LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

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

SUBMISSION FROM SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS

1. Who we are

1.1 The Scottish Federation of Housing Associations (SFHA) leads, represents and supports Scotland’s housing associations and co-operatives. We want to see a thriving housing association and co-operative sector providing sustainable and affordable homes.

2. Executive summary

2.1 The SFHA and its members welcome the statutory commitment to reduce fuel poverty.

2.2 While housing associations have the most energy efficient homes in Scotland, their tenants are more likely to be in fuel poverty than the general population due to lower incomes\(^1\). With housing associations set challenging energy efficiency targets for 2032, housing associations need equal access to Scottish Government funded home energy efficiency programmes.

2.3 Housing associations do great work to provide affordable warmth and have the skills and resources to lead on addressing fuel poverty. They can do this through increasing energy efficiency, by providing low carbon heating and through advocacy and advice. To maximise their impact they need appropriate funding and support.

2.4 We believe that the targets in the bill should be more ambitious and should be linked to targets set out in Energy Efficient Scotland. We are proposing a target date to reduce fuel poverty below 5% by 2032 and for targets for minimum energy efficiency standards to be part of the bill.

2.5 We support the use of a Minimum Income Standard (MIS) in the new definition of fuel poverty in order to better target resources and support. As fuel poverty is most extreme in rural areas due to higher fuel costs we are calling for a rural MIS to be introduced that takes account of higher energy and living costs in rural and remote Scotland.

2.6 While energy efficiency has a significant part to play in addressing fuel poverty it is only part of the solution. Face to face advice and support is vital in helping vulnerable people in fuel poverty – we are therefore calling for national funding support for local trusted advice services.

\(^1\) Scottish House Condition Survey 2016 (Scottish Government December 2017) – Key Findings – available at https://www.gov.scot/publications/scottish-house-condition-survey-2016-key-findings/
2.7 The bill does not provide estimated costs for ending fuel poverty. We believe that the bill should provide an estimated cost, should state how the Scottish Government expects the cost to be met and that the funding of measures to meet the targets set out in the bill should be part of the scrutiny of the bill.

3. Main Report

3.1. Do you agree with the Scottish Government’s proposal to provide for a statutory target to reduce fuel poverty to no more than 5% by 2040?

We support the ambition to reduce fuel poverty below 5% but we believe that the 2040 target is too far away and lacks ambition.

We propose that the same target is set (to reduce fuel poverty below 5%) but that the target date is brought forward to 2032. This would match the proposed date for social landlords to meet Energy Efficiency Standards for Social Housing 2 (EESH2). While increasing energy efficiency is not the only way to reduce fuel poverty it is one important component in addressing fuel poverty, and it would make sense to set the two targets for the same date.

We also believe that a target should be set to lift people out of extreme fuel poverty. Extreme fuel poverty was rightly given significant focus under the previous definition and target and we believe the importance of helping those in extreme need should be made clear under the new targets and definition proposed. We believe a new measure of extreme fuel poverty should be set to allow focus on helping those in greatest need.

3.2. Do you agree with the Scottish Government’s proposal for a revised definition of fuel poverty?

We welcome the use of a Minimum Income Standard (MIS) in the definition of fuel poverty, and the acknowledgement that calculating fuel poverty should take account of expenditure after housing costs and the higher housing costs paid by people in rented accommodation. We fully support the principle, as outlined in the Ministerial Forward that “everyone should have enough money in their pocket to pay the essential costs of housing and energy and still be able to lead a healthy and decent life.” We believe, however, that in order to ensure that principle is adhered to a Rural MIS should be introduced in order to reflect the additional living costs of people in remote and rural Scotland. We are aware from our members that fuel poverty levels are highest, and the extent of the problem is often deepest, in rural Scotland. The independent expert panel which reviewed the definition of fuel poverty proposed adopting a Rural MIS - we support them in this.

We would also suggest that, with issues of disrepair in owner occupied housing highlighted in the Scottish House Condition Survey\(^2\) and increasing concerns over the condition of mixed tenure tenements, there is an argument that the calculated housing costs for owner occupiers should include an element for maintenance and essential repairs over the lifetime of a building. The issue of disrepair in owner occupied

\(^2\) Ibid
tenements is an increasing concern. Including the cost of repairing and maintaining owner occupied homes might help with a culture shift around repairs and maintenance of homes.

3.3. **Do you agree with the provisions in the bill requiring the Scottish Government to publish a fuel poverty strategy and with the consultation requirements set out for the strategy?**

We agree that a Fuel Poverty Strategy should be published setting out plans to reduce fuel poverty in order to meet the Scottish Government’s target. We also agree that there is a need for full consultation on the strategy.

We suggest that the consultation needs to engage with vulnerable groups and people experiencing fuel poverty if the strategy is to be successful in addressing the underlying causes of fuel poverty.

We would suggest that housing associations, together with organisations such as the Tenant Participatory Advisory Service, the Tenants Information Service, Citizens Advice Scotland, the Poverty Alliance and the Health & Social Care Alliance could assist the government in this. These bodies could organise forums and groups to consult with to ensure that the strategy reflects the experiences and needs of people in fuel poverty.

3.4. **A draft fuel poverty strategy was published on 27th June. Do you agree with the proposals and have lessons been learnt?**

We fully support the need for lessons to be learnt from past experience, and in particular for an approach to be taken that addresses each of the elements that cause fuel poverty – poor household energy efficiency; energy costs and; household income. We set out some ideas on addressing each underlying cause below:

Poor household energy efficiency – we are concerned that the strategy fails to set out minimum energy efficiency standards for housing of all tenures, when this is acknowledged as one of the key drivers of fuel poverty. There was a commitment to a Warm Homes Bill in the SNP manifesto for the last Scottish election – such a bill would set out plans to reduce fuel poverty and to set minimum energy efficiency standards in all of Scotland’s housing. As it stands, the bill sets out targets to reduce fuel poverty but fails to set standards for minimum energy efficiency, or to estimate the funding support required to meet standards and to end fuel poverty.

We suggest that the bill should cover both home energy efficiency standards and reducing fuel poverty and that the cost of meeting energy efficiency standards should be costed and made an essential part of parliamentary scrutiny of the bill.

The only tenure of housing that has minimum energy efficiency standards to meet is social housing. Housing associations are working towards meeting EESSH by 2020. New standards to be met by 2032 (EESSH2) are expected to be introduced in 2019. Scottish Government modelling found that, on average meeting the new standard would cost over £6,000 per home, while the average bill savings for tenants would be
just £160 per year. Housing associations have expressed legitimate concerns that, with 90% of costs to meet EESSH funded from their own resources the rent increases required to fund these standards would be higher than any bill savings at a time of stagnant wage growth and cuts to benefits.

The new measure of calculating fuel poverty shows that a higher proportion of households in social housing are in fuel poverty than the Scottish average, landlords therefore should have access to funds to end energy efficiency as a cause of fuel poverty in social housing. We are therefore calling for social landlords to have access to Scottish Government home energy efficiency funds.

Fuel Costs – housing associations have demonstrated that they can support people experiencing fuel poverty to reduce their fuel costs. A group of housing associations set up the not-for-profit energy supply company Our Power. Our Power aims to provide a quality service to its customers whilst ensuring that customers on low incomes who use pre-payment meters pay the same tariff as those paying by direct debit. Eliminating the “poverty premium” paid by customers on pre-payment meters is an important measure in reducing fuel poverty. Citrus Energy is a social enterprise set up by Cunninghame Housing Association. Citrus helps provide clients with affordable warmth by providing advice on the best energy tariff to suit a customer’s circumstances and needs. They also provide advocacy services for tenants in fuel poverty.

Energy advice and advocacy is another important part of the work of housing associations to address fuel poverty. To quote one example Lochalsh & Skye Housing Association’s Energy Advice Service provides all households in Skye, Lochalsh & Raasay with advice on using heating systems, switching to a better tariff and the availability of grants for insulation and other measures. This face to face advice is particularly effective where people are vulnerable and in fuel poverty.

Each of these examples demonstrate the good work that housing associations do in combating fuel poverty – but they need the appropriate support to carry out that work. In our view, in the past there has been too much emphasis on counting the physical measures (e.g. insulation or heating systems) installed and not enough on providing advice and on measuring outcomes. We argue that funding should be put in place to ensure face to face advice is available for vulnerable households in fuel poverty wherever they live in Scotland.

Income – the final contributing cause to fuel poverty is a low income. This is especially relevant at a time of cuts top welfare and stagnant wage growth. A recent report by CAS found that, for those households most effected by fuel poverty, increasing the energy efficiency of their homes was not enough. The report recommended financial support for households struggling with extreme fuel poverty.

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

We agree with the need for reporting to parliament however we submit that the government should report annually to give an indication of progress and the direction of travel, and to highlight any barriers or challenges in reaching the targets. In our view reports should be, if possible, ahead of targets rather than two years after the target. With a proposed target date of 2032 for reducing fuel poverty below 5%, we suggest that the major reports on progress should be in 2024 and 2031. Audits to confirm progress could be completed after these target dates.

4. Additional Points

4.1 Financial and economic benefits of investing in reducing fuel poverty

While we have emphasised the need for the Fuel Poverty Bill and the Fuel Poverty Strategy to both provide estimated costs for ending fuel poverty and propose how that investment is to be funded, it is important to be aware of the major economic benefits that accrue from investing in energy efficiency and micro-renewables. A report by Cambridge Econometrics for Citizens Advice Scotland\(^5\) found that, while the cost of ending fuel poverty in Scotland would be significant, it was also the most cost effective way for government to boost the economy and create jobs. Benefits accrue from investment in energy efficiency by the creation of jobs, by reducing carbon emissions and by giving people money to spend as a consequence of bill savings.

4.2 Health and social benefits of investing to address fuel poverty

There are significant health and social benefits to investing in home energy efficiency. Research in Ayrshire by the Energy Agency and NHS Ayrshire and Arran suggested that householders who benefitted from solid wall insulation schemes had lower hospital admission rates for respiratory and cardiovascular related conditions than those who had not participated in the scheme\(^6\).

4.3 Scope for new technology to help address fuel poverty

Housing association have a strong track record in leadership and innovation on energy efficiency, renewables and low carbon technologies. There are numerous examples of this including the installation of district heating schemes, of renewable heating and of the retrofit of energy efficiency measures. There will be potential for emerging technologies such as smart grids and battery storage to help provide affordable energy, particularly in rural areas where prices are highest and where large amounts of renewable energy is generated. Housing associations have the skills, the groupings of property and the will to harness these technologies to benefit their tenants. It is


important, however that they receive funding support to do this, and that energy performance certificates, which are used to measure progress to energy standards, are updated to reflect the benefits brought by new technologies.