LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

FUEL POVERTY (TARGET, DEFINITION AND STRATEGY) (SCOTLAND) BILL
CALL FOR VIEWS

SUBMISSION FROM STEPCHANGE DEBT CHARITY SCOTLAND

StepChange Debt Charity Scotland is an independent charity dedicated to overcoming problem debt. We are Scotland’s largest provider of specialist telephone and online debt advice, with solutions that are effective, tailored and importantly free. Across the UK, the charity now helps over 620,000 people a year, with more than two million helped since our creation 25 years ago. We help nearly 20,000 people a year across Scotland. We have a team of debt advisors based in Glasgow who are dedicated to helping more Scots improve their lives. Our advisors help our clients with their applications under the Debt Arrangement Scheme and bankruptcy legislation.

Methodology

To inform our responses to the questions below, we analysed Scottish client data from 2017 for all telephone clients within G-prefix postcode areas to see in particular if they would fall within the proposed new definition of fuel poverty. The sample will therefore primarily be urban dwelling clients rather than rural setting although G-prefixes will include some rural living clients within the central belt. As the area in Scotland with the largest concentration of clients, we considered this would be more informative than a smaller sample. We do not hold information on building fabric or whether a client’s dwelling could fairly be classed as rural or urban, other than very generally via postcode. However, recent research undertaken by the Charity showed that those renting from a housing association or in the private sector rated the quality of their homes lower than those with a mortgage or renting from a local authority. Almost one in three (29%) of clients said problems with their home had meant they had to spend more on energy bills, rising to almost four in ten (38%) of our clients renting in the private sector.

We do not have data on our clients’ home heating levels, but we do hold client income level, client expenditure information as the assistance we provide includes a comprehensive budgeting process. Therefore, any assessment is based on client fuel costs versus client income; we cannot say whether their fuel cost represents a sufficient level of expenditure to ensure that their home is heated to a satisfactory level as stated in the new draft definition. We expect that it would be virtually impossible for many organisations or for that matter, clients, to determine this.

Our data may only reflect individual clients rather than all household expenditure, for instance if a client’s fuel bills are paid by a co-habiting partner, we would not hold specifics of these payments as they would not be relevant to that clients’ financial

circumstances. We therefore excluded clients from the sample who had no recorded fuel expenditure. Clients who had no recorded income were also excluded. The sample of clients we were then left to analyse was 2,161.

1. Do you agree with the Scottish Government’s proposal to provide for a statutory target to reduce fuel poverty to no more than 5 per cent of Scottish Households by 2040.

We welcome measures that will involve reductions in fuel poverty, an issue which affects many of the clients that we assist with problem debt. Our clients are often at the most difficult point in their lives when they come to us for help and fuel costs and fuel arrears can represent a significant challenge for clients seeking to address their debt situation. Our research shows that on average our clients have waited a year before seeking help, as they try to manage crises in their personal financial situation, such as losing a job or a period of ill-health. One way in which clients can try to manage energy costs is by using existing credit lines to cover energy bills, worsening their debt situation; reducing energy consumption below safe levels due to fuel rationing, self-disconnection and accruing arrears on energy while they try to manage other bills or other on-going personal crisis. Pre-payment meters may then be installed to manage arrears where a client is struggling, making it even harder to heat their home appropriately.

We welcome action from the Scottish Government to reduce fuel poverty as many of our clients find themselves struggling with energy bills.

However we have some concerns over the timeline of the target. 2040 is a distant prospect for fuel-poor clients, and rising numbers of clients struggling with energy bills require more urgent intervention. Between 2013 and 2017 the proportion of our clients across Scotland with electricity arrears has increased from 11% of clients to 15% and the proportion of clients with gas arrears has increased from 11% to 13%. Average electricity arrears have increased by 37%. This represents the second largest growth of debt type for Scottish clients (behind Council Tax) over the 5-year period.

Fuel poverty is a growing problem for our clients and interventions to relieve fuel poverty for those in problem debt will need to be complex and go beyond addressing issues of technological efficiency or building fabric. A situation where complex vulnerabilities were neglected and that left those on the margins fuel-poor, would not be desirable or in line with the Scottish Government’s intention to reduce poverty.

Section 2 makes provision for a proposed definition of fuel poverty which calculates the proportion of household income required to maintain a satisfactory level of heating and assesses the extent to which households can then maintain an “acceptable standard of living” once housing and fuel costs are deducted.

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2. Do you agree with the Scottish Government's proposals for a revised definition of fuel poverty?

To evaluate how the new definition may affect our clients we examined a sample of clients as described above. Of the 2161 clients, the financial circumstances 994 (45.9%) met both parts of the new definition and are in fuel poverty.

Demographics of those who met definition:

Our analysis showed that clients in fuel poverty were most likely to be female, renting from a private landlord

577 of these clients had no dependent children
222 had 1 dependent child
140 had 2 dependent children
44 had 3 dependent children
12 had four or more children.

The age grouping of these clients broadly reflects the age grouping of StepChange clients, although a larger proportion of clients aged 40-59 are in fuel poverty (46% of this age group are in fuel poverty, but this age group represents 42% of all clients across Scotland).

StepChange is contacted by more females than males, so it is unsurprising that 602 (60.5%) of the clients in fuel poverty were female, and females account for 56% of all clients.

673 of clients were single and 321 were in couples.

Housing

The majority of clients who met the definition were in rented accommodation, with the largest sub-group marginally being those renting from a private landlord.

289 clients were renting privately 29%
283 were renting from housing association 28.4%
209 were in Council Housing 21%
186 were paying a mortgage 18.7%
26 owned their home outright 2.6%

193 of those clients who met the definition were struggling with rent arrears, and 55 had mortgage arrears, meaning 25% of clients in fuel poverty are struggling with housing arrears as well as energy costs. No clients paying board were recorded as being in fuel poverty; this is likely due to the exclusion of those with no fuel costs, as these would likely be included in their board payments.
Case study A:

A client (male, aged 40-59, single with no children and paying a mortgage) that met both parts of the definition had over £9,200 of Council Tax arrears. After housing costs were adjusted the client’s net income was £330, and their fuel costs were 30% of this. They were making a token payment towards Council Tax and Mortgage arrears.

Case study B:

A client (female aged 40-59, with 1 child, renting from a housing association) with gas arrears of £2,500 was paying £60 a month on fuel, and a £1 towards arrears. As their fuel bill represented just over 10% of their adjusted net income, they met both parts of the new definition.

Clients spending under 10% of adjusted net income on fuel.

In total 465 clients met part B of the definition, but were not classed as fuel poor due to part A of the definition, meaning these clients spent under 10% of net income on fuel bills (after adjustment for housing costs).

In our view this is problematic. Of these 465 clients, 83 were spending between 9% and fractionally below 10% on fuel bills, meaning they are marginally outside the 10% target. These clients are clearly in financial distress therefore likely to be vulnerable. 11 of clients with electricity arrears were spending fractionally below 10% on fuel costs and would not be defined as living in fuel poverty.

Case study C:

A client (female, aged 25-39 with 1 child and a partner living in privately rented accommodation) with a monthly budget deficit of £13 and just over £1,500 in electricity arrears and £2,370 of Council Tax arrears did not meet the definition, as their fuel payment represents 9.46% of their adjusted net income.

18 of the clients that met part B of the definition but not part A had gas arrears and 42 had electricity arrears. Furthermore, 68 clients who did not meet part A of the definition were struggling with rent arrears, and 20 had mortgage arrears. These represent significant pressures on client budgets and present a real risk that these clients could be rationing energy use in part to service housing costs.
Arrears

Unfortunately, the definition and strategy do not seem to consider energy arrears.

From our sample group of 2,161 clients, 189 have gas arrears and 346 have electricity arrears. Only 239 of clients with electricity arrears and 129 of clients with gas arrears would meet the new definition and be classed as living in fuel poverty.

The remainder of clients with arrears who are excluded from the definition are extremely likely to be fuel poor and be in wider financial difficulty.

Client monthly payments may be suppressed due to repayment arrangements to clear the arrears such as Debt Payment Programmes or Token Payment Plans. Therefore clients with problem debt may have artificially low fuel costs that do not accurately represent their fuel usage or fuel needs. Those in this situation should not be excluded from additional support that might be made available to those classed as living in fuel poverty.

It seems remiss that there is no method to factor energy arrears and how these can effect financial circumstances status and how these are to feature in assessing levels of fuel poverty.

While we cannot assess how a client is using heating or other energy from the information we gather, research from the Money Advice Trust has found there to be ‘no strong link’ between heating costs and the energy efficiency of the home, and found that a significant proportion of homes that were assessed as being energy efficient were rationing their use of heating or had problems with mould or condensation.

Case Study D:

A client (single male, aged 40-59 with no children and paying a mortgage) who did not meet the definition but had £5,000 of energy arrears and £2,500 of Council Tax arrears. The client’s fuel costs were 14% of adjusted net income, but as their adjusted income for housing (including Council Tax) and childcare was above 90% of the Minimum Income Standard, the client would not be defined as being in fuel poverty.

Sections 3-5 requires the Scottish Government to publish a fuel poverty strategy within a year of Section 3 of the Bill coming into force. It requires them to consult on the strategy, which must include individuals who are living, or have lived, in fuel poverty.

http://www.infohub.moneyadvicetrust.org/content_files/files/cen___fuel_poverty___full_report.pdf
3. Do you agree with provisions in the Bill requiring the Scottish Government to publish a fuel poverty strategy? Do you also agree with the consultation requirements set out in relation to the strategy?

The fuel poverty strategy is a welcome step that brings together the diverse strands of policy that will be necessary to successfully address fuel poverty.

It is important that the voices of individuals who are living in or have lived in fuel poverty are heard and understood as part of formulating the strategy and approaches to reduce fuel poverty that could be introduced as a result of the strategy.

4. A draft fuel poverty strategy was published alongside the Bill on 27 June. Do you have any views on the extent to which the measures set out in the draft Fuel Poverty Strategy for Scotland 2018 will contribute to meeting the Government’s new target? Have lessons been learned from previous initiatives?

We broadly welcome the draft strategy and hope it will result a coordinated approach to addressing fuel poverty.

However, we would urge the Scottish Government to be wary of over-emphasising energy efficiency schemes at the expense of more wide ranging interventions that address personal circumstances and challenges that make someone susceptible to fuel poverty.

We welcome the focus on income maximisation and welfare advice as this will form a key part of supporting individuals out of fuel poverty.

Successful intervention for the most vulnerable will depend upon holistic support that helps individuals affected resolve the issues that leave them vulnerable to fuel poverty, building financial resilience. This is likely to involve health and mental wellbeing support, wide ranging advice, including welfare and debt advice.

Sections 6-9 require the Scottish Government to report to Parliament every five years on: the measures taken to tackle fuel poverty over the previous five years; progress made towards the 2040 target; and the steps Scottish Ministers propose to take over the next five years to meet the 2040 target.

5. Do you have any views on the Scottish Government’s reporting requirements to the Scottish Parliament, as set out in the Bill?

Given the issues that we feel there are with the new definition, as part of reporting we believe that the Scottish Government should include information on the level of households that are on the fringes of fuel poverty or that might be particularly vulnerable to fuel poverty, though they sit outside of the target.