

DRAFT BUDGET 2014-15

SUBMISSION FROM ENERGY ACTION SCOTLAND

Energy Action Scotland (EAS) is the Scottish charity with the remit of ending fuel poverty. EAS has been working with this remit since its inception in 1983 and has campaigned on the issue of fuel poverty and delivered many practical and research projects to tackle the problems of cold, damp homes.

Fuel poverty in Scotland

The Scottish Government is required by the Housing (Scotland) Act 2001 to end fuel poverty, as far as is practicable, by 2016 and plans to do this are set out in the Scottish Fuel Poverty Statement. The number of Scottish households living in fuel poverty dropped from 756,000 (35.6%) in 1996 to 293,000 (13.4%) in 2002. Half the reduction was due to increases in household income, 35% to reduced fuel prices and 15% to improve energy efficiency of housing. The most recent figures from the Scottish House Condition Survey Key Findings Report show that there were 684,000 households living in fuel poverty in Scotland in 2011, representing 28% of total households.

According to figures produced by the Scottish Government early in 2008, for every 5% rise in fuel prices an estimated 46,000 more households would go into fuel poverty. Based on these figures, EAS estimates that there are currently around 900,000 households, more than four in ten, in fuel poverty in Scotland. This significant increase in fuel poverty is widely accepted to be due to the dramatic increases in domestic fuel prices. EAS is very concerned about the impact of this on vulnerable customers in particular.

Overall budget position for fuel poverty budgets

The Scottish Government has stated that it intends to achieve expenditure in Scotland on fuel poverty alleviation measures of £200 million per year. This is in line with the recommendation made by the Economy, Energy and Tourism Committee following evidence taken from EAS and others in late 2011. Not all of the £200 million was expected to come from the Scottish Government.

The Scottish Government's fuel poverty alleviation budget was originally set at £65 million for each of the years 2012-13 and 2013-14 and £66.25 million for 2014-15. However, the budget for 2013-14 was finally set at £79 million.

EAS has been suggesting for some years that a level of funding of around £200 million annually would be required over a ten year period to seriously tackle fuel poverty. While welcoming the increase in the budget for 2013-14 and the commitment to securing £200 million overall annually, it is unlikely that this level of investment – set so close to the 2016 target date to end fuel poverty – will now be achieved.

EAS would therefore urge the Scottish Government to increase its own budget for fuel poverty alleviation measures in order to meet the 2016 statutory duty and to ensure the budget continues to rise in order to avoid a see-saw effect of small

increases, or indeed decreases, in budget levels each year. For example, it is hoped that the final budget for 2014-15 will be increased from the original figure of £66.25 million at the very least to maintain the £79 million level of the current year.

Funding distribution

In 2013-2014 the Scottish Government, at the recommendation of the Scottish Fuel Poverty Forum – of which EAS is a member, redesigned its fuel poverty alleviation programmes. By and large, this resulted in the bulk of the funding being distributed to local authorities in order to deliver area-based programmes. EAS was supportive of this move, believing that local authorities were well-placed to understand the nature of fuel poverty in their areas and how to tackle it. This programme is now known as the Home Energy Efficiency Programme for Scotland: Area Based Scheme (HEEPS: ABS).

However, EAS also strongly believed that a smaller scheme should also be retained that continued to operate on a reactive basis for vulnerable individuals living outside the main target areas but who needed help now. The Scottish Government has pledged to deliver this support through the HEEPS: Energy Assistance Scheme.

The local authority (HEEPS: ABS) funding of £60 million for the current year has been split, with half being given to all local authorities, and with the remaining half being distributed via a bidding process. However, EAS understands that not all of the bid monies have been taken up and the reason for this situation should be established.

The Scottish Government's efforts to meet its stated intention of levering in around £120 million from other sources have largely focused on the Energy Companies Obligation (ECO). ECO is being delivered across Great Britain by the gas and electricity companies. While EAS can applaud the intention to ensure that Scotland receives its pro rata share of this expenditure and the Scottish Government's endeavours to make Scotland an attractive market for this programme, we are however concerned as to whether this aim can in fact be achieved. For example, it is understood that the HEEPS: ABS programme was designed on the assumption of a 3:1 ratio i.e. that for every £1 of local authority/Scottish Government money, a further £3 would be secured from ECO. There appears to be some concern as to whether this ratio is in fact achievable and so may be the cause of local authorities being perhaps reluctant to take on more HEEPS: ABS commitments. Again, EAS would suggest this is an area requiring some clarification or monitoring.

Budget expenditure monitoring

EAS firmly believes that it is essential to have clarity over expenditure of budgets and to have this information expressed in terms of financial expenditure, outputs and outcomes, e.g. expenditure plus number of households assisted, number of measures delivered, etc. Only with this information can judgements be made as to the effectiveness of strategies and programmes and whether budget levels are sufficient. This type of information should be made available to the Fuel Poverty Forum, to parliamentary committees and to the wider public. This information has not been forthcoming or readily available in recent years.

Cross-cutting policies

Some Scottish Government programmes are not listed strictly under the heading of fuel poverty, but can contribute to its alleviation. This can include programmes which are more geared towards carbon reduction or domestic energy efficiency such as the Warm Homes Fund. EAS does recognise the contribution such programmes can make to reducing fuel poverty levels. However, it should be noted that some such schemes are loan funds.

Preventative spend

It has been noted in previous inquiries by the Energy Economy and Tourism Committee that there is a strong element of 'preventative spend' when tackling fuel poverty. Tackling fuel poverty can bring savings in terms of the health budget, deliver benefits such as reducing energy demand, and assist in meeting targets for energy efficiency and climate change. It is important to acknowledge these advantages.