland this is expected to be between 25-50% higher for those in all electric homes in colder climates.

It is important that our support systems can target households in the greatest need. Fuel Poverty is complex, yet the LIWHA looks to appear to only address 'income'. It also treats all recipients equally yet the factors that affect their fuel poverty are diverse. These factors include age, disability, climate and home energy efficiency levels which affect the level of consumption required to maintain health and wellbeing. Older residents and those with disabilities or essential medical requirements are likely to require an enhanced heating regime, as identified in the Fuel Poverty Act (2019), which will increase their costs. LIWHA makes no attempt to recognise this. The CWP which it replaces was reflective of extreme weather and income and was more closely aligned in policy terms to reducing fuel poverty than LIWHA.

The profile of fuel poverty is changing, and the assumptions and declarations made in the consultation are affected by the rising cost of energy. The profile of fuel poor households now includes an even greater number of households in extreme fuel poverty. Estimates suggest that by 1 April 2022 over 600k households will be in extreme fuel poverty. 75% of these households will be low-income households.

The value of the existing Cold Weather Payment system as a response to more extreme climatic conditions is eroded by the introduction of LIWHA. It creates its own **detrimental impact** on many low-income households' ability to heat their homes to good comfort levels. CWP was automatically applied frequently, as conditions dictated and was more closely related to when costs were expended. There is now a considerable delay between the need to heat and power homes and the payment.

The proposal to provide payment as a single February payment does not match to the cashflow profile of many of the intended beneficiaries. Households with **pre-payment meters** have significantly higher cashflow demands to maintain the same level of access to heat and power as credit customers on Direct Debit. Payment in arrears as is being introduced risks households accruing higher levels of debt or use of emergency credit or simply being unable to afford to connect whilst waiting on payment.

Cold, damp, and unsafe homes continue to cause **unacceptable levels** of unnecessary **hardship** and premature mortality. Energy Action Scotland estimates that on average more than **2000 people**³ in Scotland die each year due to living in a cold home. The Office for National Statistics (ONS) estimates that that the biggest cause of death was respiratory disease, followed by circulatory health conditions. Both these conditions are badly exacerbated by living in cold homes which are hard to heat and around **30%** of these deaths are **preventable**⁴.

³ Excess Mortality Figures for Scotland 2018/19 indicate that excess mortality was 2060

<https://www.nrscotland.gov.uk/files/statistics/winter-mortality/2019/winter-mortality-18-19-pub.pdf>

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Key questions

- In practice, how extending eligibility to people in receipt of “in work” benefits, such as Personal Independence Payment, Child Disability Payment or Adult Disability Payment, could work.

Energy Action Scotland comment: We support the extension of the qualifying group of households being proposed as they are likely to require additional support and require enhanced heating during the winter to maintain their health and wellbeing.

- The qualifying week approach and whether this currently works for clients in regard to Winter Fuel Payment and Child Winter Heating Assistance where the approach is similar.

Energy Action Scotland comment: The need for a qualifying week is now necessary when it wasn't for the Cold Weather Payment system. As circumstances change for households between the qualifying date and the payment date, households that may meet the eligibility criteria are excluded and unsupported. This is more likely with the proposed regulations than the CWP it replaces. The need for a qualifying date proposed appears to be driven by a need to create budget certainty for government rather than being driven by the needs of those it is intended to support.

- Areas of the eligibility, determination and payment of Cold Weather Payment that could be retained.

Energy Action Scotland comment: It is clear from the historical performance of the CWP that there are geographic locations where climatic conditions have consistently determined a higher level of payment than others. Weather station data from locations including Aboyne, Aviemore, Braemar, Eskdalemuir, Loch Glascarnoch, Salsburgh and Tulloch Bridge shows that payments to eligible households would be considerably lower because of the introduction of LIWHA.

The detriment caused by fewer payments received during extreme weather is exacerbated by higher energy costs. The number of days of power that a £50 payment provides by the time we get to Feb 2022 following price hikes expected for October and January is likely to be 5-6days⁵ compared to the 61days⁶ that a £175 cumulative winter payment brought to eligible households in Braemar/Tulloch Bridge during winter 2020/21.

If winter 2022/23 is like that experienced in winter 2020/21 there is a potentially catastrophic detriment which will result in the loss of life of households in those communities where payments would have been higher.

⁵ Based on the anticipated level of the capped Standard Variable Tariff which is currently being forecast by Cornwall Insight for Oct 2022/Jan 2023 <https://www.cornwall-insight.com/default-tariff-cap-forecast-climbs-further-as-ofgem-announcement-looms/>

⁶ Based on the value of the payments at the prevailing Capped Standard Variable Tariff for average GB dual fuel households in October 2020

It is inconceivable that Scottish Government would continue without providing guarantees to those communities where a detriment is entirely predictable.

The Cold Weather Payment system, whilst in need of significant improvement, was a fairer, more responsive, more targeted support than the LIWHA.

- Any specific, alternative targeted support approaches which could be proposed for people who may receive fewer payments because of the change in rules.

Energy Action Scotland comment: The connection to the rationale for why an eligible household may have previously received more payments is being lost with the introduction of LIWHA. At the first introduction and indeed from the historical commencement period of the Cold Weather Payment, 1 November, it is likely that many eligible households will experience detriment. A detriment of a reduction in income against rising cashflow. Any approaches to compensate those communities most affected is likely to mirror the approach of the CWP in targeting areas of extreme weather. Yet these approaches unless automatic and triggered close to the period of the climate event are likely to be less effective than the CWP they replace. To provide a mechanism to address this detriment produces its own administrative costs and it is unclear what this would be.

- Over and above comments that were made in consultation responses on the value of the proposed payment is there any further evidence, that has subsequently come to light, on the value of the payment that should be taken into consideration in our scrutiny report?

Energy Action Scotland comment: The LIWHA has not been enhanced, as costs have increased, to support households achieve a fair amount of heat and power. The value of the payment against its stated purpose has fallen. A £50 payment if received in October 2019 delivered 16 days of heat and power for an average GB dual fuel customer on the capped Standard Variable Tariff (SVT) that prevailed. In October 2022 it is likely that a £50 payment will provide only 6 days of heat and power at the projected level of capped SVT due to be announced during 26 August 2022. This could be further reduced by any further revisions ahead which may be introduced for January 2023 ahead of the payment date in February. It is likely that households will experience an additional detriment because of the timing of the payment. A benefit wholly aimed at enabling households to achieve heat and power during the winter should be index linked to the change being experienced in capped standard variable rate tariffs or similar measure with increases being paid for from general taxation. This would ensure that the payment is more likely to retain its value to eligible households.

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