

This document relates to the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill (SP Bill 37) as introduced in the Scottish Parliament on 26 June 2018

Fuel Poverty (Target, Definition And Strategy) (Scotland) Bill

Financial Memorandum

Introduction

1. As required under Rule 9.3.2 of the Parliament's Standing Orders, this Financial Memorandum is published to accompany the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill ("the Bill"), introduced in the Scottish Parliament on 26 June 2018.

2. The following other accompanying documents are published separately:

- Explanatory Notes (SP Bill 37-EN);
- a Policy Memorandum (SP Bill 37-PM);
- statements on legislative competence by the Presiding Officer and the Scottish Government (SP Bill 37-LC).

3. The Financial Memorandum has been prepared by the Scottish Government to set out the costs associated with the measures introduced by the Bill. It does not form part of the Bill and has not been endorsed by the Parliament. The Financial Memorandum should be read in conjunction with the Policy Memorandum which explains in detail the background to the Bill and the policy intention behind the Bill.

Background

4. The Bill contains the following key elements. It:

- establishes a new definition of fuel poverty against which levels of fuel poverty will be measured;

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- enshrines in legislation the Scottish Government's aim that by the year 2040, no more than 5% of households in Scotland are in fuel poverty; and
- places a duty on the Scottish Ministers to produce a long-term fuel poverty strategy, within a year of this Bill coming into force, and to produce a report on the strategy every five years. The strategy will set out how delivery of the fuel poverty target will be achieved and set out a monitoring framework to oversee progress in meeting the target.

Proposals

5. The Scottish Government's long-term ambition is to eradicate fuel poverty. The Bill will set a target to ensure that in 2040 no more than 5% of households in Scotland will be in fuel poverty; provide a definition of fuel poverty; require the Scottish Ministers to publish a fuel poverty strategy; and require the Scottish Ministers to consult on, and publish, five-yearly reports on progress towards the fuel poverty target.

6. The UK Government's austerity programme, the economic uncertainty caused by the EU Referendum result and rising fuel prices make eradicating fuel poverty an increasingly difficult challenge. The Scottish Government also recognises that many of the necessary levers for change are not devolved under the current constitutional settlement. Specifically, the cost of energy is outwith the powers of the Scottish Government and there are limited ways that it can directly influence salaries (through the real living wage) and working age benefits. In order to make a significant impact on the eradication of fuel poverty, incomes need to be rising at least the same rate as energy bills.

7. In addition to the new framework legislation for eradicating fuel poverty within this Bill, there is also a wide range of activity already in train, and planned for the future, which the Scottish Government wants to build on to develop a wide-ranging, cross-government approach to reducing fuel poverty and improving the energy efficiency of all buildings. The Scottish Government has launched a route map and consultation on Energy Efficient Scotland¹, which is an ambitious energy efficiency

¹ <http://www.gov.scot/Publications/2018/05/1462>

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programme that will transform Scotland's building stock making it warmer, greener and more efficient.

8. Within Energy Efficient Scotland the ambition is to maximise the number of homes reaching minimum EPC ratings. An EPC gives a property an energy efficiency rating from A (most efficient) to G (least efficient). As part of the consultation, the Scottish Government are proposing that all homes reach an EPC band C by 2040 (where technically feasible, cost effective and affordable), and views are being sought on setting more ambitious energy efficiency targets for those households in fuel poverty. It is proposed that all homes with households in fuel poverty reach EPC band C by 2030 and EPC band B by 2040 (where technically feasible, cost effective and affordable). This would support Scottish Government work on eradicating fuel poverty by removing poor energy efficiency as a driver of fuel poverty.

9. Crucially, the 2040 timeframe provides an opportunity to fully implement a comprehensive and sustainable fuel poverty strategy that will be published within 12 months of commencement of the Bill. The strategy will set out how the 2040 target will be achieved and as a result of the advice of experts and stakeholders in the field, it proposes working across government to tackle the well-recognised drivers of fuel poverty (namely energy prices, the energy efficiency of homes, incomes and behaviours in the home), with non statutory targets designed to complement this.

10. The development of a fuel poverty strategy will set out how the new definition will aid the delivery of the target and demonstrate that delivery will only be achieved if it is based around the four drivers of fuel poverty. This will also provide a degree of continuity to stakeholders. It is clear that the Scottish Government can only directly influence the energy efficiency and behaviour change drivers, nonetheless it is important to recognise the importance of all four.

11. The target and strategy build upon a proposed new definition of fuel poverty which was developed by a panel of academics experienced in this field². This new definition was developed as a direct response to

² Panel members were; Glen Bramley, Professor of Urban Studies at I-SPHERE, Heriot-Watt University; Suzanne Fitzpatrick, Professor of

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expert and stakeholder views that the existing definition does not focus enough on those households in greatest need. The new definition was found by the Panel to be more closely related to the adverse outcomes associated with fuel poverty and to show a stronger relationship with poverty more generally. It was adopted subject to some minor amendments to fit with current policy, following consultation with fuel poverty stakeholders.

12. The Bill also places a duty on the Scottish Government to provide a report on the strategy every five years and develop a comprehensive reporting framework. The reporting framework will include a detailed set of indicators to sit under the ambitious target and will be based around all four key drivers, recognising the limitations of Scottish Government influence on two of the drivers, and will report the impacts fuel poverty has on people's lives.

13. As part of the wider fuel poverty policy delivery, the Scottish Ministers recently set up a Scottish Fuel Poverty Advisory Panel to advise Ministers on fuel poverty issues in Scotland and provide constructive feedback on progress in meeting targets. This Panel will be involved in developing and overseeing the monitoring and evaluation criteria. COSLA are members of that panel and will be involved in any decisions made on this.

14. Associated policies may contribute to achieving the fuel poverty target. The Scottish Government is taking forward ambitious and concrete actions in the Fairer Scotland Action Plan and the Tackling Child Poverty Delivery Plan specifically around fuel poverty. Success in alleviating child poverty, and poverty more generally, through the measures set out in those action plans, as well as our continued support for sustainable economic inclusive growth, may also contribute to taking those households out of fuel poverty, by increasing the family income which is one of the drivers of fuel poverty. A household will be removed from fuel poverty if the family income increases by an amount to take

Housing and Social Policy and Director of the Institute for Social Policy, Housing and Equalities Research (I-SPHERE), Heriot-Watt University; Christine Liddell, Emeritus Professor of Psychology at Ulster University in Northern Ireland, and Janette Webb, Professor of Sociology at the University of Edinburgh,

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them over the Minimum Income Standard³ (MIS) threshold for fuel poverty. Similarly, targeting fuel-poor households with children will contribute to alleviating child poverty by making homes cheaper and easier to heat.

15. The work being progressed under the development of the new Fairer Scotland actions on advice and support including ‘Financial Health Checks’⁴ may assist in increasing the income of householders and thus could indirectly contribute to the achievement of the fuel poverty targets. In terms of other impacts, by tackling fuel poverty through improving energy efficiency, there can be health and wellbeing benefits, particularly for those living in cold and damp homes.

16. Success in achieving the Scottish Government’s ambition to eradicate fuel poverty will be measured by the Scottish House Condition Survey (SHCS⁵). The SHCS provides robust National Statistics on fuel poverty at a Scotland-wide level annually, and at a local authority level by combining 3 years’ worth of data. Estimates are also provided for sub-groups of the population.

17. The annual Key Findings report is published in December each year, covering the prior years’ survey, with local authority estimates following in February. This means, for example, that the estimate of fuel poverty in 2040 will be published in the SHCS Key Findings report in December 2041 with local authority data covering the period 2038-2040 published in February 2042. Progress against the strategy and reductions in fuel poverty should be evident through this data. This will

³ As well as considering the ratio of required fuel costs to after housing cost income, our new definition of fuel poverty also compares the household’s residual income (after housing, fuel and childcare costs) to 90% of the UK’s Minimum Income Standard (after rent, council tax, water, fuel and childcare costs are deducted). More information about the Minimum Income Standard can be found at:

<http://www.lboro.ac.uk/research/crsp/mis/>.

⁴ <http://www.gov.scot/Resource/0053/00533606.pdf> Actions on financial health checks can be found in the attached Child Poverty Delivery Plan

⁵ <http://www.gov.scot/Topics/Statistics/SHCS>

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allow the Scottish Government to look strategically at interventions and target action accordingly.

Costs on the Scottish Administration

18. This legislation does not, on its own, impose any new or significant additional costs on the Scottish Administration. As noted in the Policy Memorandum, work to eliminate fuel poverty has been ongoing since 2001 and, while many of the levers for change are not devolved under the current constitutional settlement, there is ongoing funding directed towards meeting this ambitious aim.

19. The Bill imposes the requirement to develop a strategy to be published within one year after enactment of the Bill. The staff costs relating to this are estimated at a one off cost of £123,000 which will be incurred during 2018-19. This relates to two staff (C1 and B3 level) for six months and associated analytical (C1 and B3) staff for this period to develop the strategy.

20. The Bill contains a commitment to publish a report every five years, setting out action taken; progress made and proposed steps going forward. The Scottish Government will need to cover staff costs associated with this. The preparation of each report will account for 0.5 Full Time Equivalent (FTE) for two Scottish Government policy officials in the year immediately preceding publication of the report. It also includes 0.25 Full Time Equivalent (FTE) Scottish Government analytical support over the same period.

Staff Resource Required	Period of time resource required	Scottish Government area implicated	Total Staff Cost
0.5	12 months per report C1 and B3	Fuel Poverty Policy	£61,500

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0.25	12 months per report C1 and B3	Communities Analytical Division	£31,000
Total			£92,500

There will be four reports produced from 2020 to 2040 requiring staff costs of £370,000.

21. However, these reporting costs are not expected to be significantly different than the current staffing requirements. Section 88 of the Housing (Scotland) Act 2001 currently requires the Scottish Government to publish a fuel poverty statement every four years. The reporting requirement in this Bill, which replaces the 2001 Act requirement, will be no more resource-intensive in terms of intervals between statements and annual reporting already in place. The Bill is therefore not imposing new reporting costs.

22. The indicative staff costs outlined above is based on average gross staff costs in 2016/17.

23. The strategy will set out a requirement to publish annual fuel poverty statistics sourced from the SHCS, which will provide the data relating to targets. Scottish Government fuel poverty statistics are high quality National Statistics, so comply with the Code of Practice for Official Statistics. The Scottish Government already publishes annual fuel poverty statistics and had, previous to the Bill, committed to publish more in-depth annual reports as soon as practicable. There are, therefore, no additional costs from making these reports available on an annual basis: this is a standard part of government business that would continue whether the Bill was being introduced or not. The gathering of statistics evolves over time. However, it is not expected that there will be any substantial changes required that could not be accommodated within current investment levels to ensure emerging trends are reflected. It should be noted that the SHCS is currently contracted for the four year period from 2018-2021 (inclusive). Future surveys may cost more to produce depending on bids, to take account of tender costs at that time, inflation, market value, etc. This cost to Scottish Government would be the same irrespective of the Bill being brought forward.

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24. In terms of the costs of publishing, the Bill would require four reports to the target date of 2040. Based on the publication costs for the most recent fuel poverty reports (published in 2016), the Scottish Government would expect the publication costs of each report to be in the range of £2,000. Producing five documents, with the first being the fuel poverty strategy and four reports at a five year period over the life of the Bill through to 2040, would therefore be estimated to cost £10,000. This cost is roughly equivalent to the costs of the four yearly fuel poverty statements and is covered by existing budgets.

25. In terms of providing a cost for delivering the targets, the range of Scottish Government policies and programmes will be expected to contribute towards this end. Key policies and proposals will need to be set out in each update on the strategy over the period to 2040. An 'indicative overall cost' for meeting the targets should be similar to the costs of delivering current programmes. Decisions will need to be made about the allocation of resources across government and local authorities and the reporting requirements set out in the Bill and monitoring plans to be set out in the fuel poverty statement will inform those decisions.

26. The Scottish Government expects the Scottish Fuel Poverty Advisory Panel to be involved in developing and overseeing the monitoring and evaluation criteria for fuel poverty as they would with any new programme or policy. This is not a requirement of the Bill. The Scottish Government provides support to this new structure and will progress the development of the framework. Administrative costs will be contained within current resourcing budgets and would be the same irrespective of the Bill being brought forward.

Costs on Local Authorities

27. The Scottish Government will work in partnership with local authorities and others to produce a framework for the new reporting structure.

28. There is no statutory obligation to be placed on local authorities to provide information under the Bill. However in practice they currently provide this information voluntarily and it is expected that they would continue to undertake annual reporting on fuel poverty. A reporting

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framework will be developed by the Fuel Poverty Advisory Panel, and COSLA are members of the panel and will be involved in any decisions made on this.

Costs on Other Bodies, Individuals and Businesses

29. It is proposed that third sector organisations could provide input to the five yearly reports. It is expected that this information can be drawn from existing reporting provided to funders; therefore there should be no additional burden to them. Administrative costs for collating this information is currently covered within existing staff resources both within Scottish Government and third sector organisations due to existing reporting frameworks being drawn upon. There is no expectation that this will substantially change.

Summary Table of Costs Arising Due to the Bill

Paragraph reference	Cost	Item	Who bears cost	Due
19	£123,000	Strategy to be published within one year after enactment of the Bill.	Scottish Government	2018-19
24	£2,000	Cost of publishing the strategy	Scottish Government	2018-19
Total	£125,000			

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