

Consumer Scotland response to the Scottish Government's Consultation on Pension Age Winter Heating Payment

Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020, we are accountable to the Scottish Parliament. The Act defines consumers as individuals and small businesses that purchase, use or receive products or services.

Consumer Scotland welcomes the opportunity to contribute to this consultation. Given our evidence relates to policy rather than delivery, we are responding only to Question 2c: **Do you have any further comment on the potential longer term development of this benefit in order to provide the most effective support?**

There is clear evidence that circumstances have changed considerably since the Winter Fuel Payment was introduced. Notably, the current cost of living crisis is affecting a range of groups including, but not limited to, older people.

Given this background, we consider that it would be in the interests of energy consumers in Scotland overall to reconsider the eligibility and focus of this benefit and move from a universal to more targeted approach.

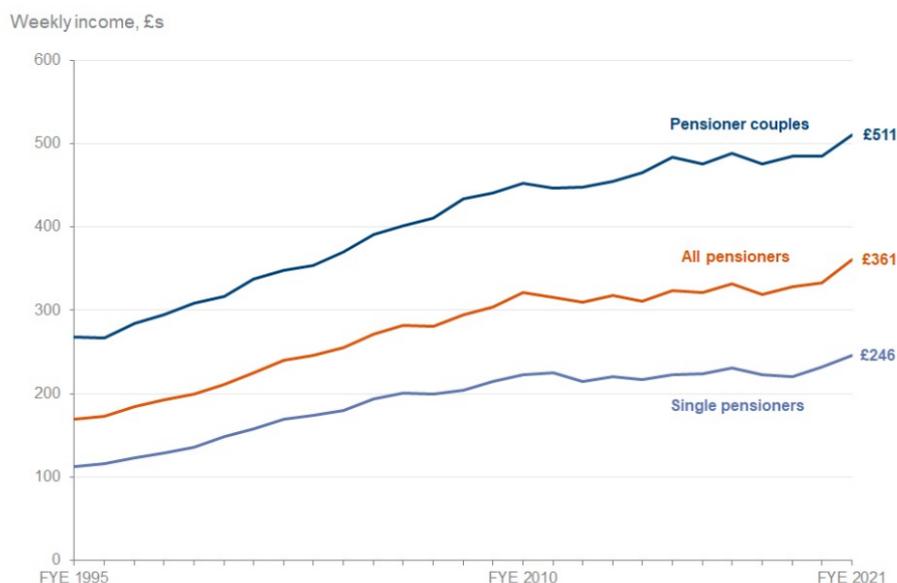
The remainder of this letter outlines the evidence we have considered in reaching this position. We would, of course, be keen to discuss this in more detail.

Pensioner Incomes

The original Winter Fuel Payment was introduced in 1997, at a time when pensioner incomes were considerably lower than now in comparison to the adult population as a whole. Government data show that UK pensioner incomes have risen consistently in real terms since that time¹.

¹ [Pensioners' Incomes Series: financial year 2020 to 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/pensioners-incomes-series-financial-year-2020-to-2021)

Average weekly income of pensioners (AHC) in financial year ending 2021 prices (£)



Just under one million pensioners (990,000) in Scotland received the Winter Fuel Payment in 2022/23². Analysis of pensioners incomes, shown in the chart below, demonstrates that this diverse group of consumers have both very high and very low incomes³:

- After Housing Cost around 120,000 pensioners live in households that are in the bottom two deciles of the income distribution in Scotland
- By contrast, around 190,000 pensioners live in households that are in the top two deciles of the household income distribution

This is also consistent with the SG's [latest poverty statistics](#)⁴, which note that:

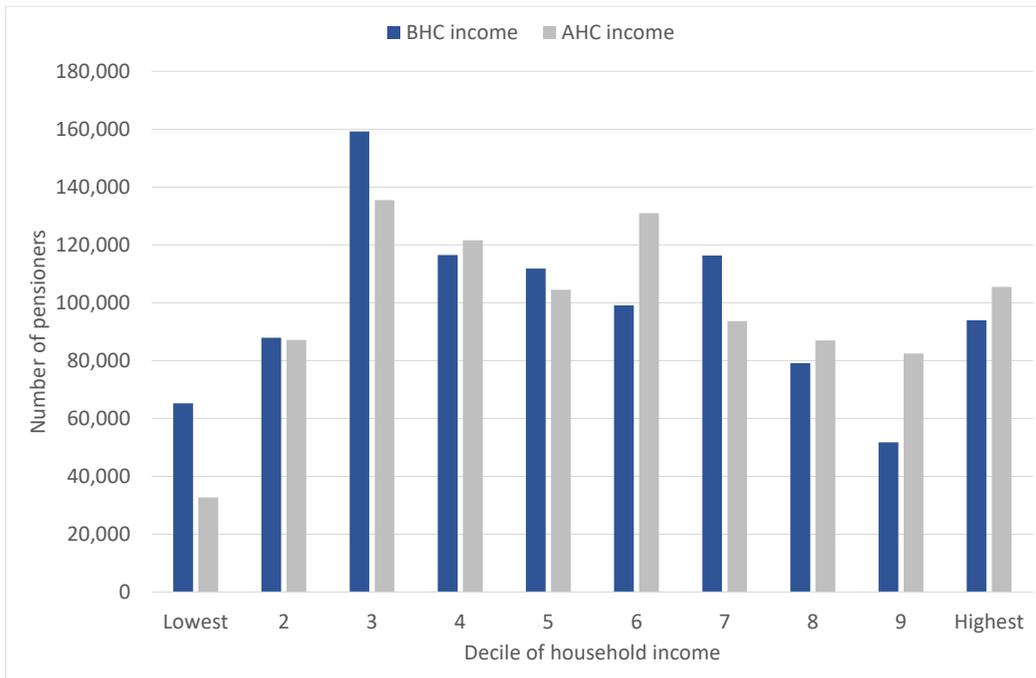
The relative poverty rate after housing costs for pensioners was 15% in 2019-22, or 150,000 pensioners each year. The [pensioner] poverty rate has been consistently below that for working-age adults (21%) and children (24%).

² [Winter Fuel Payment statistics for winter 2022 to 2023 - GOV.UK \(www.gov.uk\)](#)

³ Consumer Scotland analysis of DWP's Households Below Average Income dataset, 2021/22

⁴ [Poverty and Income Inequality in Scotland 2019-22 \(data.gov.scot\)](#)

Chart 1: Number of pensioners in Scotland by decile of household income, 2021, before and after housing costs



This is also consistent with Scottish Government figures on fuel poverty: in 2019, before the pandemic and the cost-of-living crisis, 19% of older households were in fuel poverty, compared to 17% of family households and 21% of other households⁵.

Energy Affordability

Consumer Scotland has tracked energy affordability since our establishment, and have now published five waves of research.

While it is clear from successive survey findings that energy affordability was and remains a significant concern for consumers, it is also clear that rising bills have impacted some groups to a much greater extent than others.

In particular, disabled people, prepayment meter consumers, younger people, people on lower incomes, women and electric heating users are all more likely to report challenges in paying for energy.

Responses to the question ‘How easy or difficult is it for your household to keep up with your energy bills nowadays?’ illustrate this⁶:

⁵ [Scottish House Condition Survey: 2021 Key Findings - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/scottish-house-condition-survey-2021-key-findings/pages/100-109.aspx) table 3.4

⁶ [Energy Tracker: Insights from Autumn 2023 | Consumer Scotland](#)

	Household income (before housing costs)				Heating type	
	Less than £20,000	£20,000 to £39,999	£40,000 to £59,999	£60,000 or more	Mains gas heating	Electric heating
Very / easy	19%	33%	48%	45%	34%	34%
Very / Difficult	46%	30%	21%	19%	28%	37%

	Disability (self reported)			Payment method	
	Limited a lot by disability	Limited a little by disability	No disability	Pay by regular direct debit or standing order	Have a pre-payment meter, so you pay in advance by putting credit on a key, card or app
Very / easy	20%	20%	20%	38%	22%
Very / Difficult	56%	56%	56%	26%	40%

Compared to other age groups, older people have consistently been less likely to report such challenges, in answer to the same question:

	Age					
	16-24	25-34	35-44	45-54	55-64	65+
Very / easy	44%	39%	26%	27%	30%	39%
Very / Difficult	22%	30%	35%	38%	34%	20%

At the same time, our findings show that some older people are in need of greater support than is currently available. For example: 37% of disabled older people reported difficulties in paying for energy compared to 17% who do not have a disability. Similarly, 53% of older people who consider themselves vulnerable for another reason reported difficulties paying compared to 20% who did not regard themselves as vulnerable.

Current Targeting of Financial Energy Support

This consultation quotes⁷ the annual value of Winter Fuel Payment / Pension Age Winter Heating Payment as around £180m, a figure which forecast to rise as Scotland's population ages in coming years.

This figure is considerably larger than other, clearly targeted energy benefits available to certain consumers in Scotland. Targeting of these benefits includes older people on pension credit as well as those of working age who are disabled and / or on lower incomes:

- Warm Home Discount, approximately £50m in Scotland⁸
- Winter Heating Payment £19.7m⁹
- Child Winter Heating Assistance £5.7m¹⁰

Although temporary, the Fuel Insecurity Fund also provided additional and flexible funds of £10m over the winter of 2022/23 and £30m over the winter of 2023/24¹¹.

The establishment and targeting of these Scottish Government funds was consistent with stakeholder views. For example, the Scottish Energy Insights and Coordination group, established by Consumer Scotland following the previous First Minister's energy summits in Autumn 2022, highlighted¹² the gains these funds provided and recommended that additional funding, if available, should be used to expand them.

The Scottish Government's legal obligation is to demonstrate progress towards Fuel Poverty targets against all four of the recognised drivers of fuel poverty¹³. Raising household income is one element, and targeting through devolved benefits is an important aspect of this, given other levers are limited.

Developing an Alternative Approach

We appreciate that a central barrier to changing any established system is the need to identify an approach which can translate theoretical gains into reality for consumers.

We would therefore recommend that the Scottish Government should undertake feasibility and scoping work during 2024 to identify options for how a more targeted approach could work in practice. With high energy prices forecast for the remainder of the decade¹⁴ it is

⁷ [Child Winter Heating Payment - mygov.scot](#)

⁸ [Draft Warm Home Discount \(Scotland\) Regulations 2022 - Hansard - UK Parliament](#)

⁹ [1 \(www.gov.scot\)](#)

¹⁰ [1 \(www.gov.scot\)](#)

¹¹ [More funding made available for Fuel Insecurity Fund - gov.scot \(www.gov.scot\)](#)

¹² [Frontline advice groups urge more support for energy consumers | Consumer Scotland](#)

¹³ [Fuel Poverty \(Targets, Definition and Strategy\) \(Scotland\) Act 2019 \(legislation.gov.uk\)](#)

¹⁴ [Volatile energy prices set to continue into 2030 - Cornwall Insight \(cornwall-insight.com\)](#)

important that this work is begun as soon as is practicable, given the potential length of lead in time for any reforms, to help achieve any agreed changes in sufficient time to support consumers in future years.

Conclusion

On the basis of the outline evidence above, Consumer Scotland considers that the funds available for the Pension Age Winter Heating Allowance could be more effectively used to reduce fuel poverty.

There is clear evidence that a significant proportion of eligible older peoples' energy affordability needs are already met, but also that the current range of energy support payments are insufficient to meet the needs of many consumers, including a significant minority of older people.

Given the ongoing cost of living pressures a range of households are experiencing, the financial constraints facing policy makers and the significance of the Winter Fuel Payment compared to other energy affordability intervention, there is therefore a strong case for re-considering how best the system for this benefit can be reformed. Consumer Scotland would welcome the opportunity to contribute to this process.