

SFHA Briefing: Impact of the energy crisis for supported and sheltered housing

Aug 2022

SFHA is the membership body for, and collective voice of, housing associations and co-operatives in Scotland. We exist to represent, support and connect our members. Our purpose has never been as important as it will be over the next three years, as we work together following the coronavirus pandemic.

In these unprecedented times, our vision is that our members are central to Scotland's social and economic recovery and renewal. It is everyone's right to live in a safe, warm and affordable home, in a thriving community. Our members are uniquely positioned as community anchors across Scotland, supporting people and their communities.

Our mission is to sustain and strengthen the impact our members have on people and communities across Scotland.

Introduction

Even prior to the recent energy price hikes, fuel poverty rates in Scotland have been persistent high in Scotland, particularly for those on low incomes. Scottish Government estimates have suggested that the energy price cap increase in October 2022 will result in 906,000 households (36% of the total households in Scotland) facing fuel poverty, even when taking into account the currently available support¹. This is reflected in the experiences of our members who have been reporting growing demand for energy advice and help with fuel costs². With further price increases expected in the autumn, and again in January 2023, the sector has serious concerns about how this will impact their tenants, many of whom are already in a vulnerable situation.

Our previous submission to the Net Zero, Energy and Transport Committee outlined some of the regional disparities and particular groups who are particular at risk of fuel poverty³. This briefing

¹ <https://www.gov.scot/news/summit-with-energy-suppliers-and-consumers/>

² <https://www.sfha.co.uk/mediaLibrary/other/english/86714.pdf>

³ <https://www.parliament.scot/chamber-and-committees/committees/current-and-previous-committees/session-6-net-zero-energy-and-transport-committee/correspondence/2022/energy-price-rises-submission-from-sfha-9-may-2022>

provides an update, offering further detail on the concerns around those living in **supported and sheltered housing** and the challenges facing our members who provide these services. We are calling for the Scottish Government to ensure the most vulnerable in society are adequately protected from the impacts of the energy crisis, either alone or by working with the UK Government.

Impacts for supported and sheltered housing

Although all consumers are being affected by the energy crisis to some degree, evidence from our members indicates that further action is needed to ensure social housing tenants living in supported or sheltered housing are not unfairly disadvantaged. Around 45% of social housing tenants report having a long term physical or mental health condition⁴ and many of our members (around 63%⁵) provide some form of sheltered or amenity housing. Other specialist support is also offered as part of community alarm housing or other wheelchair accessible, ambulant disabled and specially adapted properties.

Some of these client groups will have higher energy demands due to health reasons and are therefore particularly exposed to the impacts of the energy crisis. For example, an enhanced heating regime of higher temperature and longer heating periods is generally recommended, and outlined in legislation, for: those who have a physical or mental health condition or illness which has lasted or is expected to last for a minimum period of 12 months; those who are in receipt of benefits received for a care need or disability; and those who 75 years old or over.

Individuals who require electrically powered medical equipment, including life-saving ventilators and mobility devices such as electric wheelchairs, are also at a disadvantage due to the additional electricity costs. Even prior to the energy crisis, it was estimated that disabled households were already facing higher energy costs than the average household and more than half were worried about paying their energy bills⁶.

Within supported and sheltered accommodation, the heating and electricity for communal spaces such as shared facilities will also have to be factored into service charges. While the models and details of the specific contracts will vary, such systems will be operated as part of a commercial contract where the building owner purchases heat or electricity from the energy supplier and is then responsible for charging tenants. While our members have a duty to provide value for money to tenants and will look to procure the best fixed rate deals available, in the current context of rising costs and a lack of competition in the market, this is becoming extremely challenging.

It is also common for our members to offer 'Heat with rent' or similar models where energy costs for individual properties are included as part of the social landlord's service charges. One of our members has reported that nearly 4,000 of their tenants are signed up to this type of scheme.

⁴ <https://www.gov.scot/news/social-tenants-in-scotland-2017/>

⁵ <https://www.housingregulator.gov.scot/media/1781/stock-data-all-social-landlords-complete-dataset-2020-21.xlsx>

⁶ <https://www.scope.org.uk/scope/media/files/campaigns/out-in-the-cold-report.pdf>

There are also around 1,000 heat networks now operating in Scotland, and this includes communal heating systems which are common in supported and sheltered accommodation. However are aware of some circumstances where the energy supplier does not permit more than one account per property meaning that where 'Heat with Rent' or heat network is offered, the landlord must also take ownership of the electricity supply.

Although there are some exceptions, these commercial contracts are not typically protected by the price cap meaning that the end user are not offered the same protections as other users. Earlier in the year some members were receiving forecasted energy prices which suggested a doubling of their previous expenditure. More recent reports have suggested even greater increase with one member reporting a tripling of electricity annual electricity costs while another reported a five-fold increase for a 3 year gas contract. Our members have been trying to protect tenants by absorbing some of these costs in the short term and we are even aware of cases where members are operating communal heat systems at a loss in order to keep costs affordable. However, this approach is not sustainable given the various financial pressures facing the sector.

Although changes are planned with regard to the regulation of heat networks, as part of Heat Networks (Scotland) Act 2021, a functioning regulatory system is not expected until 2024. It is anticipated that Ofgem will become the UK wide regulator for heat networks with powers to mandate and enforce price transparency and introduce rules on fair and consistent pricing. However, the detail of this remains in development despite the urgent need for improved consumer protection, with the Heat Trust reporting significant cost increases since late 2021⁷.

Proposed support mechanisms

The interventions from the UK Government in addition to the Scottish Government's £290 million package to help address the rising cost of living will also provide much needed support. However, as energy prices continue to rise, the potential impact of these measures diminishes as there remains uncertainty around whether these interventions will be sufficient to protect households over the coming winter.

Cost of Living Payments

The UK Government has introduced various cost of living payments, including a one-off payment of £650 for the lowest income families in the UK. This will be an automatic payment, delivered in two instalments, to 8 million households who receive Universal Credit, tax credits, pension credit and other means-tested benefits. A further £150 cost-of-living payment will also be provided to those with disabilities, while pensioners who already receive the Winter Fuel Payment will receive an additional £300.

Further information: <https://www.mygov.scot/cost-of-living-payments>

⁷ <https://commonslibrary.parliament.uk/research-briefings/cbp-9528/>

Warm Home Discount

While it is positive that continuation of the Warm Home Discount scheme Scotland for 2022/23 has now been confirmed following the consultation on implementing a Scottish version of the scheme, concerns remain around the overall spending envelope and the number of households who will be helped through the scheme despite the likely increase in demand. The small increase in the value of the rebate from £140 to £150 also fails to reflect the increase in energy prices given the estimated tripling of the price cap rates between March 2021 and October 2022⁸.

Eligibility for the Warm Home Discount automatic rebate through the 'core group' also requires a domestic electricity account. Although those in receipt of Pension Credit Guarantee Credit who are not named on the account will be asked to contact the WHD Helpline to verify eligibility and some support maybe through other routes of the Warm Home Discount (e.g. Industry Initiatives), this creates additional barriers meaning that vulnerable households may still miss out.

Guidance for the Warm Home Discount (Scotland) for 2022/23 has not yet been published.

Energy Bills Support Scheme

The UK Government has recently confirmed that an equivalent grant of £400 will be made available to those without a domestic electricity account. At a UK level it is estimated that this applies to only 1% of households in UK however for some of our members this could represent a significant proportion of their stock. Indeed one provider has estimated that this will impacts around 600 of their tenancies. Details of how this will be administered to this group are yet to be published and our members continue to receive queries from tenants who are concerned that they will miss out on this support.

Further information: <https://www.gov.uk/government/news/energy-bills-support-scheme-explainer>

Fuel Insecurity Fund

The Scottish Government has now confirmed continuation of the Fuel Insecurity Fund for the 2022/23 winter period and £2m of this will be administered by SFHA to social landlords with the aim of supporting tenants identified as in, or at risk of, fuel poverty⁹. Based on feedback from previous rounds of the fund, SFHA had called on the Scottish Government commit to further fund and an increased delivery timescale to facilitate activities with sustained impacts alongside direct financial assistance for those most in need. This year the fund will therefore open for applications on 29th August and supported and sheltered housing provides will be eligible to apply.

⁸ <https://www.cornwall-insight.com/price-cap-forecasts-for-january-rise-to-over-4200-as-wholesale-prices-surge-again-and-ofgem-revises-cap-methodology/>

⁹ <https://www.sfha.co.uk/news/news-category/sfha-news/news-article/new-round-of-2m-fuel-insecurity-fund-announced>

Further information: <https://www.sfha.co.uk/news/news-category/sfha-news/news-article/new-round-of-2m-fuel-insecurity-fund-announced>

Energy Price Cap

Discussions remain ongoing about the future of the energy price cap and Ofgem plan to announce the next increase, to be applied from October, on Friday 26th August. In Scotland, the First Minister has suggested that next increase should be cancelled however no announcements on this have been made at the time of writing.

Further information: <https://www.ofgem.gov.uk/check-if-energy-price-cap-affects-you>

Third Party Deductions & Fuel Direct

The third party deduction scheme is designed to protect claimants in receipt of income-related benefits and is used when a claimant has arrears of essential household outgoings. Third party deductions for fuel debt is sometimes called 'Fuel Direct'. The Department for Work and Pensions (DWP) has implemented a temporary change to Third Party Deductions, confirming that from April 2022 to April 2023 energy suppliers can no longer request new deductions or increased payments from a claimant's benefit to pay for ongoing fuel consumption.

While claimants can still request deductions for ongoing consumption payments if they choose to do so, the aim is to give claimants greater control over what could be significant deductions from their benefit during a period of unprecedented energy prices. However, these costs will still need to be repaid and there are concerns that this will merely delay the impacts of rising energy costs and could lead to further accumulation of debt.

Further information: <https://www.gov.uk/government/publications/how-to-request-deductions-from-benefit-a-guide-for-creditors/third-party-deductions-from-benefits-a-guide-for-fuel-suppliers#temporary-change-to-ongoing-consumption-requests>

Home Energy Scotland and other advice services

We welcome the commitment following the First Minister's energy summit on 23rd August that the Scottish Government will provide additional support to advice agencies and a public information campaign on energy efficiency and available support. Tailored energy advice is essential in helping those experiencing fuel poverty and many of our members have their own knowledgeable energy advisors who work closely with tenants in resolving issues with metering and billing as well as access to financial support. However not all social landlords have the resources to offer this type of specialist service and some will signpost tenants to other local, third sector organisations, who have also been working to capacity. In the current context of the ongoing energy crisis, it is particularly

challenging to train staff and ensure tenants are offered appropriate advice when information is rapidly out of date.

Key asks:

SFHA support the wider calls by Scottish charities for the Scottish Government to address the cost-of-living crisis by taking all actions necessary to help people on the lowest incomes through this national emergency¹⁰.

We also welcome the commitments following the First Minister's energy summit on 23rd August including consideration of further support for households and businesses and urge the Scottish Government to ensure those living in supported and sheltered housing receive adequate support¹¹.

While we await decisions on the future of the price cap and any other interventions from UK Government, it is critical that the most vulnerable in society receive adequate support over the coming winter.

Contact

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¹⁰ <https://www.scottishhousingnews.com/articles/scottish-charities-call-for-dramatic-action-to-protect-most-vulnerable-from-cost-of-living-emergency>

¹¹ <https://www.gov.scot/news/fm-hosts-energy-summit/>