LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

FUEL POVERTY (TARGET, DEFINITION AND STRATEGY) (SCOTLAND) BILL
CALL FOR VIEWS

SUBMISSION FROM CITIZENS ADVICE SCOTLAND

About Citizens Advice Scotland

Citizens Advice Scotland uses research and evidence to put consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations.

Summary

Citizens Advice Scotland (CAS) welcomes the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and supports the Scottish Government’s efforts to eradicate fuel poverty. We are pleased to see that it has remained a prominent area of policy over recent years, and legislation for a new target, definition and strategy is a highly positive development. CAS was a member of the Scottish Fuel Poverty Strategic Working Group which initially recommended a change to the definition, and we will continue to feed into the Scottish Fuel Poverty Advisory Panel to advise Ministers and provide feedback on progress.

Alongside this, we recognise the significant challenge that the ambition to eradicate fuel poverty poses. The rising cost of energy coupled with a lack of wage growth throughout the UK means that far too many households struggle to heat their homes to required levels. While there have been welcome reductions in fuel poverty in recent years, these have been limited, and it remains a fundamental problem. The cost of energy has accounted for the majority of fluctuations in fuel poverty levels in recent years¹. However, there is still scope for the Scottish Government to influence and address all four drivers of fuel poverty through innovative approaches if that ambition to do so is there.

In spite of the challenges, the fact that over a quarter of Scottish households are living in fuel poverty is unacceptable, and efforts need to be stepped up to eradicate fuel poverty and deliver against the Scottish Government’s strategic objectives of making Scotland wealthier and fairer, and of improving health.

¹ Scottish House Condition Survey, 2016
Our Research

It is fundamentally important that the new definition, target and strategy are designed around, and informed by, the experiences of households living in fuel poverty. In recent years, CAS has carried out a range of research into fuel poverty, its impact on individuals and households, and how it can be effectively tackled. This research has included:

- **Speaking Up: Understanding Fuel Poverty Support Needs.** This project spoke to people who are in fuel poverty to better understand their support needs in relation to fuel poverty, and the different forms of support that would benefit them. The research helped to give insight into the lived experience of fuel poverty and the problems that are faced by households such as being unable to sufficiently heat their homes, being unable to afford energy bills, or having to cut back on essentials like food and clothing. The profile that emerged from the research of households with a need for fuel poverty support corresponds – to an extent – with the changes that we would expect to see from the proposed new definition of fuel poverty.

- **Taking the Temperature: A review of energy efficiency and fuel poverty schemes in Scotland.** This project carried out a systematic review of existing energy efficiency and fuel poverty schemes, assessing their reach and impact. It found that while energy efficiency programmes have had a positive impact on fuel poverty, they will not be sufficient to eradicate it alone. This supports a new strategy which addresses all of the drivers of fuel poverty in a coordinated manner.

- **Hard-Wired Problems: Delivering effective support to households with electric heating.** This project spoke to people who rely on electric heating – a group that has a high likelihood of being in fuel poverty – and again sought to understand the lived experience of fuel poverty. It examined the situation and experiences of these households, and the support that is available to them. It found that this group is highly disengaged and likely to be in fuel poverty, and that additional targeted fuel poverty support is required.

1. **Do you agree with the Scottish Government’s proposal to provide for a statutory target to reduce fuel poverty to no more than 5 per cent of Scottish Households by 2040.**

We support the introduction of a new target to reduce fuel poverty. Crucially, there needs to be an ambition to eradicate fuel poverty altogether and this must remain the goal of the Scottish Government. However, we accept that there is a transient element to fuel poverty, and that some of the major policy levers which influence its drivers are reserved to the UK parliament, limiting what may be done at a Scottish
level. We therefore understand the Scottish Government’s logic of a statutory target of below 5%.

However, the target of achieving this by 2040 is not sufficiently ambitious. This would result in a generation of Scots still living with fuel poverty, and would mean only around a 1% reduction in the level of fuel poverty each year based on the proposed new definition\(^2\). Some previous annual reductions in fuel poverty have been significantly higher, with fuel poverty falling from 34.9% in 2014 to 30.7% in 2015, then again to 26.5% in 2016. The Scottish Government has estimated that around one third of the 2015-2016 reduction was down to improvements in energy efficiency alone\(^3\).

A more ambitious target is therefore possible, and so the target should be brought forward to 2032.

The targets for energy efficiency improvements proposed in the Energy Efficient Scotland consultation are to maximise the number of social rented homes attaining EPC B by 2032, and for all fuel poor households to attain EPC C by 2030\(^4\). It is our view that the target to eradicate fuel poverty should also be brought in line with these targets.

Improving energy efficiency is a key element of eradicating fuel poverty. However, our research into existing energy efficiency and fuel poverty schemes has made clear that improving energy efficiency will not be sufficient to eradicate fuel poverty on its own\(^5\). However, in recent years efforts to eradicate fuel poverty have focussed predominantly on energy efficiency\(^6\). Our research has also made clear that more support is required to address the other recognised drivers of fuel poverty: energy prices, household income and how energy is used. The drivers are interlinked and it is important that they are addressed in a coordinated manner. It will also be important that they are treated with equal urgency and efforts to address each driver are initiated as early as possible. Therefore, while a target of 2032 reflects a more appropriate level of ambition, it should also be introduced to help to ensure that there is a timely focus on all of the drivers of fuel poverty. This would help to ensure that there is not an undue focus on energy efficiency up to 2032.

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\(^{2}\) In its draft fuel poverty strategy, the Scottish Government estimates that the 2016 figure for fuel poverty would be 23.8% using the new definition.

\(^{3}\) Scottish House Condition Survey, 2016.


\(^{6}\) Scottish Fuel Poverty Strategic Working Group, 2016.
2. Do you agree with the Scottish Government’s proposals for a revised definition of fuel poverty?

We broadly support the proposals for a revised definition of fuel poverty set out in the bill. However, the UK Minimum Income Standard (MIS) is not appropriate for remote rural areas of Scotland due to significantly higher living costs. Therefore it is essential, as was recommended by the academic review panel, that an enhanced MIS applies to these areas to reflect those higher costs.

For the most part, the proposed new definition has the potential to better identify those in the greatest need of fuel poverty support. The previous definition did not necessarily lend itself to identifying those in the greatest need of support, and lacked a strong relationship to income poverty which may have contributed to a predominant emphasis on energy efficiency improvements as a means to address the issue⁷.

We have spoken extensively to people who are in fuel poverty to better understand the lived experience of it, and they have told us that there is a clear need for targeted support beyond energy efficiency measures⁸. Energy efficiency measures designed to increase the energy efficiency of a home, whilst essential, can be only part of the solution to tackling fuel poverty. Of the households we spoke with, those on the lowest incomes feel they require immediate support to increase their incomes, such as discounts from energy bills or increases in benefits, over home energy efficiency improvements. If an objective of the Bill and strategy is to give people living in fuel poverty to receive the support that they need, it is essential that this new definition is supported by new and innovative solutions to tackling fuel poverty, particularly to target those consumers struggling with high energy costs and low incomes who require support beyond energy efficiency improvements.

Some of our research findings supported the need for a definition change to ensure fuel poverty support is better targeted at those in the greatest need. There was some evidence that certain individuals who were classed as fuel poor by the current definition may not necessarily require support. The research also identified groups who were classified as ‘fuel poor’, but reported to be managing financially and had no heating problems. Elements of this group may not be in need of fuel poverty support and may in fact correlate with the group identified by the Scottish Government as ‘fuel poor, but not income poor’. The research indicated that if these individuals do not require support, the proposed changes to the definition will take this into account.

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⁸ CAS, Speaking Up: Understanding Fuel Poverty Support Needs, 2018
The use of income After Housing Costs is also positive as it should help to reflect some living costs more accurately.

The use of a minimum income standard (MIS) is, in principle welcome as the use of an MIS should help to reflect incomes and identify those whose energy bills have a particularly detrimental effect on their income. However, the UK Minimum Income Standard (MIS) is not appropriate for remote rural areas of Scotland due to significantly higher living costs. Highlands and Islands Enterprise (HIE) has calculated that in order to meet the UK Minimum Income Standard, those living in remote rural areas require between 10% and 40% higher incomes than those living elsewhere in Scotland. This is due to the general higher cost of living in these areas, including the cost of goods, services and transport. It is not only due to higher fuel costs which, as the Scottish Government has pointed out, would be accounted for under the proposed new definition as it stands.

Our research has also found that the ability to afford energy bills is a particular concern for people living in rural areas of Scotland. While it has shown that people living in rural areas self-report as requiring fuel poverty support, the Scottish Government’s impact assessment indicates that this group will be less likely to be defined as fuel poor under the new definition. This contrasts with the fact that many other groups who self-reported as requiring support, such as those in private rented accommodation and families, will be more likely to be defined as fuel poor under the new definition.

The Scottish Government has stated that introducing a separate MIS for these areas would have implications for other policies. However, given that fuel poverty is a distinct problem in rural areas, and a wide range of factors influence it including incomes, energy efficiency, climate, energy prices and wider living costs, it can be considered a unique poverty issue and this need not impact on other policies. The factors influencing fuel poverty need to be considered together in order for the definition to accurately reflect the lived experience of fuel poverty.

The Scottish Government has suggested that it would be costly and time consuming to introduce a remote rural MIS, delaying the implementation of the Bill. However this need not be the case, HIE have already done work to calculate the required income levels in these areas, and so that standard already exists. Equally, if there was any delay in applying a rural MIS, or a Scottish MIS that incorporates it, it would be possible to initially use the UK MIS then retroactively revise fuel poverty rates once

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9 http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/a-minimum-income-standard-for-remote-rural-scotland—a-policy-update.html
10 CAS, Speaking Up: Understanding Fuel Poverty Support Needs, 2018
the remote rural MIS could be applied. This approach is already undertaken for the Scottish House Condition Survey, where figures are revised as methodologies are improved.

3. Do you agree with provisions in the Bill requiring the Scottish Government to publish a fuel poverty strategy? Do you also agree with the consultation requirements set out in relation to the strategy?

The requirement to develop a new fuel poverty strategy is highly welcome. This presents an opportunity to build upon progress made in improving the energy efficiency of Scotland’s housing stock, while developing a more strategic approach to tackling the other drivers of fuel poverty – household income, energy prices and how energy is used.

We welcome the requirement to consult with individuals who are living, or have lived, in fuel poverty. It will be important that the lived experience of fuel poverty is genuinely represented in order to understand the support needs of those in fuel poverty. We recommend that the Scottish Government engage with Citizens Advice Network in their efforts to reach the fuel poor.

The requirement set out on the face of the bill does not specify how this should happen. It is, however, important to ensure that the output of this consultation is representative of the population as a whole, taking into account the experiences of different demographics and those living in different geographic areas. In particular, it will be important to ensure that this consultation engages with those from different classifications of urban and rural areas, and ensures there is a perspective from remote rural and island communities.

Our research into the support needs of those in fuel poverty\(^\text{12}\) used qualitative interviews to understand the forms of support that people required, as well as the problems they faced in terms of affording energy bills and heating their homes. An extensive programme of research similar to this could form part of this consultation.

The Scottish Household Survey and Scottish House Condition Survey, which are carried out annually, already include qualitative elements relating to the affordability of heating and classification of fuel poverty, and this could potentially be expanded to include this research.

\(^\text{12}\) CAS, Speaking Up: Understanding Fuel Poverty Support Needs, 2018
4. A draft fuel poverty strategy was published alongside the Bill on 27 June. Do you have any views on the extent to which the measures set out in the draft Fuel Poverty Strategy for Scotland 2018 will contribute to meeting the Government’s new target? Have lessons been learned from previous initiatives?

The measures set out in the draft fuel poverty strategy will have a significant effect on meeting the target. The proposals set out are largely positive, but in order for this to be done in a meaningful way, there are a number of areas where we believe changes will need to be made.

It is fundamentally important that the strategy is designed around the needs of fuel poor consumers, and that it is fully informed by their experiences.

The section on heating regimes sets out the criteria for requiring an enhanced heating regime, and includes households where at least one member is aged 75 or over.

We agree that those over the age of 60 should not be assumed to be vulnerable. However, we must be extremely cautious in this area. For those between the ages of 60 and 75, there is an increased likelihood of developing health problems, with Scottish Government statistics from 2009 indicating that two-thirds of individuals over 65 will have a long-term health condition. While health and disability criteria will be in place to identify vulnerability among those between 60 and 75, the fact that there is no longer an automatic assumption for vulnerability carries risks. The assessment of other criteria will need to be robust and assessed in a manner that is not reliant on individuals coming forward to register. It is important that these conditions are identified when they arise, and taken into account when determining vulnerability.

We therefore agree with the proposal by the review panel that further work should be undertaken to develop a specific list of health and disability categories, as well as age bands, which would satisfactorily encompass the term ‘vulnerable to the adverse health and wellbeing impacts of living in fuel poverty’. This work should also ensure that these characteristics can be adequately captured, and take into account individuals’ changing circumstances. It will be important that there is a comprehensive understanding of the factors that may lead to this vulnerability if there are to be changes to these criteria, in order to ensure that individuals do not inadvertently lose any support that is needed due to a change in vulnerability categorisation.

While this work is ongoing, it is our view that the age at which it is assumed that an enhanced heating regime is required should be in line with the state pension age.

More detail will also be required on how the strategy achieves a number of its objectives. It states that it will seek to address ‘all four drivers of fuel poverty’, which is highly welcome, and the draft strategy does set out broad ambitions as to how these may be addressed. However, there will need to be greater detail and more specific actions setting out how drivers other than energy efficiency will be tackled. This may include:

- How energy prices can be brought down. This may be challenging and will require significant innovation, but there are opportunities with the Scottish Government’s proposed publicly owned energy company. Our research has also suggested that greater support for tariff switching services may play a positive role here\textsuperscript{14}.

- What levers can be used to increase incomes through targeted support. Our research suggests that this will be crucial in alleviating fuel poverty, and there are a range of options available from increasing access to discount schemes like the Warm Home Discount, to developing new social security benefits that are effectively targeted at those in fuel poverty\textsuperscript{15}.

- Strategies for behaviour change to ensure that energy is used more efficiently. Our research has suggested that there is a clear need for this, and greater support for both national and local level organisations that already deliver this support could have a highly positive impact, as set out in our research on fuel poverty\textsuperscript{16}, and on delivering support to those using electric heating\textsuperscript{17}.

5. Do you have any views on the Scottish Government’s reporting requirements to the Scottish Parliament, as set out in the Bill?

Our research has indicated that in order to eradicate fuel poverty, all four of its recognised drivers have to be addressed. These drivers are energy prices, household income, home energy efficiency, and how energy is used.

Many households living in relatively energy efficient buildings still live in fuel poverty, due to a combination of low incomes, high energy prices, and inefficient use of energy. Our 2016 report ‘Taking the Temperature’ indicates that energy efficiency improvements alone will not be enough to eradicate fuel poverty. More recently, our report ‘Speaking Up: Understanding Fuel Poverty Support Needs’ found that households living in fuel poverty consider immediate financial assistance, either through increased income or discounts from energy bills, to be the support that would be most beneficial to them.

\textsuperscript{14} CAS, Hard-Wired Problems: Delivering effective support to households with electric heating, 2018
\textsuperscript{15} CAS, Speaking Up: Understanding Fuel Poverty Support Needs, 2018
\textsuperscript{16} Ibid
\textsuperscript{17} CAS, Hard-Wired Problems: Delivering effective support to households with electric heating, 2018
This indicates that, in order to provide people with the support that they say they need and effectively eradicate fuel poverty, there will need to be concerted efforts to address all four of its drivers. In order to do so, it will be necessary to understand the impact of each driver and what specific support can be delivered to address each of these. This will help to inform where support needs to be targeted and what forms of support are needed. For example, a major increase in energy prices can be mitigated to an extent by improved energy efficiency, but is likely to require direct financial support to be counteracted.

It is our view that, in order to ensure that there are efforts to address all of these drivers in a coordinated manner, Ministers should be required to report on the progress made, or measures taken, to address each one separately. We recognise that certain drivers, especially energy prices, are largely outwith the control of the Scottish Government. However actions can and have been taken by the Scottish Government to mitigate the impacts of each driver\textsuperscript{18}, and it would still be beneficial to analyse and report on what progress has been made, or what impact this driver is having, to understand how Government policy can best address it.

The committee should give consideration to whether there should be a statutory requirement for an independent oversight body to also carry out this work.

The Bill should establish the Fuel Poverty Advisory Panel in statute, to provide an independent advisory and scrutiny role, with a requirement to report annually to the Parliament as well as to the Minister. Examples from other areas, such as the Committee on Climate Change, have proven to be effective in providing independent scrutiny of the Government, and if established in statute, this could play a similar role.

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\textsuperscript{18} Examples include the commitment to establish a publicly-owned energy company, the potential to redesign the Warm Home Discount, and a range of behaviour change initiatives such as community-led projects delivered through the Climate Challenge Fund.