

# Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill

[As amended at stage 2]

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## Supplementary Financial Memorandum

### Introduction

1. As required under Rule 9.7.8B of the Parliament's Standing Orders, this supplementary Financial Memorandum is published to accompany the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill (introduced in the Scottish Parliament on 26 June 2018) as amended at Stage 2.
2. The Memorandum has been prepared by the Scottish Government. It does not form part of the Bill and has not been endorsed by the Parliament. It should be read in conjunction with the original Financial Memorandum published to accompany the Bill as introduced.
3. The purpose of this supplementary Financial Memorandum is to set out the expected costs associated with the new and amended provisions included in the Bill following the amendments made at Stage 2. This document addresses those amendments with anticipated or potential cost implications.
4. A number of amendments were made to the Bill at Stage 2 which the Scottish Government does not consider to be cost-bearing. An interim 2030 target was added, along with 2040 targets relating to local authority areas, extreme fuel poverty and the median fuel poverty gap, but the Government does not believe there will be any significant additional costs arising from these. This is also the case for the minor amendments made to the consultation requirements and scope of the periodic reports, along with the new requirements to take account of disability and care benefits in the new definition of fuel poverty, and the requirement for Ministers to keep the Fuel Poverty Strategy under review.

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5. The main focus of this Supplementary Financial Memorandum is therefore the costs associated with the introduction of an uplift to the Minimum Income Standard (MIS) for remote rural areas, remote small towns and island areas. It also addresses the less significant cost increases associated with more frequent 3-yearly reporting to Parliament and the establishment of a new statutory Fuel Poverty Advisory Panel to monitor progress. In addition it highlights the potential costs which may arise from the new requirement for the Scottish Government to revise the Fuel Poverty Strategy within 5 years of its publication, or provide a statement to the Parliament explaining why no such revision is necessary.

## Costs on the Scottish administration

6. As amended at Stage 2 the Bill will now require the appointment of a person to undertake the research needed to calculate appropriate uplifts to the UK MIS, used in the proposed fuel poverty definition, for households living in remote rural areas and remote small towns, and, separately, for those in island areas. These uplifts will be prepared and updated across an 8 year cycle with total estimated costs over each 8 year period amounting to between £200,000 and £240,000. All monies will be paid to the appointed person.

7. These costs are broken down across the 8 years as follows:-

- £100,000 to £120,000 is the cost of the extensive primary research to be carried out once every 8 years, with the first period expected to commence in 2020. The bulk of this cost will be for the in-depth research that will be conducted with various household panels. Consequently it is expected to be incurred in the first year of each 8 year period beginning in 2020. This research and cost will be repeated in 2028 and 2036 during the lifespan of the target period.
- As well as the primary research costs outlined above, further costs of between £100,000 and £120,000 will be incurred to cover incorporating the analysis of any UK MIS consequentials, 2-yearly collection of local prices and annual inflationary updates. These costs will be spread evenly across the 8 year period, with annual payments amounting to between £12,500 and £15,000. These annual payments will be repeated every year until the end of the target period.

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8. It is therefore expected that there will be an average annual cost of £12,500-£15,000, while the total costs in 2020, and every eighth year thereafter, will be between £112,500 and £135,000.

9. Stage 2 also saw the Bill's commitment to provide progress reports to Parliament amended to every 3 years instead of 5 years. The estimated staffing costs for the Scottish Government to prepare each report, detailed in the original Financial Memorandum, remain correct, but there will now be six reports to be published in the period from 2020 to 2040 rather than four. This implies staff costs totalling £555,000 over the period. However, as explained in the original Financial Memorandum, these reporting costs are not expected to differ significantly from current staffing requirements which are needed to produce the 4-yearly statements on fuel poverty required by the Housing (Scotland) Act 2001.

10. As a result, the only additional reporting costs imposed by the amended Bill are the publication costs for the two additional reports which will need to be produced between 2020 and 2040. Since each report will cost approximately £2,000 to publish, this implies an additional £4,000 in publication costs over the target period, on top of the £10,000 estimated for publishing the original 5-yearly reports and the Fuel Poverty Strategy.

11. The Bill as amended also now requires that a new statutory Scottish Fuel Poverty Advisory Panel is to be established which will monitor progress towards meeting the targets. As specified in the amendment which introduced this requirement, the costs which this body may incur are not to exceed £20,000 in any single financial year.

12. In relation to the newly introduced requirement to revise the Fuel Poverty Strategy within 5 years of its publication, or provide a statement to Parliament explaining why this is unnecessary, there is a significant degree of uncertainty as to what costs, if any, this would give rise to. In the event that a revision of the strategy is judged to be unnecessary, clearly no costs would be incurred. Should a revision be undertaken the costs would vary considerably depending on how extensive an update is deemed necessary. For instance, it could be that only certain sections require revision.

13. The original Financial Memorandum put the cost of producing the initial Fuel Poverty Strategy at £125,000 including £2,000 to cover publication costs. With the exception of the publication costs, it is unlikely that the cost of revising the strategy would be as high this. It would,

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though, still be necessary to carry out consultation and apply the same level of analytical rigour, which would require significant resources. However, it could be that some of the work required may already have been carried out in preparing the periodic report preceding the review.

14. Due to these uncertainties no costings for revision of the strategy have been included in the summary table below.

## Costs on local authorities

15. Among the changes brought in by amendments at Stage 2 was a requirement that the Bill's 2040 target should be met in each local authority area as well as nationwide across Scotland. However, the responsibility for achieving this lies with the Scottish Government, not local authorities, and, in any case, no significant additional costs are expected to arise from this requirement. Therefore it remains the case that the Bill will not impose new costs on local authorities.

## Costs on other bodies, individuals and businesses

16. None of the Stage 2 amendments have any cost implications for other bodies, individuals or businesses.

## Summary table of costs arising due to stage 2 amendments to the Bill

<b>Paragraph reference</b>	<b>Average Annual Cost (2020-2040)*</b>	<b>Item</b>	<b>Who bears cost</b>
6	£27,500 to £33,000	Preparation of MIS uplifts – covering both primary research and annual updating	Scottish Government
9	£200	Publication of two additional periodic reports	Scottish Government
10	£20,000	Running costs for the statutory Fuel Poverty Advisory Panel	Scottish Government
<b>Total</b>	<b>£47,700 to £53,200</b>		

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\* Figures do not factor in inflation



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