

Agenda Item	8.
Report No	PEO 05/18

HIGHLAND COUNCIL

Committee: People

Date: 25 January 2018

Report Title: Response to Scottish Government Consultation on Fuel Poverty

Report By: Director of Community Services

1. Purpose/Executive Summary

1.1 This report contains details of the Scottish Government's Consultation on a Fuel Poverty Strategy for Scotland.

2. Recommendations

2.1 Members are invited to:

- **agree** the Council's response as detailed in **Appendix 1**; and
- **agree** that updates on the Fuel Poverty Strategy and forthcoming legislation by the Scottish Government will be reported to the Poverty and Inequalities Working Group, whose minutes are submitted to this Committee.

3. Background

3.1 The Scottish Government released a Consultation on a Fuel Poverty Strategy for Scotland in November 2017. The deadline for responses is 1 February 2018.

3.2 The Scottish Government's stated objective is as follows:

"A Scotland where everyone lives in a warm home, has sufficient income for healthy living, has access to affordable, low carbon energy, and has the skills to make appropriate use of energy."

3.3 The Scottish Government intends to introduce a Warm Homes Bill to parliament during 2018 or 2019. This will include statutory targets to eradicate fuel poverty by 2050.

3.4 The Poverty and Inequalities Working Group met on 11 January 2018 to discuss the consultation and this included a video-conference session with the Scottish Government.

4. Key issues

4.1 The 2002 definition of fuel poverty is:

"A household is fuel poor if energy costs to keep their home sufficiently warm are more than 10% of their income."

The Scottish Governments target was to ensure – as far as reasonably practical – that no one was living in fuel poverty by November 2016. Currently 31% of households in Scotland are defined as fuel poor – in Highland this rises to 52% (Scottish House Condition Survey figures).

4.2 The consultation includes a proposed new definition which is as follows:

"Households are in fuel poverty if they need to spend more than 10% of their after housing cost income on heating and electricity in order to attain a healthy indoor environment that is commensurate with their vulnerability status; and

If these housing and fuel costs were deducted, they would have less than 90% of Scotland's Minimum Income Standard as their residual income from which to pay for all the other core necessities commensurate with a decent standard of living."

4.3 Scottish Government modelling has shown that under the proposed new definition there would be approximately a 5% reduction nationally in fuel poverty. For rural areas the reduction is modelled as reducing from 34% to 20% and for urban 29% to 26%. Further detail is required as to what this will mean in practice for Highland.

4.4 The Scottish Government has advised that the proposed new definition will allow better targeting of fuel poor households for funding initiatives. This includes identifying households who are already suffering financial hardship which is made worse by fuel costs and identifying households in fuel poverty as a result of high housing costs.

4.5 There are concerns that the use of the Minimum Income Standard will mean that remote rural communities are inadequately represented in the new definition as it

does not take into account the disproportionately high cost of rural living in Highland.

- 4.6 The new definition will also exclude many higher-income households who spend more than 10% of their income on fuel but are deemed “financially able” to do so. There is concern that this approach may exclude older households who have paid off mortgages but live in energy inefficient houses and pay high fuel costs.

5. Implications

- 5.1 Resource – it is unclear what resource implications the new fuel poverty strategy will have for Highland but concerns have been identified that the new fuel poverty definition may mean less funding allocated to Highland.
- 5.2 Legal – the Scottish Government intend to make the new fuel poverty reporting statutory.
- 5.3 Community (Equality, Poverty and Rural) – fuel poverty remains a key issue for low-income and rural households.
- 5.4 Climate Change / Carbon Clever - continuing investment in heating and energy efficiency will help meet Council objectives in relation to fuel poverty and climate change.
- 5.5 Risk - implications to the Council will be kept under regular review and any risks identified report to future Committees.
- 5.6 Gaelic - there are no implications arising as a direct result of this report.

Designation: Director of Community Services

Date: 16 January 2018

Author: Brian Cameron, Housing Policy & Investment Manager

Scottish Government Consultation on Fuel Poverty Strategy

QUESTIONS

- 1) **Do you have any comments on this new definition of fuel poverty, in particular, what do you think about the proposal to use AHC and MIS as means to measure fuel poverty in Scotland?**
 - a) **What, if any, challenges do you think this approach could present in enabling targeting of resources to those most vulnerable to fuel poverty; and**
 - b) **If this definition is to be used, how would you propose these challenges are overcome?**

There is a complexity to the new definition and it is perhaps valuable more as a statistical tool for desktop analysis rather than a tool to raise public awareness. The associated guidance implies that the new definition will be used primarily to target resources and funding and it would be appreciated if the Scottish Government clarified this.

Targeted funding will however only be successful if the funding streams are flexible and focus on the practical delivery of energy efficiency works, energy advice, benefit uptake etc.. so that projects can be delivered and households on the cusp of fuel poverty don't "miss out". The need for flexibility will be especially relevant to ensure that help is still available for many people with high fuel costs who will not be considered fuel poor under the new definition.

If SEEP (Scottish Energy Efficiency Programme) is due to become the main vehicle for delivering work to tackle fuel poverty, further clarity and guidance is needed. SEEP is an ambitious scheme involving multiple stakeholders who may have different motivations for participating. While the aims of fuel poverty alleviation and lowering carbon emissions can often coincide, this is not always the case. How priorities and partners are balanced, and how areas targeted when these aims do not strictly align, are questions that need further guidance.

Highland strongly supports all efforts to minimise the bureaucracy and the complex funding criteria associated with the funding of energy efficiency works. It strongly advocates all efforts to promote local delivery mechanisms and to empower local authorities to lead on initiatives with the support of their communities.

It is unfortunate that the consultation timescale is so tight – and the modelling on local authority areas has yet to be produced. This means that Highland has insufficient time to assess the impact of the new definition and what it may mean for households. This is particularly important in view of the Scottish Government's intention to use the new definition to target fuel poor households and there is a real concern that households will miss out on funding because they do not meet the new criteria.

The use of After Housing Costs (AHC):

- The consultation document does not define what is covered by 'Housing Costs'. Clarity as to exclusions is required including whether this covers

rent/mortgage; Council Tax; repairs and maintenance costs. For example, a pensioner who has paid off their mortgage may not be defined as fuel poor despite spending a high percentage of their low income on fuel bills.

- The use of AHC may prove very important in targeting fuel poor households who have been adversely impacted by welfare reform and high private sector rents.

The use of Minimum Income Standard (MIS) to set an income threshold:

- The consultation needs to be clearer about the MIS it intends to use. Page 5 refers to “Scotland’s MIS” in the text, but to “UK MIS” in the corresponding footnote.
- Joseph Rowntree Foundation produced a UK-wide MIS for rural households in 2010 <https://www.jrf.org.uk/report/minimum-income-standard-rural-households> which found that rural households in the UK need to spend 10–20 per cent more on everyday requirements than those in urban areas. The more remote the area, the greater these additional costs.
- Highlands & Islands Enterprise published research in 2013 and 2016 into an MIS for remote rural Scotland - <http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/a-minimum-income-standard-for-remote-rural-scotland.html> and <http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/a-minimum-income-standard-for-remote-rural-scotland---a-policy-update.html> . It found that households in remote rural Scotland require significantly higher incomes to attain the same minimum living standard as those living elsewhere in the UK: mainly caused by the higher cost of buying the same things as elsewhere, and the extra cost of keeping warm.

It is of concern that (1) the definition is to be based upon a national UK-wide MIS and therefore does not recognise the specific cost and fuel poverty challenges facing remote rural communities, and (2) the MIS thresholds will not be adjusted for households where at least one member is long-term sick or disabled.

Highland strongly supports the view that a rural MIS needs to be adopted to emphasise the additional costs borne by households in rural communities in Highland. If rural MIS is not carried forward, further research into assumptions behind this need to be explored. For example, the evidence review details how oil heating and biomass costs may differ between rural communities and it is important that these differences are included in any analysis of the fuel poverty levels in Highland communities.

2) Do you have any views on the proposal of using 75 years of age as a threshold for identifying those who are likely to be vulnerable to the adverse health outcomes of fuel poverty?

While recognising that people are leading longer, healthier lives, it must be noted that people living in Scotland's most deprived areas have a lower life expectancy. Therefore to counter any adverse impact of the introduction of a 75 age threshold, other ways of taking into account the poorer health outcomes of such households must be addressed and more clarity on this is needed. This is a particular issue for people living in poverty in rural areas, many of which have higher proportions of older people, and where, the lack of population concentrations can mask deprivation and poverty at household level.

A higher age threshold could negatively affect many people on low incomes who have low housing costs, regardless of whether they have higher fuel costs. These people will not be classed as fuel poor, which becomes especially concerning if the new definition is used to determine eligibility for funding and assistance.

Further clarification and analysis is needed if the raising of the 'vulnerability threshold' to 75 years will adversely impact upon pensioner households who may have lower AHC (due to having no mortgage) but very high fuel costs.

**3) In relation to island communities, are there any additional
a. challenges ; and / or
b. opportunities
that we need to consider in developing our strategy?**

The challenges facing island communities are likely to be similar to those facing remote rural areas on the mainland, and these should be considered together.

Highland does not support "specialised" status for island communities when there is clear evidence that the same problems affect mainland remote rural areas.

4) In relation to rural and remote rural communities, are there any additional challenges and / or opportunities that we need to consider in developing our strategy?

Section 3 of the consultation is entitled "recognising the distinctiveness of all our communities". It is unfortunate therefore that the proposals contained in this consultation do not recognise the particular fuel poverty issues faced by remote/rural communities. In particular:

- Not taking forward the Independent Panel's proposal to include a specific remote rural enhancement to the new MIS income threshold (see Q1 above for comments about use of the MIS)
- When setting out its proposed targets and milestones, the consultation does not address the higher levels of fuel poverty in rural Scotland which require additional, proportionate, targeted action and resources.

It should be noted that the cost of energy efficiency works are significantly higher in Highland compared to the Central Belt of Scotland, for both rural and urban areas. It should also be highlighted that HEEPS does not cover social housing, and as such the increased funding cannot therefore be used to help many people in Highland living in fuel poverty.

5) Please give us your views on how national partners and local delivery organisations can work better together to identify and support those at risk of, or experiencing fuel poverty? What would best support, or enable such partnerships?

Energy advice and energy efficiency works are best identified and delivered in local communities by local authorities and local partners working closely together. A more flexible and less bureaucratic approach to energy funding and projects is encouraged.

- 6) What can local partners do to contribute to meeting national aims of effectively and sustainably tackling fuel poverty? This might include sharing best practice or developing strategic approaches.**

Local partners already work closely together to share best practice and identify partnership working to tackle fuel poverty. The Scottish Government is urged to assist Highland in developing stronger Community Planning Partnerships and to ensure these have a central role in delivering fuel poverty initiatives in local communities.

- 7) How can SG support local delivery partners (e.g. third sector organisations and social enterprises) to measure their success? &**
- 8) How can the Scottish Government best support local or community level organisations to accurately**
- a. measure;**
 - b. report on; and**
 - c. ensure quality of provision of advice and support services and their outcomes?**

Community level organisations and third sector groups which are in receipt of national grants or other funding are already monitored in respect of these grants. It would be unnecessarily onerous to add to this and the Scottish Government should consider:

- what data is required
- how it should be used.

Highland advocated the devolution of the monitoring of fuel poverty from the Scottish Government to a local authority level and to tie this in with the delivery of local schemes and funding initiatives.

- 9) How can the one-stop-shop approach be enhanced for the benefit of HES clients; and in particular,**
- a. Are there any improvements that you think can be made to the HES service to further enable it to best reach the most vulnerable to fuel poverty client groups?**

Increased funding would allow an increase in outreach visits to vulnerable households.

- 10) What are your views on our proposal to set a new statutory target to eradicate fuel poverty in the Warm Homes Bill?**

Setting a statutory target shows admirable commitment to the serious issue of fuel poverty in Scotland. However as the drivers of fuel poverty (in particular fuel prices), are not at present all within the Scottish Government's control, it must set out how it will be held accountable for meeting the target.

- 11) What are your views on the proposed sub-targets?**
- a) What are your views on the proposed levels?**

b) What are your views on the proposed timeframe?

Fuel poverty levels are higher in remote rural communities. Without a targeted proportionate approach which recognises this, it is likely that levels in such communities will remain higher than in urban areas but will not be reflected in any national target or milestone.

Scottish Government modelling has shown that under the new definition there would be approximately a 5% reduction nationally in fuel poverty. For rural areas the reduction is modelled as going from 34% to 20% and for urban 29% to 26%.

Further detail is required as to the validity of this modelling and what it will mean in practice for Highland. In particular the modelled figures do not seem to account for the concerns in Q1 around the minimum income standard and the impact of this in remote rural communities.

If the modelling is robust for Highland and Scotland then the milestones to 2030 and 2040 are not particularly ambitious. Targeting of the extreme fuel poor needs to start immediately.

12) What are your views on the proposed interim milestones?

a) What are your views on the proposed levels?

b) What are your views on the proposed timeframe?

See comments under Q11 above.

13) How should the new Fuel Poverty Advisory Panel and Fuel Poverty Partnership Forum monitor progress towards meeting the proposed sub-targets and interim milestones?

Fuel poverty rates are currently measured via the rolling Scottish House Condition Survey (SHCS). How will these two new groups use the data published by the SHCS?

There needs to be transparency as to how membership of these groups is achieved and records of these groups need to be published as public documents.

Highland advocates the use and development of existing Community Planning Partnerships as taking a key role in the monitoring process, rather than the creation of new national bodies.

14) What do you think the Advisory Panel's priorities should be in its first year?

The Advisory Panel may wish:

- to review the fuel poverty data collected by the SHCS to ensure its ongoing robustness, particularly how it measures rural fuel poverty.
- to develop means of keeping contact with, and gathering qualitative information from, local delivery organisations across Scotland. This local

experience of fuel poverty 'on the ground' is invaluable and should be used to support national data and inform the strategy.

- To continue to research and develop the fuel poverty definition. In particular, to take up the recommendations from the academic panel to undertake an additional stage of work on vulnerability with specialists from public health, local health and social care. In light of the attached case studies, it would be beneficial to conduct further work into the impact of this definition on older people, disabled people and those in remote rural areas.

15) What examples do you have of using proxies to identify fuel poor households?

a) Which proxies did you use?

b) Based on your experience, how well did these proxies work in accurately identifying fuel poor households?

Further work is required on modelled fuel bills to reflect Highland realities (particularly the rural dimension) and to give a clear indication of fuel costs taking into account where households are deliberately under-heating their homes because of the costs.

(16) What are the key lessons to be learnt from any existing approaches that apply proxies in door-to-door, on-the-ground assessments in this context? &

(17) Do you have any concerns about the use of a doorstep tool, in particular the challenges around delivery of area based schemes?

Clarity is needed as to how the information is collated and shared with relevant partners.

(18) How can the Scottish Government most effectively work with Community Planning Partnerships in a collaborative manner to report on overall fuel poverty levels as part of the SHCS?

Fuel poverty rates are currently measured and reported via the rolling Scottish House Condition Survey (SHCS). However, as highlighted in Q14 above, the new Advisory Panel may wish:

- to review the fuel poverty data collected by the SHCS
- to develop means of keeping contact with local delivery organisations
- performance against the target needs to be reported annually to the Scottish Government.

19) What are your views on, or experience of how an outcomes-focused approach would work in practice?

a) Would it encourage national and local policy and delivery partners to work together effectively, and if not, what alternative approach(es) do you propose could be used instead?

One challenge in reporting on outcomes is how to gather qualitative feedback on the impact fuel poverty/energy efficiency measures (i.e. inputs) have had on individual households. As mentioned above (Q14, Q18), the new Advisory Panel The Advisory

Panel may wish to develop means of keeping contact with, and gathering qualitative information from, local delivery organisations across Scotland. This local experience of fuel poverty 'on the ground' is invaluable and should be used to support national data and inform the strategy.

20) Do you think the principles detailed in the 3 bullet points above are adequately reflected in the outcomes framework? &

21) In your opinion, would the proposed framework help to strengthen partnerships on-the-ground?

a) If so, how?

b) If not, why?

As per above responses.

22) Do you think any of the proposals set out in this consultation will have an impact, positive or negative, on equalities as set out above? If so, what impact do you think that will be and, if negative, how do you think these could be mitigated?

As commented on in previous questions:

- the proposals contained in this consultation do not recognise the particular fuel poverty issues faced by remote/rural communities – many of which have a higher proportion of older people.
- the Minimum Income Standard thresholds will not be adjusted for households where at least one member is long-term sick or disabled. The potential impact upon people with a disability should be clearly examined.
- The new definition and the associated statutory targets should assist the Scottish Government and partners in identifying the fuel poor who are also within the lowest income earners within society. It also links with various other Scottish Government targets and action plans relating to child poverty, transport poverty etc..

23) What implications (including potential costs) will there be for business and public sector delivery organisations from these proposals?

Businesses and public sector delivery organisations experience higher costs when operating in remote rural areas. These rural areas also experience higher levels of fuel poverty.

24) Do you think any of these proposals will have an impact, positive or negative, on children's rights? If so, what impact do you think that will be and, if negative, how do you think these could be mitigated?

Any initiative to target fuel poor households with children is welcomed and the links between fuel poverty and other forms of poverty have to be increased.