



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Economy, Jobs and Fair Work Committee

**Tuesday 13 December 2016**

**Session 5**



The Scottish Parliament  
Pàrlamaid na h-Alba



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**Tuesday 13 December 2016**

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**ECONOMY, JOBS AND FAIR WORK COMMITTEE**  
**15<sup>th</sup> Meeting 2016, Session 5**

**CONVENER**

\*Gordon Lindhurst (Lothian) (Con)

**DEPUTY CONVENER**

\*John Mason (Glasgow Shettleston) (SNP)

**COMMITTEE MEMBERS**

\*Jackie Baillie (Dumbarton) (Lab)  
\*Ash Denham (Edinburgh Eastern) (SNP)  
\*Liam Kerr (North East Scotland) (Con)  
\*Richard Leonard (Central Scotland) (Lab)  
Dean Lockhart (Mid Scotland and Fife) (Con)  
\*Gordon MacDonald (Edinburgh Pentlands) (SNP)  
\*Gillian Martin (Aberdeenshire East) (SNP)  
\*Gil Paterson (Clydebank and Milngavie) (SNP)  
\*Andy Wightman (Lothian) (Green)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Di Alexander (Scottish Rural Fuel Poverty Task Force)  
Norman Kerr (Energy Action Scotland)  
Elizabeth Leighton (Existing Homes Alliance Scotland)  
Professor David Sigsworth (Scottish Fuel Poverty Strategic Working Group)

**CLERK TO THE COMMITTEE**

Alison Walker

**LOCATION**

The David Livingstone Room (CR6)



## Scottish Parliament

### Economy, Jobs and Fair Work Committee

*Tuesday 13 December 2016*

*[The Convener opened the meeting at 10:01]*

### Decisions on Taking Business in Private

**The Convener (Gordon Lindhurst):** Good morning and welcome to the 15th meeting of the Economy, Jobs and Fair Work Committee. I welcome to the meeting Di Alexander, who is the chair of the Scottish rural fuel poverty task force; Elizabeth Leighton, who is policy adviser and secretariat for the existing homes alliance Scotland; Professor David Sigsworth, who is a former chair of the Scottish fuel poverty strategic working group; and Norman Kerr, who is director at Energy Action Scotland. We will take evidence from our guests slightly later on in the meeting.

I ask everyone present to turn off or switch to silent any electronic devices that might interfere with proceedings. We have received apologies from Dean Lockhart. I believe that Jackie Baillie wants to come in at this point.

**Jackie Baillie (Dumbarton) (Lab):** Thank you, convener. I refer colleagues to my entry in the register of members' interests and declare that I am honorary vice-president of Energy Action Scotland.

**The Convener:** Thank you for that.

Agenda item 1 is to make a decision on taking business in private. Do members agree to take items 4, 5 and 6 in private?

**Members indicated agreement.**

**The Convener:** Agenda item 2 is to make another decision on taking business in private. Do members agree to take in private at future meetings consideration of a draft report to the Finance Committee on the Scottish Government's draft budget 2017-18 and its draft letters to the Scottish and United Kingdom Governments with regard to the inquiry on the economic impact of leaving the European Union?

**Members indicated agreement.**

## Draft Budget Scrutiny 2017-18

10:03

**The Convener:** Having welcomed our guests, I will start with a general question to the panel. I should also say that if you wish to come in to the discussion at any point, you can simply indicate as much by raising your hand, and I will seek to bring you in. Broadcasting will deal with switching the microphones between you and committee members who are asking questions.

What would you like to see in the upcoming Scottish Government budget? What do you think can realistically be provided for in it? I will go from left to right, starting with Di Alexander.

**Di Alexander (Scottish Rural Fuel Poverty Task Force):** I would like priority to be given to ensuring that vulnerable households in off-gas areas achieve affordable warmth, because that will bring with it other benefits that I touched on before the meeting began.

As for the amount of money that should be provided, we live in the real world, which is why my emphasis is on priorities and what they should be. That said, I agree with the strategic working group's conclusions about the overall level of funding that we should be aiming for if we are to make serious inroads into dealing with what is essentially the flatlining of fuel poverty statistics and getting them down in a meaningful way.

**The Convener:** I think you said that your task force has produced a report on the issue.

**Di Alexander:** Absolutely. The rural fuel poverty task force was set up by the Scottish Government to come up with an action plan to find practicable and deliverable solutions to all aspects of the fuel poverty/affordable warmth problem, which is at its most acute in rural and, especially, remote rural Scotland. That is what we did. Of course, the world does not stand still, but we think that the action plan provides a very good basis upon which the Government can and should act.

**Elizabeth Leighton (Existing Homes Alliance Scotland):** First, I make it clear that I am wearing two hats this morning. I am supporting the existing homes alliance Scotland and will answer the committee's questions in that capacity, but I also had the privilege of being the policy adviser to the strategic working group and was heavily involved in the drafting of its report. I hope, therefore, that you will forgive me if I stray sometimes into answering questions on that side of things.

I will respond to your question, convener. The alliance has a clear ask with regard to what the Scottish Government budget should reflect in terms of support for energy efficiency. After all,

that is our focus as a coalition of environmental, housing and anti-poverty groups that believe that raising the performance of our housing stock brings a multitude of benefits—in particular, with regard to tackling fuel poverty and climate change. With my policy adviser hat on, however, I have to say that I recognise that there is much more to be done.

We believe that the budget needs to meet the ambition to raise our housing stock to band C on the energy performance certificate scale. That has been recognised and supported in the strategic working group report as well as in the National Institute for Health and Care Excellence's recommendation with regard to the health concerns that arise from people living in cold and damp homes. Achieving that ambition will be a big cost—we estimate that a 10-year programme would cost £10 billion. Of course, not all of that should come from the public purse, but enough has to be brought in from the public sector to lever in private finance.

This year is a transitional year before Scotland's energy efficiency programme is launched in 2018, and we have called for a £190 million budget with an assumed—by which I mean estimated—£60 million coming from the energy company obligation. That will bring the budget to £250 million, which we think is necessary to scale efforts up to raise the performance of homes and lever in private funding. Alongside that budget and to ensure that we make best use of that public funding, we need a package of incentives and regulation—in other words, carrots and sticks—so that there is enough push and pull for those who are able to pay to take action with their own funds.

We also think that there are opportunities to make best use of other parts of the budget and to sweat our assets a bit more in order to address fuel poverty concerns. That would involve looking at our broad range of welfare powers in the social security system, and at how benefits more broadly—not just the winter fuel payment, but ill-health and disability payments—could be aligned to meet fuel poverty objectives, given that people who receive those benefits may have additional needs in terms of affordable warmth. Now that we have new powers over how the energy company obligation is used, it could be better integrated with Scotland's energy efficiency programme to ensure that the programme is delivered more efficiently.

**Professor David Sigsworth (Scottish Fuel Poverty Strategic Working Group):** I recently chaired the strategic working group on fuel poverty, and my conclusions about budgets stem from the group's recommendations. Our document set out a new framework to address fuel poverty, given that the targets that were set in 2001 have not been met. In fact, things were twice as bad in

November this year as they were 15 years earlier. We want an increase in momentum and a different policy to be implemented. We do not want the momentum on delivering that policy to be halted—we do not want a hiatus. First, we are looking for a clear timetable and a process that not only responds to our report and the report of the rural fuel poverty task force but puts in place the milestones that will enable progress to be monitored.

What do we want to see straight away, and what do we want to be embodied in budgets for the coming year? A number of policies need to be integrated for our proposals to be delivered. One example is SEEP, which is currently being consulted on. It is not expected to run in its full guise for some time yet, but there are a number of pilots.

I would like the budgeting process to involve pilots that experiment with and extend our experience in respect of the main underlying change that our report seeks, which is that we want to move the main focus away from fuel poverty eradication being a single central programme for energy efficiency improvement. We are saying not that that programme should be stopped—in fact, we would like it to increase—but that it will not, by itself, eradicate fuel poverty, as 15 years' experience has taught us. We need the central programme, and it needs to be increased because of the implications of climate change, but we also suggest, in the new programme that we have outlined, a number of community-based actions that primary healthcare, social care services, local authorities and others can deliver in collaboration.

Budgets need to be increased over time to enable us to move towards the objectives for better energy efficiency that we have outlined, but we want recognition that commitments will have to be made from the budgets for other areas that influence fuel poverty policy. We also want programmes to focus in the short term on the most disadvantaged people. That has not necessarily been the case so far—albeit that we have been moving towards that objective for the past couple of years.

There are also budgetary issues relating to the medium term. The Government is considering and consulting on a number of new policies, which include the energy efficiency programme that I mentioned, the climate change plan, the new energy strategy that is being discussed and the "Fairer Scotland Action Plan". We would like the budgeting process to recognise the links with other policy areas and the contributions that they need to make in order to fulfil the policy that we have defined as a new approach to fuel poverty eradication.

10:15

**Norman Kerr (Energy Action Scotland):** We know that the Government has said that there will be £500 million available over the parliamentary session. Very crudely, that equates to £125 million a year, which falls far short of what the existing homes alliance Scotland has called for, and far short of the £200 million a year that Energy Action Scotland called for some time ago. The existing homes alliance Scotland and Energy Action Scotland have fallen into the trap that we have accused the Government of falling into, in that the figures focus solely on the energy efficiency of homes and do not take into account the other things that we have talked about, including behaviour change, advice and social care.

The existing homes alliance Scotland and Energy Action Scotland are small bodies that do not have the resources that the Scottish Government has, but our figures have never been challenged by it. That leads me to believe either that our figures are grossly underrepresentative or that the Government takes the view that they are too big and scary—as we said in our written submission.

Professor David Sigsworth put it well. We know from the past 15 years' experience that the budgets have not been enough and that significantly more money is needed. I do not expect any more than £125 million when the budget is announced, but I know that the money needs to be significantly more than that—it needs to be double that, using the existing homes alliance Scotland figure, although I do not think that we will achieve that.

**The Convener:** I want to double-check your figures. We previously had four-year sessions in the Scottish Parliament, but we have moved to five-year sessions. You referred to £500 million.

**Norman Kerr:** That is for the next four years. I think that last year was not included in the period for that £500 million.

**The Convener:** Thank you very much. I just wanted that to be clarified.

**John Mason (Glasgow Shettleston) (SNP):** I thank the panel for their comments so far, which have been helpful.

My understanding is that we need to look at four broad areas in order to eradicate fuel poverty: income, price, energy efficiency, and how we use energy. Income is largely outwith the Parliament's control, as are international fuel prices—if something happens in the middle east, we cannot do a lot about it. Given that those things are so central, should we even set a target to eradicate fuel poverty? Parliament will never really be able to enforce the target.

**Norman Kerr:** Parliament set a target to eradicate child poverty, but it does not have power over income or social security benefits. It would seem strange not to set a target. How can we measure progress if we do not have a target? Measurement of progress is just as important as the target. I do not think that anybody here is saying that the target must be achieved in the next five or six years. We accept that the target may well be a longer-term one, but if we do not have a target, we have no way of knowing how we are working towards that end.

With the powers that the Scottish Government has, the energy efficiency of the housing stock should not be a contributory factor to fuel poverty. However, homes in Scotland are still F and G rated in the energy performance certificate bandings. Quite frankly, a ludicrous amount of income would be needed to heat those homes adequately, but they house the poorest people in the worst housing conditions. The Scottish Parliament has the ability to sort that out and to ensure that those homes do not contribute to fuel poverty.

I do not accept that Parliament cannot set a target just because it does not have an impact on global energy prices or social security.

**John Mason:** The Westminster target for eradicating child poverty would leave 10 per cent of children in child poverty. Therefore, "eradicating" can sometimes mean not 100 per cent. Do panel members think that eradication means 90, 95 or 100 per cent? My understanding is that 19 per cent of people who are in fuel poverty are in adequate housing, so their housing is not a factor. There must be other factors. I am not suggesting that we should not have a target at all, but should the target be more to do with energy efficiency and the quality of the housing, as has been emphasised, or fuel poverty more broadly?

**Norman Kerr:** The target has to be broad, because there are other things that the Scottish Government can do. Both reports mention that. For example, the Government can engender competition. In many rural areas—Di Alexander alluded earlier to this—there is no gas, but there are solid fuel, oil, liquefied petroleum gas and other fuels. In some areas, there is no active competition, so there is a monopoly situation. The Scottish Government can do something about that by creating active competition in those rural areas. It can also support the growth of organisations such as Our Power, for community buying of energy to drive down the cost of energy. We can break down the energy market as it stands and introduce more effective competition.

Also, the Scottish Parliament has a number of legislative opportunities coming. Under the

proposed warm homes bill, it could support growth of combined heat and power, which has been proved to deliver more affordable energy to homes. There is a lot within the gift of the Scottish Parliament.

On John Mason's first question—whether we would accept a 90 or 95 per cent reduction—the answer is no. The target has to be a 100 per cent reduction. That is the ideal. In 10 or 15 years we can debate what to do about the remaining 5 per cent, but the target has to be 100 per cent.

**Gil Paterson (Clydebank and Milngavie) (SNP):** In the past year, fuel poverty levels have reduced—almost 100,000 people have been taken out of it. However, when we analyse the figures, we find that 50 per cent of that has come from the reduction in fuel prices. That suggests that, if fuel prices go up in the coming year, which looks likely, progress against the target will be blown apart. The Scottish Parliament and the Scottish Government have absolutely no control over that.

Given what John Mason said, should we look actively at and focus on the things that we have control over and want to change? We have talked about the original target, which was set 15 years ago. Since then, we have had a financial crisis and austerity, which have impacted on the poor and on budgets. Given that we have no control over many things, is it wrong to set a global target? Should we instead focus on things that we have control over and which show a benefit?

In selling, when we put money into something and it starts moving, there is a tendency for that to follow on, whereas if we keep reflecting back the way, we say, "It's a failure." Within the figures, there are some good numbers.

**The Convener:** I will bring in the other panel members, starting with Di Alexander.

**Di Alexander:** We need targets, and the key one should be about affordable warmth outcomes. The Scottish Parliament must measure the progress that is made towards improving the number of homes that are taken out of unaffordable warmth and put into affordable warmth. We will proceed meaningfully only if we can assess whether such policies and programmes as the Scottish Government puts in place are working.

Mr Mason made the point that little can be done about fuel prices and incomes. I touched on the link between fuel prices and incomes—if we can help people to achieve lower bills, we can put more money back in their pockets.

The reality is that when people cannot heat their homes they self-disconnect. I have visited a number of projects and heard many stories from households about real lives in the here and now.

Given the amount of money that they need to spend and the tiny incomes that they have, quite a lot of people just turn off the heat. That is another aspect.

It seems to me that we can do more. The energy carer approach that I have described is about putting professional and trusted support into the homes of vulnerable households, particularly in off-gas areas, where we know that fuel prices are high. With changes to the sources of domestic energy that people choose to use and the way in which they use them, great savings can be achieved.

In the absence of gas, electricity is used as an alternative by an awful lot of people who live in Scotland and particularly in rural and remote Scotland. Last year, the Competition and Markets Authority completed its biggest-ever investigation into the energy market and found that most customers who use electricity for heating do not switch. Some 85 per cent of customers on time-of-use tariffs in the north of Scotland have not switched and remain with the predominant local supplier, which is SSE—or the Hydro, as it is known. The same is true in the south of Scotland with Scottish Power, although the proportion is slightly lower.

If such people could be helped to find another provider and get away from the standard variable tariff or time-of-use tariff and on to a 10p-per-unit tariff—rather than paying an average of 15p—they would save hundreds of pounds a year. The Scottish Government can take such initiatives on board and show leadership to achieve a reduction in fuel prices for households that are fuel poor, which would put money back into people's pockets and increase their incomes.

**Elizabeth Leighton:** I, too, will respond to the point about limits on powers and therefore limits on potential targets, in the context of the work of the existing homes alliance and, to a greater extent, the Scottish fuel poverty strategic working group. In its report, the group made the case that the Scottish Government could be much more ambitious in how it views its powers in relation to increasing incomes and addressing energy prices. Of course, there are restrictions, in that there are reserved powers. However, we pointed to issues that could be addressed in the short term and in the more medium to longer term. Di Alexander talked about short-term actions that could be taken immediately and are no-brainers—the question is why they are not being done now, particularly given the remedies in the Competition and Markets Authority report.

We are on the cusp of new powers coming into play. On incomes, I mentioned the opportunity to review the broader set of social security benefits and look at them through a fuel poverty lens. For



example, could discretionary housing payments be adjusted for someone whose house is in such a condition that they have additional warmth needs? If someone who is on an ill-health or disability benefit has additional needs for affordable warmth, is there an opportunity to adjust benefits such that we address the income needs?

10:30

Another aspect of income is to do with energy efficiency being a national infrastructure priority. What an opportunity that provides to create jobs and businesses all over Scotland. The Forth crossing created jobs in Queensferry and here in the central belt, but that priority will lead to jobs in communities all over Scotland. That is another way to address the income question.

On energy prices, the strategic working group's report made recommendations about alternative models of energy supply and gave examples. Western Isles Council has set up an energy supply company called Hebrides Energy, which can provide energy—that is renewable energy, so it is also addressing climate change issues—at a more affordable price. Another example is the initiative Our Power. The Scottish Government supports that initiative, which works with social housing and registered social landlords. That is also providing energy at a lower cost.

There are many opportunities to look at different, more affordable ways of providing energy. I think that we could flex our muscles a bit, be more ambitious and not abdicate our responsibilities to address those other two drivers of fuel poverty.

**Professor Sigsworth:** Most things have been said, but I reinforce the point that although at the moment it is thought that we cannot influence income because that involves a reserved power, we should remember that social security aspects will soon be under our control, which will give us some flexibility. In particular, there is the investment in programmes such as the energy efficiency programme. We have good research that tells us that injecting money into such programmes gives some of the fastest responses in terms of a kickback into the economy and particularly into local economies, where we can put more money into people's pockets, as has been said.

I would describe the income issue by asking how we can put more money in people's pockets. There may currently be reserved powers that stop us doing that in some areas, but new powers are coming to us.

There are other areas to consider, such as construction techniques for the houses that we build and the houses that we refurbish. During our

investigation, we went to sites in the Borders where low-energy housing that had been constructed locally was not much more expensive than traditional housing. The houses were designed to Passivhaus standards and were mechanically ventilated. We have talked of a cost of £1,200 to £2,000 a year for heating, hot water and lighting in a home, but we saw Passivhaus homes that provide heating, hot water and lighting for £100 a year. When we talk about putting more money in people's pockets, that is an income effect as far as I am concerned. That is how I see it, although that might not fit the tight definition of reserved powers to affect income.

Similarly, there are all the points that we have raised on energy prices. We cannot dictate international energy prices and we do not have power over the Office of Gas and Electricity Markets to look at gas and electricity pricing—to the extent that that is regulated—but we can do a lot. We have suggested more community support to eradicate fuel poverty, which includes local casework to help individual households to make the changes that Di Alexander talked about. There are also the remedies from the CMA to remove restrictions on certain types of tariffs and metering.

If we look at community energy, rural and isolated areas of Scotland would benefit remarkably from more affordable alternative energy supplies, particularly from renewable and sustainable sources. We already have good programmes in Scotland—we just need to do more and be more successful.

**Gillian Martin (Aberdeenshire East) (SNP):** First, I declare that I have recently accepted an honorary vice-presidency of Energy Action Scotland.

To go back to the good practice that you have seen and programmes elsewhere that have worked, I note that other northern European countries do not have the level of fuel poverty that we have. Can you give examples that we could consider of what other countries with similar climates have done to reduce fuel poverty?

**Elizabeth Leighton:** I take it that by “northern European countries” you mean Scandinavian countries. Long ago, Denmark decided to invest in district heating to provide affordable energy that would be low carbon into the future. That has been a steady energy strategy since the 1970s, which has provided certainty and stability for investment; indeed, the planning regulations and laws were drawn on the assumption that that was the direction of travel and facilitated that. We have not had that kind of steady policy in Scotland as part of the UK. Moreover, the Danes have been able to enjoy the benefits of the very high house-building standards that came only later here.

There is also a cultural attitude whereby people value high energy efficiency levels in their homes, which they take pride in and invest in—we see that in Germany. That is one of the reasons why the existing homes alliance supports the idea of regulation and of setting a minimum standard of energy performance; we need to make the F and G-band properties that are on the market a thing of the past. Of F and G-rated households, 70 per cent are in fuel poverty. I think that such a market initiative would lead to a transformation and to people—and the property industry—valuing properties on the basis of energy efficiency. Such a move would be positive. We need a combination of the Government intervening to influence the market and letting the market respond to those signals with investment and a valuing of energy efficiency.

**Professor Sigsworth:** The appendices to the strategic working group's report refer to the things that Elizabeth Leighton just mentioned, but it is accepted that many of the changes that we referred to in our report with regard to finding solutions and providing for disadvantaged families are already at the heart of social policy, particularly in Scandinavian countries. The route to much of that has been mapped out and is part of our report. I agree that that looks like good practice. The fact is that fuel poverty is not recognised in Scandinavian countries—it is not part of society.

**Liam Kerr (North East Scotland) (Con):** I have a small supplementary arising from Gil Paterson's question. Is there a fundamental problem with the definition of fuel poverty, in that at any given time one might be in it but could come out of it if certain factors or conditions were to change? I take Norman Kerr's point about setting a 100 per cent target. If, for argument's sake, you were to hit that, the economic circumstances in the next year might be such that a load of people could fall back into fuel poverty. I think that Elizabeth Leighton alluded to this earlier, but is it better to set a target of, say, ensuring that all homes are EPC C rated by a certain time? Is that the solution, or do we just need to look again at the general definition of fuel poverty?

**Elizabeth Leighton:** We have suggested that SEEP, the national infrastructure priority programme, should have an ambition or target of achieving EPC C rating by the end of 10 years. Over time, the rating will have to go even higher as we attempt to meet our climate change targets. That said, I do not think that that will be sufficient in and of itself to address fuel poverty. We have all been very clear that getting properties to a C rating will not be enough and that all the other issues need to be addressed, too.

It is true that people can come in and out of fuel poverty. That is why it is important that interventions attempt to future-proof policies and local economies, to lessen the risk of that happening. With the approach that we talked about, local partnerships will intervene to support people before they fall into fuel poverty. They will not just identify people who are in fuel poverty already but will see those who might be at risk—when they are discharged from hospital, for example. In that regard, some of you might have heard of the improving the cancer journey service that is run by Macmillan Cancer Support, which involves the national health service working with Macmillan, energy advice services and the council to provide support to all cancer patients through a holistic needs assessment, which is a preventive action. Part of the approach is about preventing people going into fuel poverty in the first place, by addressing all of those needs.

**Professor Sigsworth:** Some of the other case histories that we have included in our report reinforce what you have just heard about the situations in which people might move into fuel poverty. For example, cancer patients might get to the point of needing warmer temperatures and to occupy their house for longer; and we know that when people move onto benefits from work, there is an extended period—up to six weeks—during which the assumption is that their last monthly salary will tide them over. When we talked to Fife Council, we heard good examples of that not being the case. It is about taking preventive action to stop people crossing that line.

**Di Alexander:** It is worth looking at the fuel poverty definition, but in the meantime I think that it works pretty well. The key thing for me is that any new definition should be about affordable warmth rather than fuel poverty—it is the same thing but expressed differently.

There are problems generally with the indicators and assumptions in relation to the fuel poverty definition and assessment. The latest Scottish house condition survey figures, which have just come out, illustrate that. Apparently, rural fuel poverty has dropped by 15 per cent from 50 per cent in one year, but that is just not credible based on the evidence that we have taken in the rural fuel poverty task force in the past year. Over the period of the Scottish house condition survey, there was a marked drop in the domestic oil price, but that drop will be extremely short term. Domestic oil, along with electricity, is heavily relied on in off-gas rural areas—which most rural areas are—and the domestic oil price is particularly volatile. You will be aware, for example, that on top of all the other factors that influence it, the Organisation of the Petroleum Exporting Countries has decided to get its members together again to control the oil price. Therefore, the graph that is

included in the latest Scottish house condition survey report shows the oil price coming back up very steeply from an all-time low.

When we are considering how to monitor fuel poverty, it is important that we consider the underlying assumptions and build them into any Government report, because although one might say that there has been a dramatic drop in rural fuel poverty, there ain't been, as can be seen if you look at the needs of the thousands of households that have been surveyed in the Western Isles. The Scottish house condition survey covers 2,750 households, of which 20 percent are rural—it is a very small sample indeed, and it does not include remote rural Scotland.

Please can we have an improvement, over time, not only in the fuel poverty definition, which we must work at and get right, but also in all the indicators and assumptions that underpin it? They also underpin such things as the reduced data standard assessment procedure and the Scottish index of multiple deprivation. The SIMD people themselves recognise that the indicators treat rural Scotland unfairly.

10:45

**Professor Sigsworth:** I agree with Di Alexander that the current definition has stood the test of time and should not be swept aside without a lot of deep thought. On the other hand, a big part of our work was about looking at the definition and it was clear to us that, in finding the home for the resource that Scotland puts into trying to improve the lot of those in fuel poverty, the current definition is very imprecise in identifying those in most need. It focuses on income and prices and ignores other aspects of vulnerability; that is a big issue.

In reviewing it, I agree that we have to change the focus, so that it is not based on theoretical conclusions. All of the conclusions in the Scottish house condition survey are based on a statistical analysis that is distant from reality. I am sure that that is not good news to the committee, but when I talk to senior academics in the sector and industry participants, such as those in the Buildings Research Establishment, the issues are about the fabric of properties and whether they are sound and the fact that the supposed consumption statistics for properties in no way match the results when what happens in homes is monitored.

I want affordable warmth and energy use to be at the heart of any future definition; I want the definition to be easy to understand and measure; I want how we resource the solution to recognise that affordable energy use is a basic need for healthy living and participation in society; and I

want the income criteria that we are considering baking into the definition to encompass the costs of meeting basic needs. In addition, we should look at the statistical base: the statistical analysis that we are hanging on to at present has produced some strange statistics and changes.

**Norman Kerr:** I am sure that the Scottish Government can stick up for its own house condition survey team, but whatever methodology we use will continue to use proxies. We have a nation of 2.5 million households and we cannot survey every one of them every year, so there will continue to be proxies, whether rural proxies, off-gas-grid proxies or income proxies. We need to be very careful about those measurement tools.

There is a cost implication in making changes. The house condition survey took place every five years and is now a rolling survey, with houses surveyed every year. Statistically, it is reasonably valid and there is not a huge amount of error. There will be some anomalies, because of its size, and I recognise those that both Di Alexander and David Sigsworth referred to. At some point, the committee might like to look at the measurement tools that we use to understand our housing stock and its social impact. That would be useful.

I really want to make a point about affordable warmth, which we have discussed a couple of times. Professor Sigsworth nailed it when he talked about affordable energy use and said that we cannot just focus on affordable warmth. Heating and hot water take up 60 per cent of the bill, but the other 40 per cent comes from lighting, appliance use and other things. When we are considering how to measure fuel poverty, we cannot simply adjust the definition to cover heating and hot water costs, because we cannot ask people to sit in the dark and not put the radio on. We need to talk about affordable energy use, not necessarily just affordable warmth. The terminology needs to make it clear that this is not just about heating and hot water; it is about energy use in the home.

**Richard Leonard (Central Scotland) (Lab):** We have spoken already about vulnerable groups. I am always struck by the extent to which pensioner households are in fuel poverty—generally, the figures in these surveys show that about half of all pensioner households in Scotland live in fuel poverty. Have you any ideas—maybe with a financial price tag—about what can be done to address the problem?

**Norman Kerr:** We could adopt the Hills definition of fuel poverty in England, which took 4 million pensioners out of fuel poverty overnight. That may sound flippant, but it is simply a word of caution about considering the definition and about unintended consequences.

We must be careful when we talk about pensioners, because the issue might not just be the household income; it might be that the person lives in a four or five-bedroom family home, the family has gone, the pensioner is on their own and the house is too big, so they will never afford to heat it on a pensioner's income. There, we can look at whether they are on the right tariff. There is a lot on the social side that we can do, as well as ensuring that we have adequate levels of housing for vulnerable people, not just pensioners. However, I agree that pensioners, particularly in rural communities, are more vulnerable.

I do not have a magic wand, but the Scottish Government will have the opportunity to look at cold weather payments, for example. It could adjust them for single pensioner households, or consider when the payment kicks in—currently, it is when there are seven consecutive days when the temperature is zero or below, but it might want to reduce that to three days—or whether to up the level of payment that is made. A range of things could be considered to support vulnerable households.

Also, we talk about pensioners a lot, but we need to think about who else we mean by “vulnerable household”. People with a long-term health condition—we heard about Macmillan Cancer Support earlier—might be just as susceptible to poor and cold housing as pensioners are.

**Di Alexander:** Pensioner households face a particular problem in rural Scotland, where there are higher numbers and they are more likely to live in older and larger detached properties, as Norman Kerr has pointed out. The approach to helping pensioners has to be based on someone going into their homes who can be trusted and who has the knowledge to help them to look at all the aspects that are causing them to live uncomfortably and who can ensure that everything possible is done in relation to heating systems, tariffs and any changes that need to be made. We cannot realistically expect pensioner households all to go on to the web and switch. Speaking as a pensioner myself, I only did that recently and I am meant to be up to speed on such issues.

The problem of pensioner households living in houses that are too big for them is a really challenging one. It might come down to creating what we might call warmth zones within houses—on the basis of a skilled and locally trusted professional going in there and working out what can be done to achieve comfort within the property that a pensioner is in. It is just not possible to wave a magic wand and get people to transfer into smaller properties that might be owned by a housing association such as the one that I am

involved in because, with the best will in the world, they have limited stock.

It is about those kinds of initiatives, but it does all come back to how you actually get to grips with the problem at local level. If you do that well, you create other benefits for the public purse—in healthcare, in particular—and you help to increase local economic spin-off.

**Professor Sigsworth:** During the working group's investigation, we looked carefully at the issue of why some of the people who are in the deepest despair on that front do not take advantage of the schemes that are available.

There are two main thrusts: first, there are area-based schemes in which, usually, local authorities are considering improving energy efficiency across a swathe of property; then, there is warmer homes Scotland, which is a relatively new initiative that is more focused. What we found was that while the warmer homes Scotland programme has got much better and has put a lot of resource into identification and solutions for people who are difficult to identify, the people who we are really looking for—those in the deepest deprivation—are often very reluctant to self-refer.

That is why I would say that the recommendation of moving the identification mechanism—not the resolution mechanism—down into the community and providing the correct resource and the correct training would ensure that schemes know the people who need help. That would provide the link to get to the sort of solution that Di Alexander suggests.

**Elizabeth Leighton:** I will make a brief and, maybe, a bit of a controversial point about the winter fuel payment, because that is a new power that is coming to the Scottish Government. Our group discussed at length whether we should recommend a different way of distributing the payments—who gets them and how they are paid. We did not come to a firm conclusion, but we did agree that they represent a substantial amount of money: about £130 million a year.

**Professor Sigsworth:** £180 million.

**Elizabeth Leighton:** Sorry, £180 million—so even more. When you think about the numbers that we are talking about for energy efficiency and fuel poverty, you see that that is vastly more. Can we make better use of that funding? Is it going to the right people? Can we target it more effectively but, at the same time, make sure that we are not disadvantaging those who might be on the cusp, so to say, and who might fall into fuel poverty if they do not get that funding?

The strategic working group report recommends a review of the pros and cons of perhaps taking a different approach and, at the very least, ensuring

that there is joining up. If a person is getting some kind of payment, such as a cold weather payment, are they being linked to energy advice services? That connection is not being made now, so how can we make sure that, at the very least, if you are getting some kind of payment, you get an offer of support?

11:00

**Richard Leonard:** Those answers are very helpful.

The written submission from the existing homes alliance talks at one point about the additional number of people who died last winter, presumably as a result of their poverty, and goes on to refer to a World Health Organization study that suggests that 30 per cent of them might have died as a result of their housing conditions. The figure of 2,850 people is given, 30 per cent of which is nearly 1,000 people. I accept that vulnerable groups cover a broad spectrum of people, but quite a large proportion of those people will have been pensioners, will they not?

**Witnesses** *indicated agreement.*

**Professor Sigsworth:** I draw to the committee's attention what I said earlier—because it is relevant here—about linking together various community resources, in particular primary health care, social security and local authorities. You should be aware, if you are not already, that this week the Scottish health information network issued advice to directors of public health in local authorities to suggest how they might include the recommendations in our report—especially on the community aspects—and those in the report from Di Alexander's group in their normal practice. The advice explains to the directors a lot of the issues that we highlight around how vulnerability is identified and dealt with. Alongside that advice, there is on the web an explanatory note from Dr Phil Mackie, who is a member of the fuel poverty forum, in which he describes in great detail some of the links that you make with excess winter deaths and that sort of thing. It is really worth reading both the advice and Dr Mackie's explanatory note.

**Norman Kerr:** That is why it is important—to go back to what was said at the beginning of the meeting—to bring in the NHS on the issue of fuel poverty. Those excess winter deaths, when one examines them, are not hypothermic deaths; by and large, they are deaths from heart attacks, strokes and bronchial illnesses.

Given that our health service fixes people up and sends them back into exactly the same home environment that made them ill in the first place, it is important that we join up those elements. As David Sigsworth said, Phil Mackie has done a

huge amount of work to provide information for directors of public health on the importance of ensuring that people are being sent home to a warm home environment and not the kind of cold, difficult environment that brought them into hospital in the first place. That aspect is well documented, but we need to get back to the issue of ownership and whether we can get the NHS to take ownership. It is about not just fixing someone's broken hip or giving them an inhaler but understanding what is happening at home and ensuring that home is a warm, safe place in which people can be cared for and can thrive in the community.

**The Convener:** Andy Wightman has a brief supplementary, after which we will move to questions from Gordon MacDonald.

**Andy Wightman (Lothian) (Green):** It is not a supplementary, convener.

**The Convener:** Sorry—well, we will take your question now.

**Andy Wightman:** Okay.

Thank you for coming this morning. You have hinted that the budget that we will see later this week may not meet your ambitions. On that assumption, what are your priorities within the existing budget, based on your experience to date about how to spend existing money better and more effectively?

Your reports each contain a large number of recommendations, none of which appears to be prioritised or to give any sense of the relative contribution that it would make to tackling the problem. I am drawn to recommendation 29 in the strategic working group's report, on regulations for minimum energy standards at point of sale and rental. That would be a regulatory element and would not in itself cost the Government anything, but if it was a priority, it might achieve quite a bit. What are your priorities, assuming that you will not get the spend that you are looking for?

Secondly, has any work been done on the economic benefits of implementing the recommendations? You stress the benefits and make them quite clear, but I have not seen any numbers on the upside of making the investment that you talk about, such as the payback in terms of jobs and economic growth and the amount of money in the economy that is not spent on energy?

**Elizabeth Leighton:** I will answer your second question, on payback, first. After carrying out our own research and drawing on other research that has been done at a UK level to assess the macroeconomic benefits of a big stimulus package and national infrastructure priority approach to improving the energy performance of housing

stock, we found that, as far as value for money was concerned, it came out well with regard to jobs; the benefits to health and the NHS that we have already talked about and therefore the savings to that budget; and the creation and sustaining of local businesses. Economists from the London School of Economics and Political Science have been quoted as saying that such a stimulus package is a shot in the arm. When the Government announced its post-Brexit stimulus and put another £20 million into energy efficiency—only £10 million of which, I should say, went towards domestic stock—we recognised that as a very positive move that made the right noises.

A much bigger package could, of course, achieve much more. In that respect, I am talking about not just spend but using the capital budget to provide low or zero-interest loans to people for energy efficiency measures. That kind of approach has been shown to pay back in manifold ways; indeed, the German economy has seen it almost as a money-spinner with the amount that has been paid back. Moreover, we have suggested that 8,000 to 9,000 jobs could be created if the programme were to be delivered at a sufficient scale. I come back to my point that this would be a piece of infrastructure for the whole of Scotland, not just the part of it that gets the new hospital, the new bridge or the new road. We are talking about housing as an asset to our economy instead of as a liability to and a drag on it as a result of its not performing well.

On your first question about how we use the existing sum of money—if it is going to be £250 million—the multiyear commitment given in the programme for government is a positive move that gives some certainty, even if the amounts themselves are not sufficient. With regard to how we might use the money better, I have already made the case for regulation as an important lever in bringing in private investment to match public investment. The more we can make use of such levers together, be they incentives, standards or planning conditions and such that facilitate the take-up of renewable and district heating, the more affordable the package will be.

**Professor Sigsworth:** All I would add is that I would like some pilot schemes to be funded this year either from that money or from some of the other budgets that I have mentioned so that we can progress—or not leave too long on the table—the good work that we have already seen. Green shoots of this sort of work are appearing in local authorities in Scotland, but I want them to be tested more strongly and effectively throughout the country with some pilot schemes.

**Di Alexander:** Our report concludes with a list of 10 key actions that could be taken as part of a

strategic approach. Of those, I would highlight the energy carer approach that I mentioned earlier, which could be rolled out as an extended pilot in the first instance in order to get to grips with the problems of the most vulnerable households in the most disadvantaged areas.

I also highlight again the problem of electricity consumers and helping them to switch and save many hundreds of pounds. We must bear in mind that people in off-gas rural areas rely much more heavily on electricity use.

With regard to all the other forms of energy that people purchase, one task force recommendation that I have not mentioned so far is

“setting up a non-transactional price comparison website where *all* prices can be compared on *all* tariffs charged by suppliers of *all* domestic fuels in *all* distinct market areas of Scotland”.

We think that an organisation such as Citizens Advice Scotland could do that sort of thing independently and properly.

The Scottish Government could help with the process of producing evidence on the benefits and the economic payback by starting to properly measure the outcomes of whatever it does. That could be included in the measures that you want to be reported back. Over time, you will then be much better able to see the trends and influences of the Scottish Government's policies and programmes.

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** The Scottish house condition survey suggests that 59 per cent of households in fuel poverty are owner-occupied households. According to the national home energy ratings, 82 per cent of properties in the social rented sector—or 87 per cent if housing association properties are included—are rated as good, whereas the figure is only 66 per cent for owner-occupied properties and 65 per cent for the private rented sector. How do we encourage home owners and landlords to tackle the condition of their buildings? We can put in place as many grants and schemes as we like, but how do we encourage people who are living in private properties to take up those grants and implement the schemes?

**Norman Kerr:** That is a very good point. It is clear that the majority of successive energy efficiency programmes from energy companies have been aimed at, and have gone into, the private sector. A huge proportion of the private sector in Scotland consists of right-to-buy housing that belongs to people who bought their old council house or housing association house. Those folks are asset rich but capital poor, and they have not been able to replace a broken heating system or improve their windows. Many of

the Scottish Government programmes have offered grants in that area.

You are right—we have offered carrots to that sector since 1996, which sadly means that the time for regulation has come. If we are going to regulate, it must be at the point of sale or at some other point. We do that in the social sector—we tell housing associations and local authorities that they have an energy efficiency standard to meet, and we place a duty and a target on them to do that. If they do not meet the target—well, I am not sure what the sanction would be, but we would take a very dim view of that.

We are not doing anything like that in the privately owned or private rented sector. I could set myself up just now as a landlord and rent out a house with no heating system, and I could still potentially get a higher rent than I would get for a very energy-efficient house in the housing association sector. We have very quickly to reach a point at which we say to people that they cannot sell on or rent out a house if it is not energy efficient.

There are a lot of incidental landlords in the private rented sector who bought a house when their children went to university and do not know what to do with it 20 years later. It is now about regulation rather than encouragement. We have encouraged the private sector for many years, and now is the time for regulation. If we are going to address the issue, we need regulation.

**The Convener:** Are you thinking about an MOT on houses?

11:15

**Norman Kerr:** Yes. If you go past any estate agent and see a house for sale, there will be information on the EPC rating but nothing on what you should do to improve the energy efficiency. We could have an MOT and set that according to whether a property is in band C or band D, for example. Why, in this day and age, should someone be allowed to sell a home that is in band F?

That someone might be able to afford the home but not to live in it is the issue that exists there. It is the running cost that people do not understand, and I do not think that we make enough of that. People are quite happy to buy a house because of its location or proximity to school or to work, but they do not take into account its energy efficiency. A lot of people end up in the private rented sector, at the bottom end of the market, with the provider of last resort—not because they want to be there but, unfortunately, because they cannot get a house from a local authority or a housing association or because they cannot buy their own home.

**Gordon MacDonald:** Is that about rolling out the Scottish housing quality standard into the private rented sector?

**Norman Kerr:** That would be a very good start.

**Gordon MacDonald:** The other thing that I want to ask you about relates to the energy efficiency programme. Much of the funding for that has been spent on cavity wall insulation and loft insulation. I see that the reasons for difficulties in heating homes are predominantly to do with boilers. Are we doing enough about that? The action plan says that poor and inadequate heating is, more or less, the number 1 reason for difficulties in heating homes. Are we doing enough in that area?

**Norman Kerr:** Di Alexander made that point about houses that are off the gas grid. What drives a lot of the energy efficiency programmes is carbon saving. The best way to get a big carbon hit is to replace somebody's central heating boiler. If you live in a rural property and you are off the gas grid, there is no chance of your getting a gas boiler. If you replace an old, broken electric system with a new, energy-efficient electric one, the carbon saving is minimal. An electric heating system is 100 per cent efficient and, based on the calculation, even if it does not work, it is still 100 per cent efficient.

We have got ourselves caught up in the view that it is all about saving carbon. Scotland has gone a long way towards decarbonising its grid. We have only one large thermal plant left in Scotland; the rest are either onshore or offshore wind, nuclear, pump storage or hydro. We no longer have big, polluting thermal plant, yet we are still taken with the idea that insulating somebody's loft will save a huge amount of carbon. In rural areas, it will not—and I think that we need to recognise that. That comes back to whether we are providing affordable energy to someone in those areas.

Also, the minister has talked about the number of homes that we have treated over a period of time. If we look at that against the budget, we see that we are not spending a huge amount of money in each house on the things that we have that are cheap—cavity wall insulation, loft insulation and a replacement boiler—when we know that what we actually need to do is very deep retrofit, whether that is external cladding, internal insulation or replacement of a heating system. We have tried to spread the jam, and it is a “never mind the quality, feel the width” approach, when what we should be doing is much more deep retrofit in areas, and not just boiler replacement.

**The Convener:** I would like to move on to a question from Ash Denham. In answering her question, other panel members might also wish to address the last point from Gordon MacDonald.

**Ash Denham (Edinburgh Eastern) (SNP):**

Some of my points have been covered, so I just want to pick up on a couple of things from the action plan that interested me.

Several members of the panel have already mentioned Our Power, which is in my constituency. I have been to see it and I think that what it is doing is very interesting and clearly filling a gap in the market. It was set up specifically to promote cheaper electricity to customers—in local authority, social rented and housing association properties, specifically—and to help those on prepayment meters, who we know are paying a much higher amount for their energy than they need to. You said in your action point that all prepayment meter customers should have that type of support, whether it be from Our Power or something similar. What role do you see for the Scottish Government in encouraging that or rolling it out more across Scotland?

**Di Alexander:** Our Power has been and is doing tremendous work—more power to its elbow. I declare an interest, not only as a long-standing board member of a housing association that supports Our Power but as a member of the board of the Scottish Federation of Housing Associations.

Prepayment meter customers have had the worst deal of all. It is fortunate that that has been highlighted by the Competition and Markets Authority, which said that such customers must be treated fairly—the same as the rest of us. That is a major step forward. Our Power's remote monitoring of energy use by the most disadvantaged customers enables it to tell whether customers are using too much electricity or far less than they should be using, because they are self-disconnecting. That is terribly important; I am a big supporter of an approach that focuses on vulnerable households. Prepayment meter customers have had a wretched deal and have been treated abysmally by the "system" hitherto, but they are about to get a long-deserved break.

**Ash Denham:** Do the panel members have anything else to say about the Scottish Government's role?

**Elizabeth Leighton:** We highlighted Our Power and other examples of local authorities or charities taking on the role of energy provider, not just in Scotland but in other parts of the UK, because such energy services companies' interest is in the householder and not in the shareholder.

We very much think that the Scottish Government has a role to play in supporting that kind of approach. With my existing homes alliance hat on, I can say that it also serves objectives on climate change, communities, business and jobs support. There are lots of reasons for the Scottish

Government to facilitate the approach, not just in money terms, as it has done with Our Power, but by offering support in relation to planning regulations or capacity in local authorities, which struggle to set up ESCOs. There is a real skills and capacity gap in local authorities that are trying to take action. The City of Edinburgh Council has been trying to set up an ESCO for years, but it is hard work. Local authorities are not designed in the right way at the moment, and they need assistance if they are to make the transition.

In organisations that have combined heat and power in a lot of their buildings, such as the University of Edinburgh, there is no reason or incentive to broaden out and become a generator and provider to others, so they do not do that. There is a missed opportunity to join up energy supply and generation services.

**Norman Kerr:** It is not just about organisations such as Our Power. Citizens Advice Scotland, which we talked about, did a big switch campaign, but there is a huge amount of apathy about switching. People think that it is too difficult. They wonder whether they will save a lot of money and ask, "Is saving £50 enough to make me switch?"

The Scottish Government can continue to support Citizens Advice Scotland, because people go to citizens advice bureaux when they hit crisis point. Beyond that, it is about ensuring that people know that just because they no longer get their electricity from the hydro board it does not mean that when the lights go out the hydro will not come and connect them.

The Scottish Government has a lot to do to raise awareness. It supports the home energy Scotland programme and will continue to do so, but it needs to continue to put the messages out. Consistency is an issue. The Government should keep doing what it is doing and potentially do a bit more of that. We should also consider other partners. We cannot go on forever creating organisations such as Our Power, but we can continue to support home energy Scotland, Citizens Advice Scotland and people who will be the trusted intermediaries in communities, who should promote the agenda.

For some people, the answer is not changing supplier but changing the payment method that they are on. The CMA recommends—I am not a big fan of this particular recommendation—that, if someone has been on a standard variable rate tariff for three years with the same supplier, that supplier should give their information to other suppliers. That is almost a spammer's charter waiting to happen, but it is a way of stimulating the market. The question is how we get people to feel that they are empowered to make decisions about the energy that they use and to understand that they can save a lot of money.



In some of the information that comes back from energy advice providers, we have seen massive benefits, with people saving £500 or £600 simply because they have been on the wrong payment method or tariff, or with the wrong supplier. We do not suggest that everyone can save that amount of money, but a lot of people can save £100 or more by switching, although I do not know whether a saving of £100 is enough to convince people to move when they are paying £1,400. However, there is a danger in the goal of having everybody switch supplier. It is about ensuring that people get the best deal, and we need to continue to get that message across through the agencies that I mentioned.

**Professor Sigsworth:** I want to bring to the discussion some issues around unregulated energy. At present, the biggest challenge that we in Scotland face in our energy policy from a climate change perspective is that, although we have, as Norman Kerr said, decarbonised much of the electricity network, decarbonising heat is a much bigger—indeed, huge—problem, as the Scottish Government well recognises.

The new energy policy will address that as it is rolled out, but we need to take advantage of the opportunities. For instance, every boiler that currently uses gas presents an opportunity to decarbonise. There are some sustainable systems that use combined heat and power sources that might be biomass or fossil fuels, but the fact is that those, along with a range of other fuel sources, are not regulated.

We have to put in place in this new area the same structures that the CMA has tried to bring in for the underprivileged in conventional markets. I declare an interest, as I am a board member of an organisation called the Heat Trust that offers voluntary regulation in the sector. The Scottish Government has already raised the issue in its forward thinking, but if we are going to make progress in district and community heating, the need to find a way to regulate that and ensure that we do not get into the same problems with the vulnerable must be a big part of the consideration.

**Di Alexander:** The role of Ofgem in all that is terribly important. Ofgem referred the energy market to the CMA, which came back with a compendious list of conclusions and recommendations. Although it will ensure that prepayment meter customers get a much better deal, it still hopes that the big electricity providers, which knowingly charge a great many of their customers who have not switched—the great majority—a lot more than they would pay if they switched, will take action.

I would look to Ofgem—I hope that the Scottish Government and the Scottish Parliament will look at discussing all this with Ofgem—to consider the

issue in the light of the CMA's report and to say what action it intends to take if there is no progress on getting a much fairer deal for the many customers of the energy companies who are not switching. That is long overdue—the CMA has said that there is a real issue, and the regulator is in a position to do something about it.

11:30

**The Convener:** Is that a problem with the difficulty in switching suppliers for individual customers?

**Di Alexander:** Norman Kerr put his finger on it, in the rural context. I live in the north of Scotland, where the main provider is SSE—or the hydro, as everyone still calls it. If the lights go out, as they did with us the winter before last when we were without electricity for three days, the boys from the hydro come round in their Land Rovers and do absolutely heroic things. People think, “How can I ever, with any sense of decency and loyalty, switch my provider?”. In fact, that is not what happened: it is a separate company. Although the vehicle has the word “hydro” written on the side, the company is separate and is duty bound to act for whichever provider of electricity people are purchasing from. There is still an element of confusion in people's minds about what they take on and what they give up by abandoning the hydro. Scottish Power in the south has the same issue.

There are issues around clarity. Also, I think that a lot of people are very wary about the apparent difficulty of switching. That is clear from the evidence that has been produced by the CMA and by Ofgem in its own analysis.

**The Convener:** We are coming towards the end of our session. Does Jackie Baillie have a question?

**Jackie Baillie (Dumbarton) (Lab):** I do—it is quite a specific one. Might I just observe that I recall the first statutory fuel poverty target? I note that nobody objected then to it being a comprehensive target, despite the limited powers that we have now.

Elizabeth Leighton and others have outlined some of the new powers that are coming. Have the working groups done any specific work to quantify the kind of changes that you are talking about—to housing benefit or the disability living allowance, for example—or is that work for phase 2? That is my first question.

I am conscious of the time, so I will ask my second question now. I do not think that we have touched on the energy company obligation. We will have new powers to design and shape that differently. At the moment, it feels a bit like a

patchwork. Will you offer your comments on, potentially, £60 million of additional investment and how you would want to see the ECO designed and implemented?

**The Convener:** We will go from right to left to finish off, starting with Norman Kerr.

**Norman Kerr:** I will leave the first part of the question for Professor Sigsworth and Di Alexander to answer, as holders of the report.

The energy company obligation is a reducing pot of money. The changes to the ECO have meant that the energy companies' targets have been stretched out further. That was done to try to reduce the burden on consumers' bills, although in fact it reduced the amount of help to vulnerable customers. That £60 million could have been £120 million or more, so the ECO is a reducing pot of money.

On when the Scottish Government takes control of the issue, I return to what I said earlier. My plea would be not to base the approach on carbon saving; if that happens, it will continue to be about replacement boilers in the M8 corridor and it will not move out into rural areas, where it would be about affordable energy use instead of carbon saving. Additional investment is welcome, but let us not make it all about carbon. We should acknowledge that there will be a carbon saving, but that cannot be the primary reason for insulating someone's home. It has to be about whether we are giving them a better deal and reducing their energy costs.

**Professor Sigsworth:** I reinforce what Norrie Kerr said. There is no doubt whatsoever that, if we finish up with the ECO, and the money that we get from it, having to be operated on a completely different basis from the schemes that SEEP is designed to deliver, that would be a disaster. We must have a Scottish prerogative of being able to request what we want to be done with that money. However, my understanding from officials is that our ability to influence the rules might be bounded by the bigger ECO. I might have misunderstood that, but I would not want to see the ECO £60 million, or whatever the figure is, channelled into something that does not work for us in the wider context.

You asked about work that the working group has done on shaping benefits. We have several specialists in the group who have been dealing with problems on the ground or have been academically involved with them. We have not brought any of that detail into our report, but there are a lot of indicators of where we would like to see the pressure applied. Elizabeth Leighton mentioned one in particular: winter fuel payments. The question is whether those could be used more advantageously.

**Elizabeth Leighton:** As David Sigsworth said, we did not quantify the benefits but we recommended a review. However, we gave some examples, one of which was how the motability payment could be rolled up and used for a car. We could look at how that approach could be applied in a fuel poverty situation. There are examples of how things could be done a bit more creatively to make better use of benefits in meeting fuel poverty needs.

As David Sigsworth said, the energy company obligation is more complicated than it seems. It would have been nice if that pot of money could have been part of an integrated programme, but it seems that it is not so easy to do that. However, we explored the options for moving at least part of the way in that direction and thought that there might be options for the Scottish Government to take on responsibility to deliver measures for some suppliers who do not have much of a customer base in Scotland. It might be attractive for the Scottish Government to deliver on a contractual basis through suppliers. Our push was therefore towards having as much integration as possible and not having the ECO doing its own thing, because it is part of the same programme.

On the earlier discussion about switching, one of our most radical and bold recommendations was about taking a local partnership approach. Looking at switching or fuel poverty in isolation does not work for the people who are in fuel poverty, because they probably do not identify themselves in that way. There was an example of a partnership approach in Fife involving a tenant on a methadone programme who suffered from depression—those were his issues—and who was self-disconnected from the gas service. He was worried because he could not have his son visit him at the weekends because his house was not warm enough. Those were his problems; it was not necessarily about switching.

In the case of that tenant, a housing management officer worked with the supplier to renegotiate repayments, obtain a special programme of funding to help clear the debt and get the warm homes discount lined up. The community intermediary came and installed thermal curtains, low-energy lighting and draught proofing so that he had at least basic measures in place. He is now a bit more on top of his life and has registered again for his methadone prescription, got some food vouchers and cleared his debts—he is back on track again.

That is an example of the need to take a holistic approach that starts with the individual's needs, rather than just saying, "I'm here to deliver a fuel poverty intervention to you." That example is useful in showing that it should be about spending

to save. We think that that would be the most effective use of Government money.

**The Convener:** Finally, and briefly, we will hear from Di Alexander.

**Di Alexander:** The task force did not do much on benefits; we left that to the strategy working group as we felt that we had enough to do. However, we were very keen on the scope that winter fuel payments offer. We think that that would be a fruitful area for the Scottish Government and the Parliament to have a look at.

The time for the ECO simply to deliver low-hanging fruit energy efficiency measures should be over. From what I have read of UK parliamentary discussions around that, it seems that those who are involved also take that view. Without a shadow of a doubt, the ECO should now be targeting vulnerable households and affordable energy use. I hope that it goes that way.

**The Convener:** I thank all our guests for coming to the meeting.

11:40

*Meeting continued in private until 12:47.*



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