

Mind the Fuel Poverty Gap

Warm Home Discount
in the Scottish context

July 2020



A photograph of a brick chimney on a tiled roof. The chimney is made of reddish-brown bricks and has a metal cap. A thick plume of white smoke is rising from the chimney into a clear, bright blue sky. The roof is covered in dark, weathered tiles. The image is split by a white curved shape in the bottom left corner, which contains the text.

“Lang may yer
lum reek”

Scots proverb

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Who we are

Scotland's Citizens Advice Network empowers people in every corner of Scotland through our local bureaux and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.



1. Executive Summary

1.1 In 2019 Citizens Advice Scotland (CAS) commissioned Changeworks to carry out qualitative and quantitative research to assess the extent to which Warm Home Discount is an effective Fuel Poverty¹ alleviation mechanism, as per the Scottish Government's new definition of Fuel Poverty. The study also considered the impact of energy-related social securities.

1.2 This research was prompted by the experiences of the Citizens Advice network in Scotland. The number of interactions on Warm Home Discount (WHD) is consistently high across our Bureaux network, Consumer Service and Extra Help Unit². This work also builds on previous fuel poverty research undertaken by CAS in which those with lived experience of fuel poverty stated a preference for financial forms of assistance. Our 'Speaking Up' report, published in 2018, concluded that: "those with the greatest support need would benefit from financial support, either to increase incomes or reduce energy bills"³.

1.3 In 2018 the Department for Business, Energy and Industrial Strategy (BEIS) published an evaluation of the WHD scheme⁴ which considered the extent to which the rebate had moved households out of fuel poverty. It concluded that WHD, particularly the Broader Group, has not been targeted specifically at individuals in fuel poverty and that some rebate recipients will have included some individuals on higher incomes. While being in receipt of passport benefits was considered a good indicator of vulnerability, it concluded they "are imperfect markers of fuel poverty" and other indicators, such as energy performance, are more likely to be reliable predictors of fuel poverty. The conclusions from this report provided a starting point for this research.

1.4 Research was undertaken by Changeworks from November 2019 until March 2020. This comprised of the analysis of data from a number of sources and 14 semi-structured interviews with those with lived experience of fuel poverty in Scotland.

¹ 'Fuel Poverty', 'Fuel Poor' or 'FP' refers to the concept as per the new Scottish definition; 'fuel poverty' or 'fuel poor' refers to previous definitions, alternative definitions or the concept more generally.

² CAS (2019): Energy Advice in Detail; 2017-18

³ CAS (2018): Speaking Up; Understanding Fuel Poverty Support Needs

⁴ BEIS (2018): Evaluation of the Warm Home Discount Scheme; Synthesis Evaluation Report

Executive summary

What we found

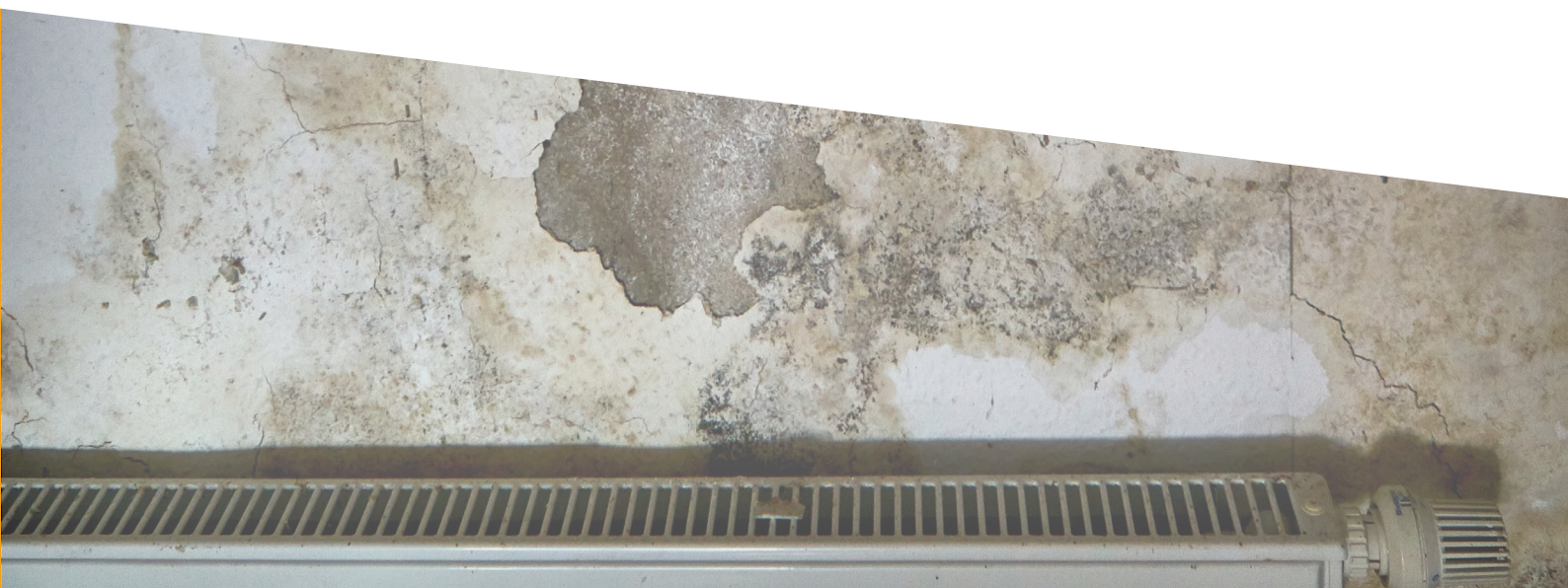
- 1.5** Broader Group recipients become reliant on the £140 rebate, but no certainty is provided by the current application and administrative processes.
- 1.6** An estimated 229,938 households received WHD in Scotland in 2018. This represents 9.3% of Scottish households. 25% of Scottish households are defined as FP. Therefore, a majority of households in FP did not receive WHD.

“It helps me in the winter, definitely. As far as keeping the heating going so I have less to put in out of my own pocket so I can use it on something else for myself.”

– single pensioner

- 1.7** The research estimated that between 29% and 32% of Scottish households were eligible for WHD. Therefore, less than a third of eligible households received a rebate.
- 1.8** Of those defined as Fuel Poor but not eligible for WHD, there was a high concentration of working age households (68%).

- 1.9** In reporting terms, whether or not a household received WHD had no significant effect on national FP levels (25%). However, in terms of reducing FP levels, WHD was more effective when received in addition to energy-related social securities, and when all were considered as a reduction to fuel costs (22.1%).
- 1.10** Median fuel bills will need to decrease, and median net-adjusted incomes will have to increase, and both substantially, in order for the Fuel Poverty gap target to be met by 2040.
- 1.11** The individual’s experience of fuel poverty tended to influence their view on the effectiveness of WHD. For example, those owing debts to their supplier did not feel much benefit from receiving a rebate. Those in the Broader Group felt the benefit of the scheme more than recipients in the Core Group.
- 1.12** Participating suppliers should provide more active application assistance to those with physical or mental health issues and to those who are digitally excluded.



2. Policy Context

Fuel Poverty in Scotland

- 2.1** Living in fuel poverty is detrimental to both physical and mental health⁵. This is a critical consumer energy issue, and as such, it is a key area of focus for CAS. 25% of households in Scotland are defined as being in Fuel Poverty (FP) and the actual weighted median FP gap is £650⁶.
- 2.2** The Fuel Poverty (Target, Definition and Strategy) (Scotland) Act⁷ received Royal Assent on 18 July 2019. This redefined fuel poverty and set the Scottish Government a series of targets towards its eradication:
- No more than 5% of households in Fuel Poverty by 2040:
 - Statutory milestones at 2030 (15%) and 2035 (10%)
 - The median Fuel Poverty gap must be no higher than £250 by 2040, taking into account changes in the value of money:
 - Statutory milestone at 2030 (£350)
- 2.3** The new definition of Fuel Poverty is comprised of two main elements: the ability to maintain an acceptable standard of living as determined by the Minimum Income Standard (MIS) and the ability to maintain an appropriate heating regime. A household is now considered to be Fuel Poor if it spends more than 10% of its adjusted income on energy costs and still fails both of these criteria.

“If I had a spare couple of thousand, I would be able to pay the debt off. I haven’t had the heating on since October last year. I’m just really frightened to put the heating on, I am paying them as much as I can.”
– single pensioner

- 2.4** CAS called for a MIS uplift to reflect the greater costs incurred by those living in remote, rural and island areas⁸, and supported the inclusion of enhanced heating regimes⁹ to reflect the increased energy usage required to achieve thermal comfort for households with certain characteristics and/or vulnerabilities. Both of these elements were adopted through subordinate legislation¹⁰.
- 2.5** Scottish Government has varying levels of control over the different drivers of Fuel Poverty, but the Act legislates that progress must be reported against all four of the recognised drivers: energy efficiency, household income, fuel prices, and how energy is consumed in the home.
- 2.6** On 3 April 2020, Kevin Stewart MSP, the Minister for Local Government, Housing and Planning, confirmed that the publication of the Scottish Government’s Final Fuel Poverty Strategy had been delayed in order to focus on the immediate support required by FP households impacted by the Covid-19 pandemic¹¹.

⁵ Wheeler, B. and Sharpe, R. et al (2018): Modelling the Impact of Fuel Poverty and Energy Efficiency on Health

⁶ Scottish House Condition Survey (2020): 2018 Findings

⁷ <http://www.legislation.gov.uk/asp/2019/10>

⁸ CAS (2018): Speaking Up; Understanding Fuel Poverty Support Needs

⁹ CAS (2019): Response to the Scottish Government’s Enhanced Heating Regime Consultation

¹⁰ <https://www.legislation.gov.uk/new/ssi/2020-02-26>

¹¹ <https://beta.parliament.scot/chamber-and-committees/debates-and-questions/questions/2020/03/31/s5w28177>

2. Policy context

Figure 1: Households receiving WHD (Ofgem)¹²

	Great Britain	Scotland
Core Group		
Value WHD spent 17/18	£170,282,380	£16,382,769
Households receiving WHD 17/18	1,216,3030	117,020
Value WHD spent 18/19	£156,271,640	£13,600,440
Households receiving WHD 18/19	1,116,226	97,146
Broader Group		
Value WHD spent 17/18	£135,765,980	£16,999,480
Households receiving WHD 17/18	969,757	121,425
Value WHD spent 18/19	£154,555,520	£17,399,770
Households receiving WHD 18/19	1,103,968	124,284
Average Households		
	2,203,127	229,938

Warm Home Discount

2.7 The WHD scheme exists, by definition, to provide support to people living in fuel poverty or a fuel poverty risk group¹³. 4,874 pieces of advice were provided on WHD across the Citizens Advice Bureaux network (CABs) in Scotland in 2019/20¹⁴.

2.8 Introduced by UK Government in 2011, the WHD scheme consists of three elements: Core Group, Broader Group and Industry Initiatives. Fixed rebates of £140 are paid primarily on to the electricity account of those in the Core Group and Broader Group. Payment within the Core Group is automatic as a result of data-matching with the Department for Work and Pensions (DWP) to those receiving

the Guarantee Element of Pension Credit; rebates from the Broader Group tend to be paid on a first-come first-serve basis with applications open at varying points every winter. Industry Initiatives are generally used by suppliers to fund partnerships and fuel poverty support services¹⁵.

2.9 Suppliers are obligated to participate in the scheme when their customer base exceeds a threshold: 200k in 2019/20 and 150k in 2020/21. Suppliers can also participate in the WHD scheme voluntarily, although this only applies to the Core Group. Cornwall Insight estimated that the market share of WHD scheme participants would increase to 98% by April 2020 as a result of the lowered threshold¹⁶.

¹² Data provided to CAS by Ofgem

¹³ Ofgem (2018): Warm Home Discount (WHD); Guidance for Suppliers (Version 6.1)

¹⁴ Unpublished data. This is the total number of times the WHD advice code was used by CABs. This data does not differentiate between clients reporting issues with WHD, or those receiving application assistance, etc.

¹⁵ CAS receives funding through Industry Initiatives for projects such as 'Energy Best Deal'

¹⁶ <https://www.cornwall-insight.com/publications/chart-of-the-week/chart-of-the-week/2020/whd-and-eco-thresholds-now-cover-98-of-market>

2. Policy context

“I do look round, but this (Warm Home Discount) ties me in until March. They sent me a letter saying that if I leave I have to pay it back.” – lone parent

2.10 In the 2020 report ‘Power to the People’, CAS identified some of the most prevalent issues faced by clients accessing WHD through the Broader Group¹⁷:

- Varying eligibility criteria between participating suppliers, creating uncertainty
- Limited window for applications; as short as a single week in some instances
- Consumers who recently switched, or in the process of switching, missing out
- Digital exclusion; consumers not being able to apply using a paper form

2.11 On 28 April 2020, BEIS advised that it was now too late to consult on scheme reform for 2021. At the time of writing a one-year roll-over extension into 2021/22 is under consideration, but this would be subject to Whitehall clearance¹⁸.

2.12 In a submission to the Scottish Government’s Advisory Group on Economic Recovery, CAS called for support schemes like WHD to be redesigned to more effectively target people in need¹⁹. The Scotland Act (2016, s58) devolved powers over the design and implementation of fuel poverty schemes, including WHD, to the Scottish Parliament, however the UK Secretary of State can revoke or vary regulations made by Scottish Ministers²⁰. Responsibility for the

way the money is raised (the scale, costs and apportionment of the obligations as well as the obligated parties) remains reserved to the UK Government²¹.

Energy-related social securities

2.13 Under the Scotland Act (2016, s23) the control of 11 social securities has been transferred to the Scottish Parliament. Using its newly devolved powers, the Scottish Government will replace the Winter Fuel Payment (WFP) with the new Winter Heating Assistance (WHA) which is expected to go live in November 2021. This will largely operate in the same way but will be extended to include households with a severely disabled child.

2.14 The Scottish Government will also replace the former Cold Weather Payment (CWP) with the Cold Spell Heating Assistance²². In real terms this will not operate differently, but a review of the circumstances which trigger a payment will be undertaken before going live in winter 2020/21.

2.15 On 15 May 2020, the Scottish Government announced that the extension to WHA will be called Child Winter Heating Assistance²³. This new element will give those on the highest rate care component of Disability Living Allowance for Children in Scotland an extra £200 each winter. This will be paid per child in the household.

¹⁷ CAS (2020): Power to the People; Consumer priorities for the energy retail market in Scotland

¹⁸ Ofgem, Minutes from WHD Roundtable – Session 2, 28/04/20

¹⁹ CAS (2020): Putting people at the heart of the economic recovery

²⁰ <http://www.legislation.gov.uk/ukpga/2016/11/contents/enacted>

²¹ https://www.eas.org.uk/en/the-warm-home-discount_50560/

²² Scottish Government (2019): Cold Spell and Winter Heating Assistance; policy position paper

²³ Scottish Government (2020): Draft Winter Heating Assistance regulations; policy note

3. Methodology

Further details on the processes involved in the different analyses can be found under the relevant sections in Key Findings. For the full research methodology, please see Changeworks' report.

3.1 CAS commissioned Changeworks to carry out research to assess the extent to which the Warm Home Discount is an effective Fuel Poverty alleviation mechanism. This involved three main processes:

- > A review of the criteria across the Broader Group and its variance between energy suppliers that participate in the WHD scheme. Changeworks sampled 8 energy suppliers and created an inventory of the different benefits that are considered acceptable criteria.
- > Qualitative analysis: interviews with WHD recipients from both the Core Group and Broader Group. Clients were recruited through CABs from across Scotland, the Extra Help Unit and Changeworks' Affordable Warmth Team.
- > Quantitative analysis of the effectiveness of WHD as an effective form of Fuel Poverty relief in Scotland. This used statistics from Ofgem and the 2018 Findings from both the Scottish Household Survey (SHS) and its subset the Scottish House Condition Survey (SHCS).



4. Key findings

Qualitative research

This section summarises trends that emerged from the client interviews. Quotes from the participants are included throughout the report as supplementary evidence.

- 4.1** The qualitative research consisted of 14 telephone interviews (see 3.1). All of the clients interviewed had received support from either the Citizens Advice network in Scotland or Changeworks in relation to WHD and the findings should be understood in that context. For example, all of the interviewees said that they found it easy to apply for WHD, but some said they would not have been able to do so without support.
- 4.2** For practical reasons, an assumption was made that the participating clients were living in fuel poverty or had experienced fuel poverty previously. The evidence gathered from the interviews indicates this is generally an accurate assumption. When describing their experiences of living in fuel poverty, the clients provided insight which was often sobering and, on occasion, harrowing. This included:
- Living on a restricted income or with substantial debts
 - Limiting spending on food and avoiding leisure activities which cost money
 - Rationing energy use by only heating certain rooms or by switching the heating off indefinitely
- 4.3** The individual's experience of fuel poverty tended to influence their view on the effectiveness of WHD. For example, those with debts stated that they did not feel much benefit from the scheme,

as the rebate was often lost amongst repayments to their supplier. Those with physical or mental health concerns were critical of how the scheme is advertised and administered. The findings concluded that suppliers could do more in terms of application assistance for consumers with physical or mental health conditions and for those that are digitally excluded.

“I am a bit frightened (to switch) because not all of the companies give the Warm Home Discount” – single pensioner

- 4.4** One interviewee criticised the fact that WHD was not paid directly towards their household's heating costs, i.e. onto the prepayment gas meter. This individual commented that receiving £140 on both the gas and electric would be a huge help. It is noteworthy that a wide variety of heating fuels and systems were used by the interviewed clients, including non-regulated fuels, so the WHD will not have directly subsidised heating costs in those households.
- 4.5** In terms of identifying trends from the study, the findings show no significant difference in attitudes to WHD between those living in urban and rural areas, but they did find that those in the Broader Group felt the benefit of the scheme more than recipients in the Core Group. Complications linked to switching and criticism of the timing of the rebate being paid are noted in the findings. Several participants extended thanks to their CAB adviser, highlighting the important role that support services play in the WHD application process.

4. Key findings

Quantitative research

This section summarises the findings of the quantitative research from the perspective of CAS. To view the findings in full, including Changeworks' recommendations, please refer to the Changeworks report.

Households receiving the rebate in Scotland

4.6 Ofgem provided data to CAS on the number of households receiving WHD in 2017/18 and 2018/19 (see Figure 1). By averaging the number of households receiving WHD in Scotland in 2018 (229,938), and modelling this against national population records for that year, Changeworks estimates that:

- 9.3% of Scottish households received WHD in 2018, of which:
- 4.3% belonged to the Core Group
- 5.0% belonged to the Broader Group

Therefore, with 25% of Scottish households defined as fuel poor in 2018, the research indicates that a majority of households in FP did not receive WHD.

4.7 The figures also demonstrate the relationship between the Core Group and Broader Group in terms of funding allocation. As WHD is a fixed pot and payment to those in the Core Group is automatic, we can see that the value of Broader Group payments increases when the value of the Core Group drops, as was the case between 2017/18 and 2018/19. This highlights that the number of rebates available through the Broader Group is dependent on the size of the Core Group in any given scheme year.

Broader Group criteria

4.8 Ofgem's eligibility for the Broader Group is designed to target households with a child under 5; someone with a disability or long-term health condition; a low income (below the threshold of £16,190). Applicants to the Broader Group are required to evidence that they meet their supplier's criteria; this is likely to include proof of receiving a benefit that supplements low income and also details about their household's composition. These are effectively metrics set by individual suppliers as a way of means-testing fulfilment of Ofgem's eligibility.

4.9 Changeworks sampled 8 energy suppliers and created an inventory of the different benefits that are considered acceptable criteria for the Broader Group (see Figure 2).

4.10 The combined criteria from the 8 suppliers in the sample was applied to the SHS but the information was not always specific enough for a comparison to be made. For example, the SHS does not hold information on whether or not children born before 1 April 2011 receive free school meals, but this is considered an acceptable criterion for the Broader Group by SSE. In such instances Changeworks made a presumption that the criteria had not been met.

4.11 For the same reason, it was not possible for analysis to be carried out for the Core Group as the SHS does not differentiate between the different elements of Pension Credit. However, the research found that recipients of the Guarantee Element would very likely qualify for the Broader Group of all 8 suppliers in the sample, meaning that the findings can also be taken to include those in the Core Group.

4. Key findings

Figure 2: Benefits accepted for Broader Group eligibility and eligibility per supplier

Benefit type in SHS	'Big Six' Suppliers						Small Suppliers	
	Scottish Power	SSE	EDF Energy	British Gas	Npower	E.ON	Bulb	Octopus
Pension Credit		X	X	X		X	X	X
Universal Credit	X	X	X	X	X	X	X	X
Housing Benefit **		X						X
Council Tax Reduction		X				X	X	X
Working Tax Credit **	X	X		X		X	X	X
Child Tax Credit	X	X	X	X	X	X	X	X
Income Support	X	X	X	X	X	X	X	X
Jobseeker's Allowance	X	X	X	X	X	X	X	X
Employment & Support Allowance	X	X	X	X	X	X	X	X
Carer's Allowance		X					X	
Child Benefit			X					
Personal Independence Payment	X	X	X		X	X	X	X
Disability Living Allowance	X	X	X		X	X	X	X
Attendance Allowance	X		X				X	X
Severe Disablement Allowance *		X				X		
Incapacity Benefit *	X	X			X			
Industrial Injuries Disablement Benefit		X	X					X
Total per energy supplier	10	15	11	7	8	11	12	13
Percentage Households eligible in SHS dataset (%)	5%	8%	13%	10%	8%	14%	11%	23%

* Benefit that changes or changed to Employment and Support Allowance

** Benefit that changes or has been changed to Universal Credit



4. Key findings

- 4.12** As Figure 2 shows, there is a variability amongst the 8 suppliers in the sample in terms of which benefits are deemed acceptable for eligibility to the Broader Group. The findings show that a patchwork of criteria exists whereby a household's eligibility for a rebate is influenced by who their electricity supplier is.
- 4.13** Whilst the eligibility total per supplier is insightful, it should be noted that this figure will also have been influenced by factors other than the benefits a household receives. This may explain why a seemingly greater coverage of acceptable benefits does not necessarily translate into a higher percentage of eligibility in the dataset.
- 4.14** Eligibility for the Broader Group ranged from 5% to 23% of the dataset across the suppliers in the sample. This is a significant variance to exist within the confines of a single support scheme.
- 4.15** Octopus, one of the medium-sized suppliers in the sample, ranks highest in terms of its percentage of eligible households (23%). Whilst this would improve a household's chances of being deemed eligible, the first-come first-served nature of the Broader Group means that fulfilling eligibility criteria does not guarantee a successful application (see 2.9). Interestingly, 4.3% of all households were only eligible for WHD with the medium-sized suppliers in the sample: Bulb or Octopus.

Warm Home Discount eligibility

- 4.16** CAS asked Changeworks to estimate the number of households in Scotland that are eligible for WHD but do not receive it. This was calculated by combining the Broader Group criteria from the 8 suppliers in the sample and modelling this against the characteristics of households in the SHS dataset.
- 4.17** The analysis found that 29.1% of households qualified for WHD with at least one supplier. It also shows that households are most likely to be eligible with 2 or 3 suppliers (7.8% or 5.8%) or all 8 suppliers in the sample (4.3%).
- 4.18** When the above process was repeated on the SHS subset (the SHCS) it was found that 32% of households were eligible for WHD. Changeworks explains that such variation is common due to the size difference between datasets and subsets. It can therefore be concluded that an estimated 29-32% of Scottish households were eligible for WHD.
- 4.19** To test its methodology, Changeworks compared this to how the SHCS assigns a status of 'WHD recipient' to households in their dataset to reflect the number that are modelled to receive a rebate (8%). Of the 32% of households that Changeworks found to be WHD eligible, there was a 7% overlap with the SHCS households assigned 'WHD recipient' status (i.e. 7% vs 8%). This suggests a close alignment between the two sets of findings.
- 4.20** Taking the national figure for WHD recipients derived from Ofgem's data (9.3%) and comparing this against the proportion of households estimated by Changeworks to be WHD eligible (29-32%) it can be concluded that less than a third of eligible households in Scotland received WHD.

4. Key findings

Fuel Poverty status vs Warm Home Discount eligibility

4.21 Having established that a majority of Scottish households that are eligible for WHD did not receive it, the research looked to establish which demographics were worst affected. This was done by applying the characteristics of the 11 different MIS groups to the findings from the WHD eligibility analysis. The results were broken down into two groups: households that are defined as ‘FP but not WHD eligible’ and vice-versa (see Figure 3).

4.22 The findings show that working age households are disproportionately represented as ‘FP but not WHD eligible’ with single working age (34.5%) and couple working age (33.5%) households ranking highest. Couple pensioners (17.7%) and single pensioners (6.2%) were also prominent MIS groups here. Changeworks concluded that households are likely to fall under this category if they do not receive income-related benefits or have an income above the £16,190 threshold.

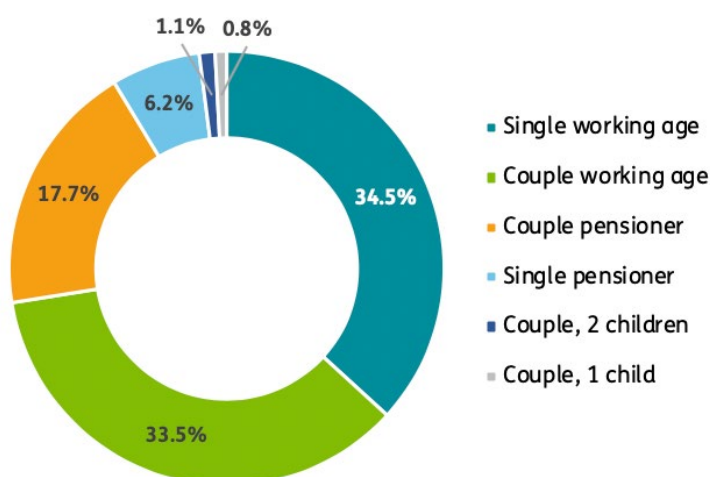
4.23 Alternatively, in the ‘not FP but WHD eligible’ category, a majority of households were single pensioners (59.9%). This does not necessarily point to high income amongst this group, as the after-housing costs methodology used in the Scottish FP definition is likely to factor here. The research points to the fact that pensioners have relatively low housing costs and are more likely to be eligible for WHD due to benefits received, such as Pension Credit.

4.24 Single working age households are well represented in both categories, which seems contradictory. Changeworks recognises this anomaly and suggests that this demographic may be difficult to capture under the existing WHD criteria.

Impact of Warm Home Discount on national Fuel Poverty levels

4.25 To assess the impact of WHD on FP levels in Scotland, modelled fuel costs from the SHCS were used which includes an assumption as to whether or not a household receives WHD. £140 was added where a household was modelled to

Figure 3: Fuel Poor but not WHD eligible; representation by MIS group



4. Key findings

receive WHD. WHD is considered relevant to fuel costs when considering the different drivers of FP.

- 4.26** These adjusted fuel costs allowed the household's FP status to be determined, after which the overall FP levels were calculated. The findings show that FP levels are 25.0% with or without WHD, so removing WHD had no significant effect on national FP levels.
- 4.27** A similar analysis was carried out to ascertain the impact of WFP and CWP, two benefits which are being redesigned by the Scottish Government (see 2.12 and 2.13). This allowed a comparison to be made between the impact of WHD and the other financial support schemes in their existing form.
- 4.28** As income-related benefits, WFP and CWP are considered part of a household's income in the SHCS. The findings show that the national FP level increases slightly (25.3%) when a household in the dataset does not receive these payments. Changeworks also looked at the impact of WFP and CWP when considered relevant to fuel costs. When these payments are subtracted in addition to WHD, the national FP level drops by almost 3 percentage points (22.1%) with 83 households in the dataset being lifted out of FP.
- 4.29** From this, it was concluded that WHD is most effective when received in addition to WFP and CWP and when all are considered as a reduction to fuel costs.

Sensitivity analysis

- 4.30** In addition to reviewing the overall impact of the schemes, CAS was keen to establish the extent to which enhancements could lift households out of Fuel Poverty. To ascertain this, Changeworks completed a sensitivity analysis on the dataset: a

process which increases or decreases one specific element of a model, whilst keeping everything else the same, in order to analyse its influence on the final output.

- 4.31** The results show that in order to bring about a decrease in FP rates, the average increase in net adjusted income would need to be higher in absolute values than the decrease in fuel bills. Changeworks explains that this is due to the fact that the FP definition divides the fuel bill by net income after housing costs and should not be interpreted as a factor that would have real-life consequences for households.

Fuel Poverty gap

- 4.32** CAS is particularly interested in the FP gap as it provides an indication in monetary terms of what is required to tackle FP. The gap for a given household is determined by picking the lowest of two values:
- how much the household energy spend would need to be reduced by to exit FP
 - how much the net adjusted income would need to be increased by to exit FP
- 4.33** For a household to be defined as being out of FP, it needs to be relieved from one of the two criteria. This is perhaps easier to envisage when considering two examples: a household that has a large fuel bill but an income close to their corresponding MIS; and, a household with a very low income and a relatively low fuel bill.
- 4.34** As such, the FP gap can be split into two categories: a 'fuel bill-related FP gap' and an 'income-related FP gap'. It is important that the lowest value from each category is selected when determining

4. Key findings

the FP gap. Without doing so, the two gaps vary substantially: ‘fuel bill-related gap’ (£656) and ‘income-related gap’ (£4,826).

4.35 Selecting the lowest value in each category means that the variance in the FP gaps is significantly altered: ‘fuel bill-related gap’ (£669) and ‘income-related gap’ (£585). The variance between the two gaps is a result of the fact that net-adjusted income is part of the overall FP definition in addition being one of the FP gap criteria. This echoes the link between single pensioners and housing costs in relation to WHD eligibility (see 4.23).

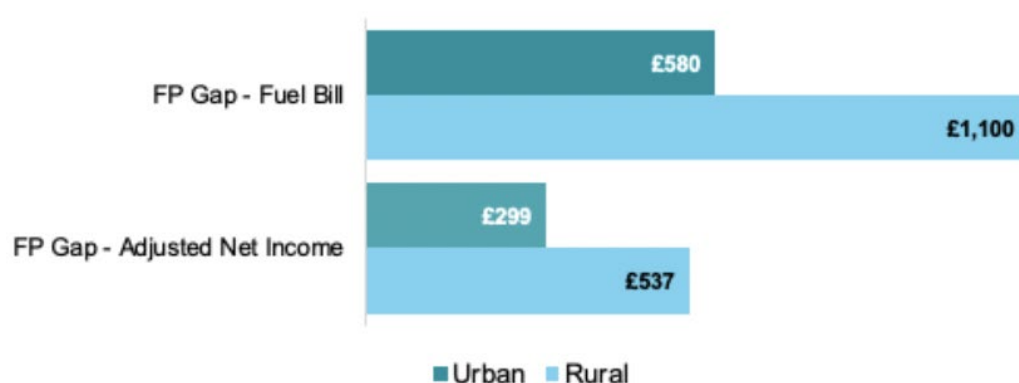
4.36 In the 2018 dataset, 77% of the Fuel Poverty gap values were higher than £250 – the Scottish Government’s target for 2040 (see 2.2). Therefore, median fuel bills will need to decrease, and median net-adjusted incomes will have to increase, and both substantially, in order for this target to be achieved.

4.37 Across the various analyses undertaken within the quantitative research, a prevalent theme was the impact that living in a rural community had on the findings. For FP households, those in rural areas are less likely to be eligible for WHD (57%) compared to those in urban areas (64%). However, rural households not in FP were slightly more likely to be eligible (22%) than those in urban areas (21%).

4.38 Rurality as a factor was most visible when viewed through the lens of the Fuel Poverty gap (see Figure 4). The weighted median ‘fuel bill-related gap’ varied significantly between households in urban areas (£580) and rural areas (£1,100). The median weighted ‘income-related gap’ differed less in absolute terms, although the variance remains in proportion: urban households (£299) and rural households (£537).

Rurality

Figure 4: Median weighted FP gap per type and urban/rural areas



5. Conclusion

5.1 “Lang my yer lum reek” is a traditional phrase often exchanged at Scottish gatherings, when revellers wish that one another may never be without fuel for the fire and the good health that this brings. The ill-effects of living in fuel poverty are part of the national identity and rectifying the issue has long been an ambition of lawmakers²⁴, civic organisations and, more pressingly, of those with lived experience of fuel poverty.

5.2 The eradication of Fuel Poverty now has cross-party support in Scotland, and the new legislation has rightly received praise for its level of detail²⁵ and ambition. However, it is clear from this research that one of the key mechanisms for tackling fuel poverty - the Warm Home Discount scheme - is yet to keep pace with reforms in Scotland. This poses a problem in practical terms of how to get support to the households that need it most, but also in terms of reporting progress against fuel prices as a driver of Fuel Poverty, which is now a requirement of the Scottish Government.

5.3 The WHD Broader Group has always been fairly unique in that a household can actively apply for support from the scheme, be told that they have fulfilled the eligibility criteria, but still not receive a rebate. In a society where people are encouraged to raise their hand if they are struggling, this sort of system does not seem fair or reasonable. CAS welcomes calls from National Energy Action (NEA) and Fair By Design²⁶ for payments to those eligible for the Broader Group to be made automatic through data-matching, thus bringing it into line with the Core Group.

5.4 The BEIS evaluation of the WHD scheme from 2018 shows that these concerns are not unique to Scotland and pre-date the new FP legislation. However, the findings show some misalignment between the existing WHD criteria and the new FP definition, particularly in terms of targeting support to certain demographics. Standardisation of the criteria across all participating suppliers seems like an obvious solution, but this would need to reflect established indicators of FP, including the costs associated with living in rural areas, if it is to deliver better outcomes for Scottish consumers.

“I would not be able to apply without CAB, because of all the automatic systems and spending money on the phone waiting and waiting. I am very happy that CAB can help. I find it quite a strain...”
– single pensioner, visually-impaired

5.5 Our ‘Speaking Up’ report²⁷ found that “those with the greatest support need would benefit from financial support, either to increase incomes or reduce energy bills”. CAS recognises that the Scottish Government has limited control in these areas, but there are levers available through which meaningful steps could be taken to start closing some of the gaps that this report highlights. The introduction of the new child disability element of Winter Heating Assistance, which CAS welcomes, is a good example of this.

²⁴ The previous target for eliminating fuel poverty in Scotland by 2016 was not met

²⁵ <https://sourcenews.scot/eliminating-fuel-poverty-in-a-post-covid-world/>

²⁶ NEA and Fair By Design (2020): Keeping Britain Warm and Well

²⁷ CAS (2018): Speaking Up; Understanding Fuel Poverty Support Needs

5. Conclusion

- 5.6** Despite its flaws, it is clear that many of those receiving WHD are dependent on the rebate and that the payment remains a lifeline to such households in the winter months. As such, allowing the scheme to lapse at the end of 2020/21 without a Plan B, is simply not an option.
- 5.7** Although outwith the scope of Changeworks' research, CAS recognises the importance of Industry Initiatives as the holistic support element of the WHD scheme. We welcome their extension to allow funding for emergency fuel vouchers²⁸ and have proposed that restrictions be eased to improve access for consumers in crisis.

²⁸ Ofgem (2019): Warm Home Discount Annual Report: Scheme Year 8



6. Recommendations

1. Maintaining WHD, or a fuel poverty support payment in its mould, is essential

A fuel poverty support payment in the mould of WHD is now part of the fabric of the consumer retail market. The WHD scheme is due to expire at the end of 2020/21; this is simply not an option for households that depend on the payment. As a result, CAS would support a one-year 'as is' extension to the WHD scheme, whilst maintaining that reforms are essential in the longer-term.

2. A better alignment of WHD with the new Fuel Poverty definition is required

It is vital that necessary Fuel Poverty support is not constrained by questions of competency over WHD (see 2.12). CAS would encourage dialogue between the Scottish Government and BEIS to ensure the best outcome for Scottish consumers. Targeting must be improved to reach those that are being missed by the current criteria, such as working age households.

3. Suppliers should review their Broader Group criteria

Energy suppliers with a significant customer base in Scotland should review their Broader Group criteria in light of this report. Participating suppliers more generally should consider the findings when looking to build fairness into their WHD offering. It is beneficial to all parties that the WHD scheme operates as effectively as possible.

4. Improving access to WHD for those in vulnerable situations

The research found that the application process fails to provide certainty to consumers and that support services play a vital role in helping people apply for WHD. Evidence from our network suggests that issues linked to switching and digital access remain prevalent, and that these are often exacerbated when a household is in a vulnerable situation. Ofgem and the participating suppliers should be mindful of these concerns when looking to make practical improvements to the scheme.

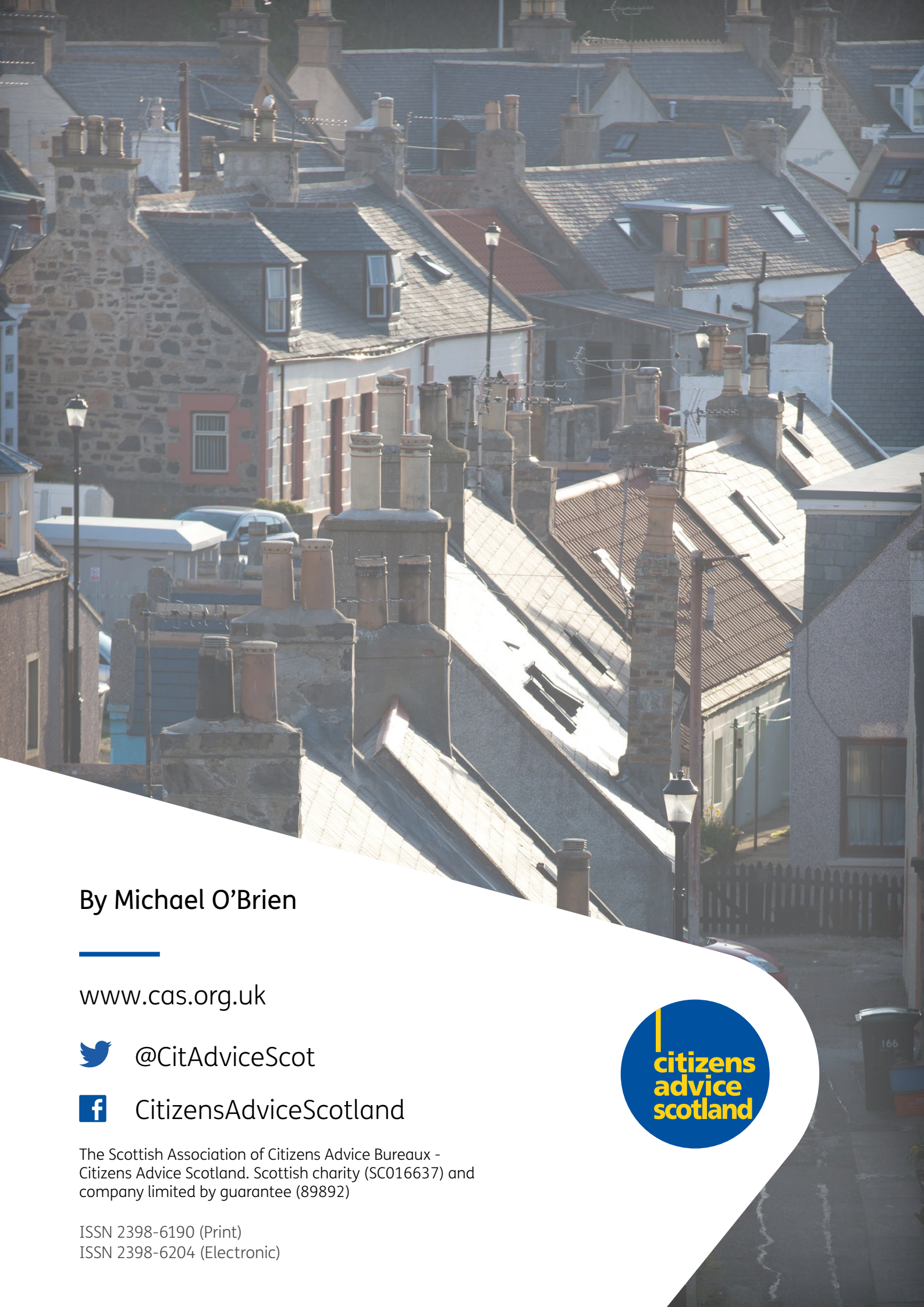
5. Remove crisis support restrictions from Industry Initiatives

CAS is aware that consumers are being asked to sign a waiver before a fuel voucher will be issued to say they have not received, or do not intend to apply for, a WHD rebate within the same scheme year. CAS is calling on Ofgem to review this restriction, as we do not believe it is consistent with the spirit of the WHD scheme. Consumers should not be asked to choose between receiving support in a crisis situation or the prospect of a rebate in the longer-term.

6. Increase the funding pot and the value of the rebate

The current funding level for WHD does not allow all of those that are eligible to receive a rebate. To maximise the support scheme's impact, CAS is calling for the pot to be increased in order to reach more households in need. The WHD rebate was last increased by BEIS in 2014/15 from £120 to the current £140²⁹. CAS would also argue that an increase in the rebate, at least in line with inflation, is overdue.

²⁹ <https://commonslibrary.parliament.uk/research-briefings/sn05956/>



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