

Independent Age response to the Social Market Foundation, Citizens Advice, and Public First consultation on designing a durable energy bill policy in an age of high prices

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About Independent Age

Independent Age is a national charity, providing support for older people facing financial hardship. We offer free and impartial advice and information, grants for community organisations, and connection services. We use the knowledge and understanding gained from our frontline services to highlight the issues experienced by older people who are facing financial insecurity and campaign for change. We believe no one should face financial hardship in later life.

For more information, visit <https://www.independentage.org/> Registered charity number 210729

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Introduction

At Independent Age, we hear from older people every day who are experiencing significant cost-of-living pressures, which are affecting their quality of life.

While we welcomed the government's emergency support packages announced last year to assist with the rising cost of energy, and broader cost of living challenges, older people facing financial hardship need long term stability and certainty that they will be able to stay warm and live comfortably in their homes. Currently, too many older people face a daily reality of struggling to meet their basic needs and this is having a significant impact on both their physical and mental health.

As such, we support the aim of the 'future of energy bills' project to develop long-term policy solutions to protect households from high energy prices and we welcome the opportunity to input the views and experiences of the older people facing financial hardship that we speak to.

As well as drawing together insights from our services, our response to this consultation is largely based on the findings of a nationally and politically representative YouGov poll, commissioned by Independent Age in November 2022 with 1,052 adults over the age of 65 in England and 531 adults over the age of 65 in Scotland.

Independent Age hears from people in later life across the country facing financial hardship; some qualify for state funded social security payments, others do not. However, from the insights gained through our service delivery, and conversations we have with older people, we know that many of those who are just above the eligibility thresholds for benefits, such as Pension Credit, are still really struggling financially. We are concerned about both these groups.

The polling results - unless otherwise stated - represent older people with household incomes of under £20,000. This is a rough indicator of low income, and we recognise it is not a perfect threshold due to the differences in an individual's circumstances and costs. However, this threshold will capture those on the lowest incomes as well as some people just above the means tested threshold for benefits but still in potentially insecure financial situations and struggling with the cost of living.

Based on our evidence base and expertise, we have provided comments on questions 1 and 4.

Q1: Should help with high energy bills be universal, or should support be targeted in some way on groups deemed to be in particular need of help?

In principle, we support a targeted approach to delivering energy bill support to those in the greatest need of help. However, until the Government can ensure that no one who is eligible misses out on the financial support they are entitled to through the social security system, (for example those not receiving Pension Credit), we believe there should be an element of universal help as well, including for pensioners.

The most recent statistics available, from 2019–20, show that up to 850,000 low-income households miss out on the money Pension Credit would give them.¹ Given this, many of these households will also not have received the additional £650 (or forthcoming £900) cost-of-living payments that were allocated to those on means-tested support.

The increasing cost of living has added a new urgency to the low take-up of this entitlement, both for the long-term extra income it provides and for its ability to enable the government to identify pensioners on a low income when emergency one-off cost-of-living payments are needed.

In a broader sense, evidence clearly shows that benefits that have to be proactively claimed often leads to less than 100% take-up, with an estimated £15 billion of income-related benefits unclaimed each year.²

If means tested targeting was done, consideration would need to be given to the thresholds and the need to avoid a cliff edge of support.

Stigma, low knowledge, and participation: How can a system of targeted support address the risk that some eligible recipients might not claim the help they are entitled to?

There will always be groups of people, of any age, who don't claim what they are entitled to, even though they might need it. The conversations we have with people in later life highlight their thinking around this issue of claiming benefits: many don't know about the financial support or think they are ineligible, others suggest they can 'manage' by skipping meals, think they might be taking the money away from someone in more need, or don't want to be associated with claiming a benefit. Recent callers to our helpline have shared that they have never had to ask for help. There is much that can be done to tackle this, from exploring automation of payments, to focused targeting and effective framing.

¹ Income-related benefits: estimates of take-up: financial year 2019 to 2020, Department for Work and Pensions, 24 February 2022, see gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2019-to-2020

² 'Our annual review suggests about £15 billion of benefits remain unclaimed each year', Entitledto.co.uk. 25 February 2022. <https://www.entitledto.co.uk/blog/2022/february/our-annual-review-suggests-about-15-billion-of-benefits-remain-unclaimed-each-year/>

Pension Credit is sadly an example of 850,000 people not claiming the money they are entitled to. Independent Age believes the Government can take action by producing a strategic action plan to significantly improve the uptake of this benefit. This could include exploring full and partial automation, targeting communications more effectively and investing in local authorities to drive take up in their local areas.

When researching Pension Credit, Independent Age found that the primary barrier preventing eligible people from claiming it is that they don't believe they are eligible. Among respondents who said they would be unlikely to claim Pension Credit if they were struggling financially, 83% gave this as their reason.³

Other barriers include stigma. In line with what we have heard through our helpline and from other charities, DWP research carried out in 2010 found that a third of eligible non-recipients surveyed agreed they would 'feel bad' about claiming Pension Credit, and 16% agreed that their family or friends would have a negative view of them claiming Pension Credit.⁴ One way to overcome this would be to look at full or partial auto enrolment for forms of financial support, similar to the way the Energy Bills Support Scheme provided an automatic discount to eligible households.

Who should receive targeted support with energy bills?

We believe that people on means-tested benefits, including those in later life, should receive targeted support. In addition, those still struggling with their bills but just above the financial threshold to receive support from the welfare system, must also be included among those who receive targeted support with energy bills.

The impact of the cost of energy on older people on low incomes

The findings of our nationally representative polling commissioned from YouGov in November 2022 highlight the extent to which older people in financial hardship are concerned about their energy bills, and the negative impact rising costs are having on the health and wellbeing of many.

When asked to think about their financial situation over the next six months, 66% of those with a household income of under £20,000 in England said they are worried they will not be able to meet their electricity bills, and 66% had this concern about their gas/heating bills. Of these, around half (31% and 34% respectively) were 'very worried'. Similarly, among respondents of the same demographic in Scotland, 69% and 65% said they are worried they will not be able to pay their electricity and gas/heating bills, respectively. Of which, again around half (34% and 36% respectively) were 'very worried'.⁵

It is worth noting that this question was asked about a time during which the Energy Bills Support Scheme would still be in place and the Energy Price Guarantee would cap a typical household energy bill at around £2,500. The poll was also conducted during a relatively mild November. As such, we would anticipate that the challenges experienced

³ YouGov survey, Independent Age, April 2022. Total sample size was 2,096 adults in England. Fieldwork was undertaken 25–29 April 2022. The survey was carried out online. The figures have been weighted and are representative of all adults in England (aged 65+).

⁴ Pension Credit eligible non-recipients: Barriers to claiming, Department for Work and Pensions, 1 November 2012, see assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/214374/rrep819.pdf.

⁵ YouGov survey, Independent Age, November 2022. Sample size was 1,052 adults in England and 531 adults in Scotland. Fieldwork was undertaken 21-24 November 2022. The survey was carried out online. The figures have been weighted and are representative of adults aged 65+.

by older people facing financial hardship in coping with their energy bills will likely be further exacerbated when a) the temperatures drop and b) the amount of government support is lowered from March 2023. Especially as 54% of people aged 60-74% and 50% of people aged 75+ in the UK said in November 2022 that they expect their financial situation to be worse in a year's time, compared to their current situation.⁶

Our polling also found that the majority of older people on household incomes of less than £20,000 are currently having to cut back their spending on energy. 69% of respondents in England said they are cutting back their spending on heating, of whom 28% are cutting back 'a great deal'. Further, 56% are cutting back their spending on non-heating electricity, of whom 16% are cutting back 'a great deal'. The results from respondents in Scotland were even starker; 74% are cutting back their spending on heating, of whom 36% are cutting back 'a great deal', and 61% are cutting back their spending on non-heating electricity, of whom 13% are cutting back 'a great deal'.⁷

Through our national services, we regularly hear what cutting back on energy usage looks like in reality. Older people in financial hardship have shared they feel like they have no alternative but to not put the lights on (despite being partially sighted), boiling the kettle only once a day and not cooking hot meals.

Research Independent Age commissioned from The Lines Between conducted in September and November 2022 to explore the experiences of older people living in poverty in Scotland⁸, heard directly from people over the age of 66 about what life is like when you don't have enough to live on. Here are some examples of what we heard:

"You have to take the chill off the house. And what I'm doing now, instead of let the heating system on from six o'clock to ten o'clock at night before... I start it at nine or I wait until the temperature is slightly unbearable then you start."

"I tend not to use the heating, unless I've got grandchildren coming and then I put it on for them, but for myself, no..."

"I have a shower twice a week. Used to have a shower every day. And I've not had a bath for four weeks, because it's too expensive to run the bath. That's a disgrace when you think about it, you know, this generation and it's awful. It's awful."

"I'm very, very careful and I always have been. Because I'm on a tight budget. I don't put lights on until I can't see."

Through our polling, we also heard from older people how the rising cost of living is negatively, and for some significantly, impacting their mental and physical health. 42% of respondents in England with household incomes of under £20,000 said their mental health is worse, and 37% said their physical health is worse. The results from respondents within the same household income bracket in Scotland showed a similar trend. 36% said their mental health had worsened due to the rising cost of living and

⁶ YouGov survey, Independent Age, November 2022. Total sample size was 2,003 adults in the UK. Fieldwork was undertaken 10–15 November 2022. The survey was carried out online. The figures have been weighted and are representative.

⁷ YouGov survey, Independent Age, November 2022. Sample size was 1,052 adults in England and 531 adults in Scotland. Fieldwork was undertaken 21-24 November 2022. The survey was carried out online. The figures have been weighted and are representative of adults aged 65+.

⁸ 'Not Enough to Live On': Pensioner Poverty in Scotland, to be published February 2023

33% said their physical health had declined.⁹ This reflects what we hear through our Independent Age helpline. In recent months, we have had an increase in the number of calls to our services from older people who are experiencing low mood and persistent physical health problems due to the cost of living.

However, these are not new problems. Many older people in financial hardship have been struggling financially and cutting back for some time. In addition to what we have been hearing from older people directly through our services, a separate YouGov poll commissioned by Independent Age in April 2022, found that 56% of adults aged 65+ with a household income of less than £20,000 in England were having to cut back their spending on heating, and 32% were cutting back on non-heating electricity.¹⁰

Our 'experiences of poverty in later life' project¹¹ captured similar experiences of older people cutting back on essentials such as heating and electricity, and the detrimental impact this is having. This project was based upon a series of interviews Independent Age conducted between November 2021 and January 2022. Around 20 in-depth interviews were conducted with older people who were experiencing financial hardship.

People told us about ways in which they minimise or cut back on spending to survive on a small, fixed budget. Some cut back on energy, by heating one room only, wearing many layers or spending time out of the house. This is especially difficult for people in ill health, particularly those with conditions that mean they need to be in a warm environment.

Q4: Fixed payment discounts and per-unit discounts - do you agree with our assessment of these two policy options?

The results of our November 2022 polling found that the majority of adults aged 65+ (across all household incomes) are open to a range of policy options to support older people aged 65+ on low incomes (defined below) with their energy costs. Looking specifically at the results that relate to the two options that the 'future of energy bills' project has narrowed down to, they show that:

- 86% of adults aged 65+ in England and 89% of adults aged 65+ in Scotland would support an extension of the government's Energy Price Guarantee post April 2023. 3% and 1% would oppose, respectively.
- 81% of adults aged 65+ in England and 84% of adults aged 65+ in Scotland would support an energy bills social tariff for those on low incomes. 5% in each nation would oppose.
- 79% of adults aged 65+ in England and 80% of adults aged 65+ in Scotland would support a non-repayable discount on overall energy bills. 4% in each nation would oppose.

In this context, low income was defined as those who have a yearly income of under £10,000. However, as the findings of our polling indicate, and from what we hear

⁹ YouGov survey, Independent Age, November 2022. Sample size was 1,052 adults in England and 531 adults in Scotland. Fieldwork was undertaken 21-24 November 2022. The survey was carried out online. The figures have been weighted and are representative of adults aged 65+.

¹⁰ YouGov survey, Independent Age, April 2022. Total sample size was 2,096 adults in England. Fieldwork was undertaken 25-29 April 2022. The survey was carried out online. The figures have been weighted and are representative of all adults in England (aged 65+).

¹¹ For more information about this project: <https://www.independentage.org/policy-and-research/experiences-poverty-later-life>

through our services, it is not only those on the lowest incomes who are in need of support with their energy bills, but also those on low to modest incomes. Especially older people facing financial hardship alongside high energy consumption due to illness, and/or with energy inefficient homes.

Among those respondents aged 65+ with a household income of under £20,000, support for each policy measure was slightly higher in most instances than among all adults over the age of 65:

- 90% of people aged 65+ with a household income of under £20,000 in England and 93% in Scotland would support an extension of the government's Energy Price Guarantee past April 2023. 2% and 1% would oppose, respectively.
- 84% of people aged 65+ with a household income of under £20,000 in England and 84% in Scotland would support an energy bills social tariff for those on low incomes. 4% and 5% would oppose, respectively.
- 84% of people aged 65+ with a household income of under £20,000 in England and 83% in Scotland would support a non-repayable discount on overall energy bills. 3% and 4% would oppose, respectively.

Among older adults with household incomes of under £20,000, an extension of the Energy Price Guarantee (which was defined as a cap on the per unit cost of energy), was the most popular of the policy options listed above and of all of those we presented to respondents. Although the question we asked respondents was about whether or not they would support an extension of the EPG post April 2023, which has now already been announced, it nonetheless indicates a high level of support for a per-unit discount as a policy measure.

One of the benefits of this model is that it could be more responsive than fixed payment discounts to the needs of those who have higher energy usage due to medical reasons or because they live in homes that are difficult to keep warm. For example, according to Versus Arthritis, there are 7.4 million people aged 65 and over (61%) in the UK living with a musculoskeletal condition, such as arthritis; a condition which can be negatively impacted by the cold and can require extra heating to maintain health.¹² It is also harder for older people to regulate their own body temperature, which means they are at greater risk when the temperature drops.¹³

We also spoke to Yvonne Bailey, an older person facing financial hardship who Independent Age is in contact with, to get her thoughts on fixed payment discounts and per-unit discounts. Yvonne talked about how she values automatic discounts, but questioned how much a per-unit discount would bring her bill down by and whether it would be enough:

"I prefer fixed payment discounts where they take it automatically, like with the £400 [energy] bill discount. I pay by direct debit and that brings it down. They were taking £67 or £68 off my direct debit each month... you don't worry so much about a huge amount coming out".

¹² [Dear Prime Minister: don't abandon people with arthritis this winter \(versusarthritis.org\)](https://www.versusarthritis.org/news-and-events/news/prime-minister-dont-abandon-people-with-arthritis-this-winter)

¹³ [Will cold weather affect my heart condition? Tips for staying safe and warm - BHF](https://www.bhf.org.uk/health-topics/cold-weather/cold-weather-affect-my-heart-condition-tips-for-staying-safe-and-warm)

"It's just gone up by £116. When I first joined with my supplier, I paid £78 a month for both gas and electric...the forecast is just over £2,250 a year which is just over than £1,000 more than I was paying before the price rises".

"Again, this [per-unit discounts] could be good as hopefully it would lessen the amount you have to pay each month through your direct debit. But whether or not it will be enough to bring it down to the amount through the £400 bill discount I don't know. Would it be equivalent to that?"

We hope this submission is useful in informing the project's final report and we would be happy to provide further information on our submission. Please use the contact details listed at the top of the document.