OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government and Communities Committee

Wednesday 5 December 2018

Session 5

The Scottish Parliament
Pàrlamaid na h-Alba

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LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
34th Meeting 2018, Session 5

CONVENER

*James Dornan (Glasgow Cathcart) (SNP)

DEPUTY CONVENER

*Alex Rowley (Mid Scotland and Fife) (Lab)

COMMITTEE MEMBERS

*Annabelle Ewing (Cowdenbeath) (SNP)
*Kenneth Gibson (Cunninghame North) (SNP)
*Graham Simpson (Central Scotland) (Con)
*Alexander Stewart (Mid Scotland and Fife) (Con)
*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Dr Keith Baker (Glasgow Caledonian University)
Alasdair Calder (Argyll and Bute Council)
Bill Halliday (Argyll and Bute Council)
Professor Donald Hirsch (Loughborough University)
Liz Marquis (Energy Agency)
Lawrie Morgan-Klein (StepChange Debt Charity)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Local Government and Communities Committee

Wednesday 5 December 2018

[The Convener opened the meeting at 09:45]

Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill: Stage 1

The Convener (James Dornan): Good morning, and welcome to the 34th meeting in 2018 of the Local Government and Communities Committee. I remind everyone present to turn off their mobile phones. As meeting papers are provided in digital format, members may use their tablets during the meeting.

Agenda item 1 is evidence taking on the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill at stage 1. This is our third day of evidence on the bill, and we will hear from two panels of witnesses. We will have one further evidence session on the bill before the end of December, which will be with the Minister for Local Government, Housing and Planning, and we will report to Parliament on the bill early in the new year.

I welcome to the meeting our first panel: Dr Keith Baker, who is a co-founder of the energy poverty research initiative, and Professor Donald Hirsch, who is director of the centre for research in social policy at Loughborough University. I thank you for your submissions. We will go straight to questions from members, starting with Graham Simpson.

Graham Simpson (Central Scotland) (Con): I have some questions for Dr Baker, but if Professor Hirsch wants to jump in, he should feel free to do so.

Dr Baker, what do you mean by a "folk-first approach" to tackling fuel poverty? What is wrong with the Government's current approach?

Dr Keith Baker (Glasgow Caledonian University): I blame my colleague Dr Ron Mould for coming up with that phrase, but it is just a nice, catchy way of saying that until now—and under the current proposals and measures—fuel poverty policies have been driven largely by technical solutions. That includes the use of energy performance certificates, which we argue are, as currently produced, flawed as drivers of tackling fuel poverty. We fundamentally do not believe that the proposals as they stand, with EPCs as a driver, will have anywhere near the desired effect.

In our work, we are reconceptualising fuel poverty to show how the current Scottish definition—that is, the Boardman-based definition—can be reconciled with a wider conceptualisation of vulnerability. That approach was supported by the expert panel workshop on 1 August last year. We feel—we say this as building scientists—that the whole problem should be turned on its head, with human factors such as vulnerability being seen as drivers of fuel poverty and tackled primarily. That might well lead us to recommend technical solutions, but we are suggesting that a much more holistic approach to the way in which we deal with householders be considered.

Does that make sense?

Graham Simpson: I think that it kind of does. It actually leads to my second question, which is about the reference to—in fact, almost a criticism of—the fabric-first approach in your submission. I must admit that I did not quite follow your argument, but I will come on to why that was, if you can respond to my first point and explain what you mean by that phrase.

Dr Baker: At the moment, we use a very limited number of measures—predominantly income and technical performance—to decide what we need to put into houses when we go and see householders. What we are saying and showing is that, although there are groups of householders in fuel poverty for whom the building is the main problem and who can therefore be treated in that way, we have found that, in most cases—particularly in rural and island areas, which I am sure we will come on to—the real drivers are actually human factors such as the vulnerability of householders and their ability to understand the information and to manage their future energy circumstances. It is behavioural and contextual stuff.

We can treat houses—as a building scientist, I have been doing that for decades. I can go into a household and say what technical measures need to be introduced, but the occupants need to be engaged and have to understand what needs to be done. We also need the technical measures to be correct, and I argue that EPCs themselves are not a driver in that respect. In a policy paper that I am bringing out with Common Weal on 18 December, I propose an alternative approach to the development of EPCs, but that is probably a bit tangential to what the committee is considering at the moment.

Graham Simpson: It is not, really. The committee has looked at the issue before, and I would certainly be interested in seeing that paper.

Dr Baker: The key driver in it is the modelled data that we use. This relates to the fuel poverty problem and the energy efficiency problem. At the moment, almost all policy making relies on using modelled data from, for example, the home energy efficiency database, which we argue is incredibly poor and is probably detrimental to solving the fuel poverty problem. We have accessed and used real and accurate household data—technical, household composition and household characteristics data—from local authorities, housing associations and other such trusted intermediaries that have the authority to process that data, to show that the rural energy spend and the urban-rural energy spend gap is significantly greater. When we normalise all the other variables and underlying factors, it is clear that it is the human, social, behavioural and environmental problems that are driving that big gap rather than the technical issues.

Graham Simpson: What if we treat someone's house and make it as energy efficient as possible? Let us say that the ultimate goal is the passive house standard. Surely if something is built to that standard, we could almost eliminate fuel poverty. Would you disagree with that?

Dr Baker: It depends on what we measure and how we measure it. At the moment, if we improve a dwelling, the improvements will be directed by what comes out of an energy performance certificate, or a standard assessment procedure. There are huge volumes of evidence going back several decades that show that the accuracy of EPCs for selecting and driving those improvements is not good—they are hugely inaccurate. There are studies that say that SAP and EPCs are unfit for that purpose.

It is great to install technical measures, but it is important to ensure that they are installed on a proper technical basis, which we are currently not doing. Another issue is that among vulnerable lower-income householders, those measures will not deliver the savings that we expect, because we do not have the correct baseline for those householders. We are not dealing with things such as self-limiters, or people who switch their heating off. The Office of Gas and Electricity Markets has admitted that it does not have that data, so we do not know what numbers are out there.

Graham Simpson: Let me put it in layman's terms. If we make a house as energy efficient as possible and it is really well insulated and airtight, there is no need to put the heating on. If we build a new house to the passive house standard, we do not actually need radiators, so that would slash fuel bills. If we slash fuel bills, we cut fuel poverty.

Dr Baker: As a building scientist, I would not say that the passive house standard is the only route to go down. The passive house standard has its uses in Scotland—in certain areas and certain places—but there is also the natural design approach. That is the school of building science that I am from, and that approach is maybe more appropriate in Scotland. That is a matter for building standards, and building standards have improved.

However, we are not necessarily going to take that approach because of the other factors that are involved. That is our view, as building scientists, having looked at the evidence. We do not want to stand around and say, "Please don't give money to our field and don't support what we do," but we are saying that the interventions that have been done are largely not as successful, particularly among poorer and more vulnerable householders, as the modelled data would suggest. When we go and look at those households in real life and get measured data, we do not get the savings that we would expect. That is partly due to things such as the rebound effect and the prebound effect in relation to how householders use energy.

If a nice middle-class household gets insulation installed, it will get close to the expected savings. However, once we go beyond that standard household archetype, the uncertainty and variation become highly significant, so we cannot make assumptions about savings.

The other point to mention is on the way in which householders change behaviour before and after intervention. We make the assumption that, just because we put energy efficiency measures into a household, people will necessarily start to behave in ways that make the household more resilient to fuel poverty. However, that is based on an assumption rather than any evidence.

Graham Simpson: You are using a lot of jargon.

Dr Baker: Sorry.

Graham Simpson: I am not very clear whether you are in favour of taking energy efficiency measures or not. Not one member of the committee would deny that people have to be educated on how to use systems in their homes, but do you not agree that we have to make the home as energy efficient as we possibly can?

Dr Baker: Yes—we have to make the home efficient and educate people. We are in favour of energy efficiency measures, but we do not believe, and our analysis supports this view, that the energy efficiency proposals under the bill—using EPCs as a driver and bringing all households up to band C or D—will have the projected and desired effect on reducing fuel poverty levels because of the uncertainty about how those measures are likely to affect household energy consumption and spend, particularly by poorer and more vulnerable

householders and those in the Highlands and Islands.

It is a simple case of the data becoming a lot more uncertain. A nice middle-class household living in the centre of Edinburgh that starts to insulate can probably achieve the savings and benefits that the models suggest. However, once we get away from a standard household—an archetype—the inaccuracy becomes significant.

The approach will work, and we can and should be driving energy efficiency in households in which it will have those effects. However, for the majority of fuel-poor householders, it is clear that the real problems are their incomes and their ability to manage their lifestyles and understand their energy bills.

We have a paper coming out next year about a study in Renfrewshire, which shows that more than two thirds of more than 7,000 interventions that were carried out by the local authority and the housing association largely involved showing poor and vulnerable householders how to use their central heating systems.

It is great that we are making technical improvements—assuming that we are getting them right; that is another question—but we have shown that we will get much more benefit for those who are most in need by tackling the whole house. That is also supported by the work of Christine Liddell, who was on the review panel.

Households might need insulation, as well, but what they really need is somebody to show them how to use their boiler and other simple energy-saving measures. Perhaps we can give them an energy meter and say that they should try using the kettle to boil just one cup of water or whatever for a couple of weeks and appreciate how much that saves on their energy bills.

If those householders are told that they can save £10 on their energy bill this week or £100 in the future, they will take the £10 now—we know that from basic human psychology. It is about building in that resilience. Technical solutions will certainly reduce energy use and put that buffer zone in, but they will not necessarily develop that resilience in households. That human approach is needed.

Kenneth Gibson (Cunninghame North) (SNP): You mentioned the rebound effect. You are suggesting that, when a poor household has their house insulated, they may feel that they can put the heating on, whereas they maybe did not put it on quite as much previously. Is that what you mean?

Dr Baker: Yes. The rebound effect will occur in other ways, as well. The classic middle-class example is the person who saves money on their energy bills and then takes an extra flight. However, we do not know what a poor or vulnerable householder will do. We could be dealing with someone who has not had their heating on significantly for years. Will they choose to adopt a very high heating-energy regime? They could be up to their eyes in debt. A classic example of what we deal with is somebody who is so far in debt that, when they get heating improvements, they decide to have their house at 26°C because that feels comfortable, and they will service the debt whenever.

Kenneth Gibson: I do not know many people who would want their house at 26°C. We have taken a lot of evidence that says that, if a house is much warmer, it reduces respiratory and other illnesses, for example. If people feel able to keep their house warmer, even if the energy consumption does not decline, it is much more efficiently and effectively used, and the person is warmer and feels healthier. Surely that is a benefit in itself.

I understand what you are saying about behavioural changes, but we have very mobile households now, particularly in the private rented sector. If houses are insulated, bills will still be lower. People have to move around. If someone moves into a house, does that mean that someone should go in and explain all the implications that you explain to people?

Dr Baker: Yes.

Kenneth Gibson: Surely technical measures are core to that.

Dr Baker: They are, but you have to recognise that there are different types of technical measures. Boiler replacement is among the most common, and that will need somebody to go in for some of the householders whom we are talking about. Organisations such as Govanhill Housing Association will do that. Govanhill Housing Association works with the charity South Seeds. It covers a lot of people from the Romanian community. It will go in, set people up, and show them how to use their heating systems from the start. A lot of housing associations will do that. However, as you have said, that will largely not capture the private rented sector. It will capture housing associations, but we know that the energy performance of housing association properties is generally higher than that of the rest of the housing stock anyway. It will not capture owner-occupiers unless they seek that help.

I am just trying to remember where you were going with the other part of the question.

10:00

Kenneth Gibson: Let us move on to something else. You say that the new targets represent a significant step backwards. You say that the Scottish Government's ambition of reducing the number of households in fuel poverty from 600,000 to 140,000 by 2040 is a backward step. Why is it a backward step?

I would also like to hear from Professor Hirsch, because he has been very quiet so far.

Dr Baker: The original target was to eliminate fuel poverty as far as practicable by November 2016. We would accept that, within that, probably 3 per cent of households that were captured by that definition were fuel poor, based on the problem with the definition. The large, rich household can be classed as fuel poor because it has a large area to heat and a relatively low income; the little old lady in the castle in the Highlands would be a very stereotypical example.

We have gone from the question of eliminating fuel poverty under the current definition by 2016 to a question of using energy efficiency as the main driver for reducing fuel poverty significantly by 2032. If you are adding 16 or more years to where we were, that is effectively a reset.

Kenneth Gibson: When the Lib-Lab Executive set the target, I do not think that it realised that fuel prices were going to go up by 155 per cent while incomes would go up by 38 per cent over the piece. Clearly, that has had a serious impact.

The committee has often discussed how we do not have control of energy prices or, indeed, income levers. Given that, do you not think that it is pretty ambitious of the Scottish Government, working under those constraints, to still be determined to reduce the number of people who are in fuel poverty?

Dr Baker: Given the timescale for the implementation of the proposals—2032 to 2040—there is absolutely no guarantee that that will not happen again, or happen again more than once.

Kenneth Gibson: We do not think that there is such a guarantee. However, there is a determination and all political parties are committed to it, but external shocks can sometimes derail things. We cannot insulate the country from such things, certainly not with the devolved powers that we have.

Dr Baker: No, but the latest Scottish house condition survey's initial key findings from 2017 show that there has already been a substantial rise. The increase in fuel poverty is being seen largely among households using electricity, households using liquefied petroleum gas, and households using oil. We have therefore seen a statistically significant increase during the past year.

Obviously, we have not had a big oil spike or a big gas spike, but that sort of thing could be on the cards because it has happened before.

Professor Donald Hirsch (Loughborough University): I have not looked in the round at whether the target is more or less ambitious. Having looked at some of the committee's deliberations and what witnesses have been saying, I would say that a key issue is whether you accept that a significant level of fuel poverty will remain over the long term and whether that creates a disincentive to deal with certain aspects of the problem.

A lot of the debate has been about the remote rural issue. On a purely numbers-based or target-based perspective, the risk is that there is no incentive to make progress in sparsely populated areas where interventions do not have the same economies of scale as they would have if you were refitting an urban terrace—

Kenneth Gibson: May I just interrupt you there?

Professor Hirsch: That would be the particular thing that you would want to be careful about.

Kenneth Gibson: I am sure that we will go on to talk about that. I wanted to hear your opinion on the matters that we have discussed so far.

The committee is going to Stornoway tomorrow. I am sure that all committee members are keen to ensure that rural areas are not left out, that it is not just a numbers game and that every community in Scotland has the opportunity to address fuel poverty. We will impress that upon the Scottish Government. We have to discuss the mechanisms of that, but we are taking evidence on the issue tomorrow and Friday.

Professor Hirsch: I accept that.

Kenneth Gibson: What is your response to the issues that we have discussed so far?

Professor Hirsch: The earlier question was a technical one that is not within my area of expertise.

Annabelle Ewing (Cowdenbeath) (SNP): Good morning, gentlemen. I will pick up on some of Dr Baker's comments, because I remain a bit confused. If you do not think that the Scottish Government should proceed with, in your words, a fabric-first approach, where would you rank the need to tackle fabric issues? From my perspective as the MSP for the Cowdenbeath constituency, everything else is theoretical for constituents who live in damp houses; they want that problem solved first and foremost as they do not want to live in damp houses. I am not clear about what

you are saying or how it would help my constituents in the short term.

Dr Baker: There are two issues here: the practical issue of how to identify and tackle matters in the field, and the issue of the data that we use. We recommend improvements based on modelled data, but I should warn you that anyone who says that modelled data is good probably has a vested interest in producing it. We can direct improvements, as the academic panel recommended, by making more and better use of real data that is available. That in itself would drive better technical solutions. We certainly see technical solutions as part of the process, but we have to get data on householders and use the time to get better technical data as well, so that we can assess what improvements are most suitable for the individual.

I have just done a bit of work on householders who are in fuel poverty and who have dementia, for example. Someone might not want to put in their gold standard measures for that sort of householder, because they might not have the capacity to use them optimally. It is therefore about appropriate solutions as well.

We recommend improvements based on modelled data and project savings from modelled interventions, but they will not necessarily deliver the benefits that the models would show. In some cases, they might be higher, but we need to be as accurate as possible. If we tell somebody that, by putting in whatever intervention, they will save X amount of money and then they do not, that will have a negative effect. At the same time, if we tell them that they will get Y amount of savings and they end up with more, they will be less incentivised to adopt further behavioural measures. The paper that we have coming out expands on that.

If we are going to recommend technical interventions, they have to be right and the benefits that we say each household will accrue have to be predicted reasonably accurately; otherwise, there will be negative consequences one way or the other. We can improve how we do that by putting the householders first and saying, for example, that they might need help with their bills or they might need an energy meter in the house to monitor their energy consumption over the next couple of months; that would give us a much better idea of the technical measures, the social measures and, possibly, the income support measures that that household will need so that we can treat them as a whole. We start with the people, but we do not exclude those technical solutions. However, by putting the people first, we end up with better technical solutions and cost effectiveness.

Annabelle Ewing: I remain a bit confused. Someone who is living in a damp house wants that problem to be solved in the short term. Everything else—such as work on behaviour or managing household income—would flow from that, notwithstanding the fact that we do not control the key levers in that regard, as Kenny Gibson said.

I am a very practical person and would not want to live in a damp house, so I do not find it acceptable to see anybody else living in a damp house. Dampness is a technical issue that can be sorted, then things can come in off the back of that. The other issues do not exclude tackling at source the first, fundamental problem. With respect, I am not convinced by what you have said. I agree that we should use the most relevant, appropriate and up-to-date data, but if a housing officer in Fife goes into a house and sees dampness, that needs to be sorted.

Dr Baker: But even with technical solutions, thinking that the dampness is the only problem that needs to be solved—and limiting the treatment to that—might cause other problems.

I will give you a classic example from a study that we did a few years ago of a household containing a single-parent woman in a flat in Glasgow. The flat had a damp problem but also an insulation problem. Her child had asthma and she was told by the local authority that she needed to keep her windows closed to save on energy bills, and that extra insulation or whatever would be put in when the local authority got round to it. At the same time, however, her general practitioner was saying that if her kid had asthma, she needed to keep the windows open. That high-rise flat could be insulated, but that would not happen overnight; it could take months if not a year or two, depending on contracts. However, as you said, you want to get that person the best solutions first. There may therefore be other ways in which that person could be supported as part of a more holistic intervention.

We have to be careful not to create other technical or social problems in tackling a damp or high-energy problem; we have to put in the right solutions.

Annabelle Ewing: I think that everyone would wish to see the right solutions. With respect, the issues that you talked about are not mutually exclusive. It is a question of working out the first problem to be tackled and taking things from there. If a home is damp, to me, that would require treating the dampness issue first; management and holistic approaches and so forth would follow thereafter. I am afraid, therefore, that I beg to disagree.

The Convener: Thank you for making your position clear, Annabelle. I will come in at this

point, then I will take questions from Andy Wightman and Alex Rowley.

You talked about a holistic approach, Dr Baker, but surely the bill is already facing up to that in saying that education has to be a key component. I am sure that what you say makes sense theoretically and without the theory we do not get the practice—everybody has to agree with that. However, surely the way that you seem to be undermining the fabric-first approach with your folk-first approach—I accept that that was not your name for it—does not help. Others have already said that and my colleague, Alex Rowley, last week gave the example of a woman who got the interventions and went from spending 25 per cent of her income on bills to 5 per cent, which also helped her child with his chest problems and stopped him being admitted to hospital.

Although I accept your point that some things cause another and that people have a responsibility to make sure that knock-on effects are dealt with, surely the first priority has to be that, if a house is in bad physical condition and a family is staying in it and suffering, you go in there and intervene. Members of the committee who were in Dundee and other places have seen examples of that and how, on the back of that, other services would be in there, too. Surely that is the right way forward.

Dr Baker: First, I stress that I am not an academic sat in an ivory tower.

The Convener: That is not what I am suggesting at all.

Dr Baker: I am not saying that you are, but a lot of the work that we do is with housing associations, community groups and local authorities in people's homes. I do not just sit out here and collect the data; I work with people who go into people's homes.

I will take a step back from what you first said and use the example of a community project. The first thing that you can do is get somebody into a person's household straight away—that could be at odd hours—and give them the reassurance that their problem will be solved. One problem that we have at the moment is the relative lack of support for and investment in face-to-face and in-home delivery. It might be that someone walks into somebody's household late at night or early in the morning and a problem is dealt with straight away——I could probably find an example of that.

Giving that bit of reassurance that help is on its way might lead to some early technical interventions, but the whole household can also be looked at while they are there and, if more intervention is needed down the line, a plan can be set out and the person can be engaged from the moment that that first contact is made. They can say, "I'm going to do this for you now, but I'll come back in a couple of days, or you can come into our office, and we will sort out your energy bills and maybe look at a longer-term plan to replace your glazing or make more significant improvements." A key issue is that we do not pass people from pillar to post and refer them from one service to another all the time, because they will drop out.

The Convener: I do not think that there is a person here who would disagree with that; it is eminently sensible. However, the very early outcome of that has to be that the problem in the house is dealt with. We must deal with whatever the practical issue is—making the house warmer or dealing with the damp—and all the other things will flow from that first meeting.

There are already people doing that, and I accept that there may have to be an enlargement of that field, but I do not think that it is helpful almost to denigrate the fabric-first approach, when there is no doubt that we cannot improve people's living standards without, in many cases, improving the fabric of their houses.

10:15

Dr Baker: That is fine if the fabric interventions that are delivered end up delivering the savings that the models say that they will, and which the person is told that they will.

To throw the question back at you, if you are treating mould, what do you do? Do you go in, as I have just done with a flat, and spray a bit of mould spray around, which kills the mould temporarily? Or is the solution not just spraying the mould, but telling the person that their walls need to be stripped back? That cannot be done overnight. You might be dealing with a mould problem and you might think that a mould problem is quick and easy to solve, but—

The Convener: I will use a politician's answer. This session is not about questions to me; we are here to ask you questions. However, I will answer. We have already said that the whole situation has to be dealt with in the round, but we must deal with the problem that is causing the child's asthma or whatever the case may be. We must look and see if there is a knock-on effect that will still cause the child problems. That has to be dealt with.

I will let Kenny Gibson in briefly.

Kenneth Gibson: In work done in partnership with the Energy Agency, NHS Ayrshire and Arran has shown that

"in areas where wall insulation has been installed there is a reduction in hospital admissions and GP visits."

The committee has discussed the submission that the Energy Agency made. Does Dr Baker not agree with that?

Dr Baker: Absolutely.

Kenneth Gibson: That is with all else being equal, regardless of the other issues that we have talked about. The submission suggested that that measure alone has had an impact in reducing the number of hospital admissions and GP visits. Therefore, fabric first works—not entirely, but to an extent.

Dr Baker: It will lead to a reduction, but in most cases it will not lead to a change in the end point of that person's health condition. I was one of the authors of the built environment report that supported the Scottish Government's climate change plan—RPP3. The report said that there would be a reduction in GP appointments, but that, in most cases, a fabric-first intervention pushes back the trigger point when somebody will seek help from their GP. The classic situation is that an elderly person goes from their nice, warm living room to the bathroom, has a heart palpitation, then goes to see their GP. If their whole house is insulated, the point at which they consult their GP will be pushed back. That could mean that they make several fewer visits and there would be savings as a result. We have not yet done the maths on what those savings are to the national health service; that needs to be done. That is one of the things that supports our argument. If we could get proper data on those figures and savings, we could use that as a justification for more in-home advice and support. That would drive technical solutions, but it would also put householders first.

Andy Wightman (Lothian) (Green): I will direct some questions at Professor Hirsch. The bill that we are scrutinising sets a target and gives a definition, and it makes provision for a fuel poverty strategy and some reporting. Dr Baker, early on in your evidence, you talked about the inadequacies of the EPC ratings. The bill does not make any provision on that. To be clear, the references that you made were just about delivery, which will be dealt with through the strategy and all the rest of it.

The definition of fuel poverty is now more complex. The first thing that I want to clarify is that the definition is used along with the Scottish household survey and other statistics to come up with a national figure of the proportion of the population that is living in fuel poverty. We had the latest data yesterday.

To what extent could the definition be used when designing delivery programmes? As I understand the bill, the purpose of the definition is to provide headline statistics for the country. Would you agree that how Glasgow City Council, Argyll and Bute Council or any other authority goes about reducing fuel poverty—and deciding where to target its approach—is a separate question?

Dr Baker: Yes, I would.

Professor Hirsch: In itself, the definition could not be used in that way, because it is a heterogeneous problem: there are different drivers in different areas. The way in which the definition is designed and the incentives that that produces could influence the emphasis that is put on different interventions. For that reason, how you phrase your definition matters.

Andy Wightman: Dr Hirsch, you are critical of modelled data. What is the fundamental problem with that? Is it a problem regarding getting an accurate assessment of the proportion of people who live in fuel poverty, or is it a problem in relation to ensuring that the programmes that are designed to reduce fuel poverty are well designed?

Professor Hirsch: I am not quite sure what you meant when you said that I am "critical of modelled data."

Andy Wightman: I am sorry—I meant Dr Baker.

Dr Baker: The simple answer is both. It has become quite clear—particularly from our work, but also from the Scottish house condition survey stats—that there is a question about whether we need a remote rural adjustment in the definition. Is the condition of fuel poverty in rural areas and, in particular, remote rural areas significantly different from its condition in urban areas? It is very clear that the answer to that is yes. What we do about that is up to the committee and those working on the bill, but we—I think that Donald Hirsch would agree—have argued for a need for a rural adjustment, and the new SHCS stats show that the increase in fuel poverty over the past year has been proportionally higher in rural areas.

With regard to delivering the measures, we currently recommend measures for households based on a model, an assessment procedure and EPCs that, in many cases, particularly for traditional or remote rural properties in Scotland, are inaccurate. The further the deviation from a standard new-build two-bedroom or three-bedroom semi, the more inaccurate the predictions or model results become. Sometimes, there will be higher than expected savings and, sometimes, the savings will be significantly lower than expected, potentially with orders of magnitude of difference. Much greater accuracy is needed in order not to have negative consequences, so that you can drive better energy efficiency behaviours and, at the same time, know that if you say that people are going to get X amount of savings, the savings will be delivered.

Andy Wightman: Professor Hirsch, thank you for your evidence on the minimum income standard, which was short and concise. You are

currently responsible for producing a minimum income standard for the whole of the United Kingdom, with a London weighting. Geographically, that is all that you do, which is a big job. Do you just produce two measures or are there any others?

Professor Hirsch: First, I should declare an interest, as this debate will be about whether there should be a remote rural measure—

Andy Wightman: We will come on to that in a minute.

Professor Hirsch: I should just say at the outset that, in so far as that measure comes into it, we might have an interest, as we might be asked to calculate part of it.

We now regularly do the UK version, which, as the bill is drafted, is the version from which the Scottish Government would regularly take data. It would not require any extra work from us, although we have been in touch with the Scottish Government about how that data would be mined. We regularly do a London version, and in 2013, we did a remote rural Scotland version of it, which had some updating in 2016.

The calculations in the independent review panel's proposed measure used a crude estimate that was based on the work that we have already done on remote rural Scotland. The panel used that to come up with its estimates of what the results would be if you had that element. The method is there, the work has been done and it could be regularly updated. The issue about whether any extra research would be required is about whether one updates something that has already been done in those areas.

Andy Wightman: That is helpful. Why did you do the remote rural Scotland version in 2013? Was that for the fuel poverty definition review panel? No, it did not exist then.

Professor Hirsch: No. Highlands and Island Enterprise, in partnership with quite a number of organisations, including local authorities in the area and other groups, such as the rural and islands housing association forum, funded us to do a study, not solely because of the fuel situation, but because of the perception that there are a range of additional costs in remote rural Scotland.

Andy Wightman: That was helpful.

In your submission, you say that you can see

"no conclusive argument against taking up the expert panel's recommendation"

to produce a remote rural variation. The minister has told us that that is not necessary and would be quite expensive.

Professor Hirsch: I saw the note that the Government provided and I have talked to the Government. As to whether it would be quite expensive to produce a remote rural variation, I can only tell the committee what it would cost us to do. It would involve making sure—not every year, but on a regular cycle—that the estimate of additional, non-fuel costs in the areas concerned kept in touch with reality and that, when a premium was applied to the UK MIS, that was adjusted whenever the UK MIS changed, because the starting point would be different. There are light-touch ways of doing that—it could be done in more or less detail, depending on how many areas were looked at. Some additional qualitative research of the kind that we did, which involved talking to people in those areas about the extra costs, would be required, as well as some regular, fairly routine updating of prices.

My broad estimate is that, if we were to do it, it would cost between £50,000 and £100,000 a year. I do not know why the Government has said that it would cost £0.5 million over four years rather than five—in our view, that would be a maximum. Is that a lot of money? I read that the Government spends around £100 million addressing fuel poverty, and £50,000 to £100,000 is not very much in comparison with that. I reckon that the Government spends about £2 million on the Scottish house condition survey. If you want to make sure that you target things properly, you need to spend a small amount on gathering knowledge. I do not believe that the amount involved would be large.

The other suggestion is that a remote rural variation would not make much difference. The independent review panel estimated that in remote rural Scotland, according to its measure, which included the adjustment that we are discussing, the fuel poverty rate would be 40 per cent. The Scottish Government's technical annex estimates the fuel poverty rate in those areas as being 28 per cent. I do not think that that is a negligible difference.

There are all sorts of technicalities to do with how those measures are compared, but the underlying point is that if, as our evidence suggested, it can cost 25 to 40 per cent more to live in such an area, why would having a threshold that was that much higher not make a difference to the number of people who we say are in fuel poverty? A large percentage of the population would be in the band between those two thresholds, so I am a bit confused by the notion that having a higher threshold would not make a difference. It is true that there are some people who are on pretty decent incomes who spend more than 10 per cent of their income on fuel, and I strongly agree that those people should not be considered to be in fuel poverty. Just because

someone spends a certain percentage of their income on fuel, that does not mean that they do not have enough left to cover their expenses.

The important thing to consider, which is why I think that there is a case for a remote rural variation, is that in the areas where fuel costs are high, so are other costs. In the past, it has been said that fuel poverty is a problem because people spend a lot on fuel. In asking how much people have left after their expenditure on fuel and whether that is adequate, it is extremely important to take into account those additional costs, because that is part of what is making things difficult for those households.

We have done work in different areas. We did a project in rural England, and we found that there were some differences in costs, but they were quite small. People can still get to the main supermarkets, they do not have to travel vast distances to get to work and they do not need to pay for extra delivery charges. That is not always the case in remote and rural Scotland. From the research that we have done, Scotland is unique in the UK in producing those extra costs. London produces extra costs, but a lot of them relate to housing, and the measure takes account of that. However, in Scotland there are extra costs across the board. We found that Scotland was the only part of the UK that was really different from our main urban model.

10:30

Andy Wightman: That is helpful. Is there a case for having a Scottish MIS, or is the distinction between Scotland and England much less important than the remote point?

Professor Hirsch: That issue has come up. For that reason, in our routine work this year, we made sure that we did some of our research in Scotland as well as in England, in order to see whether our hypothesis, which was based partly on earlier work, was valid. We thought that most parts of the UK, particularly urban parts, were pretty much the same in terms of how people define minimum costs. We looked at pricing at national chain stores and so on, which would be accessible to somebody in Falkirk but not to somebody in Stornoway. When we did that research, it was striking that we found that there was pretty close to zero difference.

On the living wage, which is also based on our research, I am aware that there is a standard that people have been applying across the UK. It would be very confusing to start dividing that up. Of course, the living wage is used a lot in Scotland. If we felt that we had not looked at the issues in Scotland or that the situation in Scotland was very different because people do things differently and have different ideas about living standards, it would be really important not to just have some kind of English version. However, as I said, we have now done work across the UK that suggests that that is not the case.

Andy Wightman: As I understand it, the data that we have on rates of fuel poverty is gathered nationwide through the Scottish household survey and other statistics, and it is then broken down by local authority and published. On the assumption that we were to agree that we need a remote rural variation—I know that we are still to take a view on that—would it be better to present the statistics based on the six-fold urban rural classification than those based on the administrative boundaries of local authorities?

Professor Hirsch: It would be good to do both. Particularly if you are trying to develop strategies, using the six-fold classification is really helpful, because it talks about area types, which are likely to have some commonalities in terms of approaches. A lot of local authorities are mainly within one of the six-fold classification categories.

I want to raise an issue that has come to my attention since I wrote my submission, having reflected on some of the things that have been said. The six-fold classification has two categories that we think, from our research, have significantly higher costs. One category—category 6—is called remote rural, which is remote and rural settlements with a population of fewer than 3,000 people and which are more than half an hour's drive from a larger town. The other is category 4—remote small towns—which is settlements of between 3,000 and 10,000 people and which are also at least half an hour's drive from a larger place.

In fact, what we called remote rural Scotland included towns such as Thurso, Stornoway and Lerwick. I suspect that the review panel's initial calculations looked only at category 6, but I would submit that there is just as much of a case for including category 4. It is all part of the same work, and we have made the calculations in that respect. Whether a person lives in Thurso or in a village outside it, most of the same costs apply, because those who live in the town still have to travel quite far to get to work or have no access to a supermarket and therefore have to pay higher prices. Indeed, in the case of the islands, for someone who lives in, say, Lerwick, there are large delivery charges and a lot of goods cost more.

I mention that caveat, because if the legislation were to be amended to include the term "remote rural", it could be interpreted literally as covering only category 6, which has that label. As for what would be advisable and logical in that respect, I think that the legislation should cover both

category 4, which is remote small towns, and category 6, which is remote rural areas.

Andy Wightman: Thank you. That was extremely helpful.

I will conclude with a couple of brief questions. Dr Baker, you mention in your submission an expert workshop held in Glasgow in August 2017, at which there was consensus with regard to postponing the new definition for two or three years. Is there a written record of that workshop that you can provide?

Dr Baker: I do not have a written record, but it was organised by, I think, the communities analytical services division of the Scottish Government, and I would expect it to have such a record. The expert panel had a presentation, and the workshop itself was made up largely of academics. One of the stakeholder organisations was represented by someone from its delivery body, but they contributed very little.

The consensus in that room was overwhelming. Even the chair of the panel of civil servants said, "I am amazed that I've got you lot in this room, and you're all agreeing with what the panel's saying." I totally endorse the findings of the panel's report, which was excellent; I just wish that the Scottish Government had taken more cognisance of it.

I know that Professor Donald Hirsch cannot comment on the value of his work, because he might be contracting for it, but as far as I am concerned, if it is a question of giving him £100,000 a year to do some work on rural areas—and we have already accepted that we do not have any evaluation of the savings that can be made from general practitioner visits and so on in those areas—and if that cost-benefit analysis comes out in favour of savings to the economy, it is an easy win. If £100,000 of work a year saves £200,000 across the Highlands and Islands, I say, "Give the man his money."

Andy Wightman: That was a helpful endorsement.

The Convener: I hope that you do not think that your job is to act as Professor Hirsch's agent. [*Laughter.*]

Dr Baker: I am not taking any money out of this.

Andy Wightman: Finally, Dr Baker, you say in your submission that you

"have consistently criticised the Scottish Government for involving delivery bodies in the design of energy efficiency and fuel poverty schemes".

Again, that is strictly outwith the bill's remit; it says nothing about who should do that. We will come on to questions about the strategy, scrutiny, monitoring and so on, but can you tell us briefly why you think that that is a bad idea and whether, to date, it has had adverse consequences?

Dr Baker: I should say first of all that I was the lead author of the review of the Scottish Government's energy assistance package. That report was heavily debated—shall we say?—and I argue that some of its more controversial findings were redacted, although they have been revisited in later work.

At the moment, there are organisations such as Energy Saving Trust and Warmworks Scotland, which is a collaboration between the trust, Changeworks and Everwarm. The trust delivers home energy Scotland, the national home energy helpline and online service, which does its job in improving energy efficiency in certain groups of households—although we argue that that is rather small—and it also manages and delivers the home energy efficiency database, which contains modelled data. We should not forget that although EST and Changeworks are not-for-profit organisations, they are still a step away from being public bodies. Having worked for a not-for-profit company before, I know that a company being not for profit does not mean that it is not trying to increase its internal financial capital to sustain itself in the long term.

Obviously, any organisation that delivers a service is going to lobby for more money—

Andy Wightman: You were making a general point that there are vested interests at stake and that we have to be alert to them.

Dr Baker: Absolutely.

Andy Wightman: That is fine—there is no difference on that. Have there been any adverse consequences of paying heed too closely to the advice of such bodies?

Dr Baker: Yes. There are two main adverse consequences. First, we have technical solutions, and the policy around that is driven by model data. I do not have a vested interest in promoting real data—it does not cost me anything. I may or may not be contracting in the future, but the work that we have already done has been totally independent. It costs money to develop and maintain a model. It also costs money to develop and maintain databases of real data, but that is largely done by local authorities and housing associations as part of their work anyway.

Secondly, there is significant investment in home energy Scotland, which amounts to about two thirds of the overall budget. We are not saying that home energy Scotland should go away—it delivers a service and useful advice to those who can access information by phone and online. However, that is not a large number of the fuel-poor householders. We are about to publish a new

paper that shows exactly that point. There are barriers: people do not like talking over the phone and they have difficulty understanding complex problems over the phone. In many cases, all that is needed is for someone to show people how to use their heating system properly and that cannot be done over the phone. So why is there a significant bias in funding towards a body that does it over the phone and online?

I should note that the EST and Changeworks carry out home visits, but the vast majority of the work is done by local authorities, housing associations and charities. The way in which we tackle fuel poverty on the ground is very much in line with what we have been saying. When I have been presenting our work, people have come up to me and said, "That is what we do in practice." That may be so, but that is not what policy is driving.

Kenneth Gibson: I want to ask about the urban and rural classifications. Do you think that they need to be more flexible? You talked about Lerwick, Stornoway and Thurso, for example. I represent two major island communities of about 6,000 people in total. Do you think that all Scotland's islands need to be included in any MIS remote rural classification?

Professor Hirsch: That is a very important question and one that I have been reflecting on. The original work tried to give a qualitative description of different areas of Scotland. It was very important to say, for example, that someone on the Mainland of Shetland does not face such high costs as someone who lives on another island and who has to take a ferry to work. There are a lot of subtleties like that. We specified four main area types and then 10 other kinds. That complexity makes such research potentially quite expensive, although not in the order of the money that is being spent on the problem.

If our main objective is to measure fuel poverty in general terms and to see whether it is higher in certain regions of Scotland, it becomes less important for every case to be accurately measured against the exact area that it is in. Indeed, the review panel took an average and applied that. When we are considering numbers in remote rural Scotland, they will get smaller and smaller the more remote you get, because there are fewer people living there. It is very important to make those distinctions if we want to understand and address the problems of particular areas, but we do not need that fine-grained detail if we are just trying to see which way things are going and discover the overall number of people in remote rural Scotland who are in fuel poverty.

There is an issue about islands and particularly whether to include the nearer islands, which one would have to consider. There is a starting point, which is the figures that we produced in 2013 and the percentage extra that it costs to live in certain areas. It is wrong to argue that one could not make a calculation right away, because that could be the starting point. However, to update and refine it there would have to be a one-off exercise to examine which specific areas would count, because one would need to know whether to count every person in the survey. The simple way to do that would be by using the sixfold classifications. That might be a good enough. However, there are arguments for including, excluding or adapting certain areas, too.

Kenneth Gibson: Yes. On the mainland, you can argue till the cows come home about what is remote, how big a remote settlement is and what is rural—there are classifications for that already—but an island is an island. Less than 2 per cent of Scotland's population live on islands and incomes there generally tend to be lower and costs tend to be higher. If we go down the road of a minimum income standard for remote and rural areas, I would have thought that all Scotland's islands would be included, unless you go to the nth degree in examining every single island to determine which islands have higher—

10:45

Professor Hirsch: I think that I am right in saying that they would all be in category 4 or 6, because they are all at least half an hour away from towns of more than 10,000 people. They would be covered in that classification.

Kenneth Gibson: Good. There will clearly be more difference between any island in Scotland and the mainland than between Glasgow and Liverpool or Bristol.

Professor Hirsch: In that respect, the initial estimate was crude. It was a starting point that just took an average for the whole of remote and rural areas and set a percentage uplift. You would want to be more nuanced than that. You would want to have at least one category for islands, one for the Highlands and maybe one for remote southern Scotland. Those could be the three main categories. I very much agree with you that islands are different in type for many reasons such as costs.

Dr Baker: I agree. Given the changes that climate change could bring about over the next 20 to 40 years, let us be aware that a very rural settlement could become isolated because of rises in sea level. I am thinking in particular of Dumfries and Galloway and the south-west coast.

On the question of what is an island, as part of our work we reclassified Skye as a rural area because there is a bridge there. The work that we were doing was looking at fuel coming over the

bridge—biomass. You have to be careful about what is within the bounds of what it is reasonable to do with policy at the moment. However, I broadly agree with everything that Donald Hirsch said.

Kenneth Gibson: You are right to hit on Galloway, because people sometimes forget that there are places in Ayrshire, Galloway and the Borders that are remote and rural, too—remote and rural areas are not just in the Highlands and Islands.

Alexander Stewart (Mid Scotland and Fife) (Con): Good morning, gentlemen. I want to ask about how energy performance certificates have featured. They have been quite prominent in the draft fuel poverty strategy and in the "Energy Efficient Scotland" route map. The Scottish Government believes in the certificates and has given them validity because it sees them as an opportunity to measure and provide efficiency within homes. Dr Baker, you have been quite critical of that process. Will you expand on how you see it?

Dr Baker: I will give you a bit of technical policy background. EPCs have been required by the European Union since August 2007. How they are produced is covered under the energy performance of buildings directive. A couple of years ago, Scotland had a choice as to which method and model it would use. There was a consultation on that, to which we responded.

EPCs are generated using a standard assessment procedure, which uses the Buildings Research Establishment domestic energy model 12—I forget the exact sub-version of it, so one of my colleagues watching this probably wants to kick me.

Even though BREDEM has improved over the years, that improvement has been incremental. It was never useful for Scotland in the first place. The original empirical work on the model was done on about 30 semi-detached two-bedroom or three-bedroom properties in Milton Keynes. The further you deviate from standard building archetypes, by which I largely mean standard English building archetypes, the more inaccurate those assessments get—the assessments are of how much energy a building is using and how much it will or will not save under any intervention. The inaccuracies are significant in Scotland; they are exacerbated by traditional build, old build, non-standard building types and the fact that not as much work was done on Scottish properties. By the time you get to an old farmhouse somewhere outside Inverness, you can throw the thing out the window—you genuinely do not know.

It is not just me who is saying that. For years and years, building scientists have said that we can use the models but there are limitations. At this stage, we certainly would not recommend the use of EPCs as a policy driver in the way they are currently being used. The paper that I mention in my written submission is embargoed for the time being, but I will ensure that the committee gets a copy of it when it comes out on 18 December. We have looked at the issue and said that, under the guidance, the EPBD encourages more use of real data. For example, an EPC could state that the building was occupied by a young family household for the last three years and what the average energy consumption was. As a broad assessment, that is the sort of measure that we might recommend.

For a lot of measures, such as installing renewable energy technology, somebody would have to go back in to do a site assessment anyway, so why are we putting it into the EPC that that would give X amount of savings? There should be quite a broad range and it should say that, by the way, somebody needs to come back and have a look.

We can do this. Obviously, with smart technologies coming in, we will be able to get a much better handle on the issue. I am quite critical of the smart meter programme, but smart technology in general is great as a means of getting real and accurate data back to the suppliers and the Government. We are entering a stage when more and more data will come online. We will even be able to get hold of things such as internal temperature data. However, there is a danger that those technologies will benefit the middle class and those who can afford them and who are aware of them first. We need to ensure that good technology gets into homes, and by good, I do not mean the smart meters that are being rolled out at the moment; I mean Google kit or kit developed by proper data managers. I will not recommend any particular technology, but something such as Nest will be better than the subsidised equipment that people can get at the moment.

New York is now subsidising better technologies for households. We could do that for those who need those technologies. The cost would not be substantial, and we would get better data to produce EPCs. Given that the bill looks towards 2040, that could be phased in—there is no reason why we must have everything in place tomorrow. If we know that smart kit is coming online more, we can make more and better use of it.

We do not make enough use of the energy data that local authorities already collect or the household data that housing associations collect, or of the organisations that have the data protection clearance to manage that information. We could start using fairly sensitive information

such as health information. We need to consider how we can link in the NHS. We will be proposing—I forget whether it is in the paper that I mentioned or another one—a national energy service along the lines of the NHS. That would be a public energy service that would have the authority to collate and maintain data in a secure environment. That is critical, because the last thing that we want is personal health data being hacked. It has to be behind the sort of public firewall that local authorities and the Government sit behind.

Alexander Stewart: That detail is vital and, as you said, it is being used much better in some locations. Some local authorities are doing that much better than others. There is not consistency across the piece, which is where the difficulty comes, because we are not comparing like with like. Organisations are putting in measures to support households, but it may be validated using data that is not correct, which means that people do not get the best opportunity to manage energy efficiency in their house. What more do we need to do to ensure that people get that opportunity?

Dr Baker: We have developed a study on that although, admittedly, it used data from housing associations and local authorities that were using the data better in the first place. I would defer to my colleague Ron Mould, who now works for the City of Edinburgh Council, on how we do that better, but we need to take the best examples. We need to provide support and get the local authorities together.

Alexander Stewart: So it is about using best practice.

Dr Baker: Yes, and the Scottish Government has to lead on that. It needs to work with the local authorities and housing associations to put in place a data collection framework or some sort of common framework. We have shown that we can do it cost effectively and, give or take a little, at the same cost as the SHCS, so why are we not doing it? That gets back to the question of vested interests.

Graham Simpson: I have a follow-up question on EPCs. Is it possible to develop a Scottish EPC rather than use the UK-wide model?

Dr Baker: Yes, and it is totally within the Scottish Government's powers to do that. However, the model that we are proposing could actually apply to England and Wales anyway. Nothing in my head says that there is a specific need for Scottish EPCs. There is a need in relation to the models that underlie EPCs, if we are going to continue to use them, although we will argue that, with the exception of new build for the first year or two, we probably do not need modelling at all.

There is a question about whether to spend vast amounts of money on producing a Scottish building model. That would be exorbitantly costly, so why bother? Why do we not just take a step back, look at the requirements of the EPBD and how we can use more of that real data as part of meeting them? We have looked at the EPBD and found that not only does it allow for that, it actually encourages it in the guidance. There is quite a broad scope as to what can be done, and all of it is totally within the Scottish Government's devolved powers.

I think that that is a yes. We could go a different way and it might be great.

Graham Simpson: I think that it is a yes. If we accept that EPCs are not fit for purpose, we could do something better here.

Dr Baker: We could have an EPC that is different in Scotland.

Graham Simpson: So that is a yes.

Dr Baker: Yes—definitely.

The Convener: I am glad that we clarified that.

Thank you very much for coming and for contributing to our scrutiny of the bill. I suspend the meeting briefly to allow the witnesses to change over.

10:56

Meeting suspended.

11:00

On resuming—

The Convener: For our second panel, I welcome Liz Marquis, who is the director of the Energy Agency; Lawrie Morgan-Klein, who is the public affairs officer with StepChange Debt Charity Scotland; and, from Argyll and Bute Council housing service, Alasdair Calder, who is its home energy efficiency officer, and Bill Halliday, who is the team lead for housing operations. I thank you all for your submissions. We will go straight to questions from members. Andy, do you want to go first?

Andy Wightman: I was not planning to, convener, but I am happy to go first.

Kenneth Gibson: I will go first if you like.

Andy Wightman: That is okay.

The fuel poverty bill contains a new target, a new definition, a strategy and reporting provisions. Is the new definition better than the old one and will it ultimately deliver better outcomes in the programmes that we design to reduce fuel poverty?

Alasdair Calder (Argyll and Bute Council): The new fuel poverty definition will be a lot more complicated to convey to householders. It will be a lot more difficult for front-line advisers to provide that test of fuel poverty in their line of work.

The new definition has the benefit that householders who have a large income and high energy costs will no longer be seen as fuel poor. That is a positive. However, there are definite issues in relation to the rural factor and other elements that are not addressed in the new definition. That is a massive concern for us.

Andy Wightman: Before others come in, I will just pick up on that response. You say in your submission:

"the new definition is extremely difficult to explain to householders",

which

"will make it difficult for advisors on the front line."

You have just made that point again. However, to pursue my line of questioning in previous sessions, my understanding is that the new definition is not designed for front-line advisers, for speaking to people on the doorstep or for engaging people in a local authority area; it is designed to give us a national figure for the percentage of people living in fuel poverty.

Alasdair Calder: In delivering programmes, we will still have to use the definition to establish who is fuel poor and who is not.

Andy Wightman: Do you do that at the moment with the current definition?

Alasdair Calder: For our home energy efficiency programmes for Scotland area-based schemes—HEEPS ABS—we currently use a proxy of council tax bands A to C and, for rural and island areas, we use EPC band E and below.

Andy Wightman: Will you continue to use a proxy with the new definition?

Alasdair Calder: That will depend on whether we can make any real improvement in targeting of fuel-poor households but, for the time being, we will continue to use the proxy.

Andy Wightman: If, under the current definition, which is relatively straightforward, you are using proxies to design programmes, under a more complex definition, it is hard to see how you would—

Alasdair Calder: We are using the proxy of council tax bands A to C under Scottish Government guidance.

Andy Wightman: I understand that. That is helpful.

Would other panel members like to comment on the original question?

Liz Marquis (Energy Agency): In principle, it is a good idea to redefine the fuel poor, but I concur with what Norrie Kerr said at the 21 November committee meeting, which was that the definition has been redesigned several times in the past 10 years and, every time that happens, the number of people defined as being in fuel poverty goes down. In some ways, it is good to have a new definition, and it takes out some people who live in larger homes, but we need to keep in mind that there are still huge numbers of people in fuel poverty.

One of the schemes that we run in Dumfries and Galloway is a fuel poverty assistance scheme. We use a proxy, but it is very easy to use a proxy when we can explain the way that the Scottish Government defines fuel poverty. The more complications there are, the more difficult it will become to explain to the public why one person is able to get a new boiler—or external wall insulation, which is even more obvious—and their next-door neighbour cannot, because they are not included in the definition.

It is also important to remember that there are still a lot of people in extreme fuel poverty. We must not lose sight of that in the definition.

Andy Wightman: You say that it would be difficult to explain what is happening in that situation but, at the moment, you are not using the existing definition. The question of who gets and does not get support is determined by the guidance and the Scottish Government, is it not? Will the new definition change that fundamentally?

Liz Marquis: Under the area-based schemes and the energy efficient Scotland schemes, we use the proxy. However, we have another scheme in Dumfries and Galloway, which I would like to talk about later, which is specifically designed to be almost an emergency help system—it was set up under a fuel poverty banner by the council. In relation to that scheme, it is easy to use the current definition and just say that, if someone uses more than 10 per cent of their income on their fuel bills, we can help them.

Andy Wightman: So you are using the actual definition directly and deliberately.

Liz Marquis: Yes, and the process is quick and easy.

Lawrie Morgan-Klein (StepChange Debt Charity): We have a concern about the arbitrary nature of a definition—these things are always like that. We sampled around 2,000 or 2,200 of our clients in the G prefix postcode areas and found that, of the 465 clients who did not meet the new definition, about 83 were marginally outside it,

which means that they were spending between 9 per cent and 10 per cent of their adjusted net income on their fuel costs. They were definitely in financial distress and were almost certainly rationing energy and suffering the ill effects of fuel poverty. It seems to be a bit self-defeating to define fuel poverty in a way that misses out people who are in such situations.

We are also concerned about how arrears are reckoned in the definition. For example, one client in our sample who did not meet the definition had £5,000 of energy arrears. Hopefully, their solution involved spending a sufficient amount to cover their on-going fuel costs, but I would be surprised if they were not managing that below what was a comfortable level in order to pay off their arrears.

The other issue concerns a situation in which somebody is making a token payment towards their arrears—say, £1 a month—rather than paying a higher level along with their existing heating. That might disguise the full extent of their arrears.

Andy Wightman: You provide some good examples of relevant situations, but I come back to the fact that the definition of fuel poverty in the bill is to enable the Government to arrive at a national picture of the proportion of people living in fuel poverty. That means that examples concerning people who are in arrears or who live on an island that now has fewer ferry services are neither here nor there, because those circumstances cannot be captured by the definition.

Are you saying that it is important to design the delivery programmes to ensure that we are not too rigid about who gets support?

Lawrie Morgan-Klein: There is an element of trying to ensure that the system is not too rigid. However, also, a national picture should surely not be blurry. I do not think that the intention of establishing a national picture can be to miss out people who are experiencing fuel poverty.

Andy Wightman: You make a good point about arrears. Of course, in any sampling—what we are talking about is derived from a sample—arrears would be a small factor. However, I absolutely take the point that people who are in arrears might not be considered to be in fuel poverty according to the definition, which means that there are questions to be asked about that.

I have a question about raising the vulnerability threshold in the definition from 60 to 75. Is that a good idea?

Bill Halliday (Argyll and Bute Council): It is not a particularly good idea. I am not sure how susceptibility to the ill effects of cold depends simply on age—it is more complicated than that. Issues of health and poverty are involved, too, and age is also a factor. Older people tend to be at home more and need higher heating regimes. The bill will define people who need a higher heating regime. To an extent, if they need a higher heating regime, that suggests that they are vulnerable to the ill effects of cold. That should be the vulnerability factor, rather than just age. Also, 75 seems to be slightly high, in terms of age. Between the ages of 60 and 75, a person's health can go one way or the other, and 75 is too arbitrary and too high.

The Convener: You seem to be suggesting that the issue lies not with the rise in the age, but in the use of age in the definition. Would you just remove age all together?

Bill Halliday: If someone is vulnerable to cold and the ill effects of cold—

The Convener: That is already dealt with later on, is it not?

Bill Halliday: Yes. It depends on what vulnerability is going to be used for. If it is to be a passport to schemes and benefits, using age is too imprecise, because people who are susceptible to the ill effects of cold will be missed out. It needs to be far broader than just age.

Andy Wightman: Again, some of that relates to how one designs the implementation of schemes and targets resources.

Finally, I have a general question. Is it your view that, were the bill to be enacted, we would be able to spend the proposed hundreds of millions of pounds on reducing fuel poverty more efficiently? Alternatively, would it make very little difference to any current inefficiencies in spending that might exist?

Bill Halliday: Alasdair Calder referred to that earlier. If you are trying to identify people who are in fuel poverty in order to help them, such as a Mr and Mrs Smith who live at 21 High Street, the best way to do that is for Mr and Mrs Smith to recognise that they are in fuel poverty and to contact the relevant authorities to ask for help, rather than the authorities having to seek people out. The more complicated the definition is, the less likely it is that people will recognise themselves as being in fuel poverty and will then seek the help that we want to give them to get them out of it.

Liz Marquis: There will always be people moving in and out of fuel poverty, so it is important that we address the properties. If we can get the property improvement levels up, in the long term, we will reduce fuel poverty. However, there is a difficulty if you target the individual. You will improve a property for the long term, but we have to recognise there will always be people who move in and out of fuel poverty through personal

circumstances or health. At the moment, a lot of schemes target the property but use the proxy system for those in poverty, but there are also the national schemes, which are more focused on the humans. Trying to get those two approaches to match is difficult when we are working on the ground. It is much cheaper to do whole areas, because the measures can be taken at a price that is much better value, whereas it is much more expensive to do individual properties all over the place.

Therefore, we need the mix of targeting properties and targeting people. We have that at the moment, and I encourage the retention of that, rather than going entirely for the human end and not focusing on the properties.

Graham Simpson: My question follows on from that. I do not know whether the witnesses were here for the earlier session, but there was quite a bit of questioning of Dr Baker and his at-times somewhat confusing views on a fabric-first approach. Is it worth having a fabric-first approach, which means dealing with the property and making it more energy efficient?

Liz Marquis: I would say absolutely definitely that we should do the property. We were here in time to hear the discussion of energy performance certificates. I have more faith in those, but we might get on to that later.

11:15

Lawrie Morgan-Klein: We deal with our clients in a different way, because our experience with them is when they are in a problem-debt situation, which can be an acute crisis and can often involve a lot of different agencies in supporting someone. From our perspective, there should perhaps be more of a folk-first approach, but the two should not be mutually exclusive.

We want to get someone on to a firm financial footing and get in place a payment arrangement for their arrears. To stop arrears accruing in the future, it might be necessary to deal with the fabric, even though we have to look at income maximisation and welfare advice for that person.

It is probably a bit of both, but we lean more towards looking at somebody's individual circumstances and how support can be best provided to them.

Alasdair Calder: I echo what Liz Marquis said. We should be looking at properties as a whole, and considering not just energy efficiency but property maintenance and repairs, too.

Kenneth Gibson: We ran out of time with the previous panel, but I want to put one or two points to this panel.

The issue of fabric or folk is crucial and I take on board that we really have to do both. We want to improve the house and, at the same time, give advice to people on maximising their income and changing behaviour to use their heating efficiently.

I noticed some interesting information in Liz Marquis's submission. You said:

"Alongside anecdotal reports of improvements to existing health conditions, such as COPD and asthma, and reports of improved mood following insulation, pre- and post-health questionnaires have also indicated increases in both physical and mental health scores for those who also perceived their home to be much warmer following ... insulation".

You went on to say that

"94% agreed the appearance of their home had been improved",

that there were

"Average fuel bill savings of around £250 per year",

which is equivalent to 23 per cent, and that the

"Fuel poverty rate was 45% pre-insulation and had fallen to 27% postinsulation".

There is still an issue after insulation, but it is improved.

Basically, you refute what Dr Baker said about a rebound effect. He was trying to say that people get their house insulated but then just put all the radiators on, so they are no better off. You are smiling, so I take it that you do not agree with that viewpoint.

Liz Marquis: It depends on the property—

Kenneth Gibson: And the individual.

Liz Marquis: Yes, and the individual. The health studies that we are working on are on the back of the area-based schemes, where the properties tend to be difficult to heat in the first place. They are suitable for external wall insulation, which means that the heat escapes really quickly out of the external fabric of the house, and they are area based, so a lot are being done in one area. People are very positive about how much their area is improved, which affects their mental health. For example, they are happy for people to drop them off because they are proud of where they live, whereas, before, they did not want people to know where they lived.

I think that you quoted the part of the submission that said that 94 per cent of respondents agreed that the overall condition of their home had been improved. The few people who are not positive about it tend to be those where only part of the property has been done, or who are in an area where an area-based approach has not been used. That happens more in Dumfries and Galloway because of the nature of

the schemes there, which are mostly individual homes. That is why not everybody is convinced.

There are several case studies on the back of a report, which I can send round afterwards. In some, there was a reduction in gas consumption of 60 per cent and, in others, it was 40 per cent. That highlights that people are varied and live at such different temperatures. For example, there was the elderly retired lady on her own living at an average temperature of 14.7°C over a three-week period. All our temperature and humidity measurements are done over three weeks. The graphs show a week only, because it gets too complicated, but they are extrapolated from the three-week graph. Once that lady's external wall insulation was done, she was living at 15.7°C, and she thought that she had won a watch because she found it so hot. Probably, most of us have living rooms that are 21°C so we would find that really cold, but she thought that it was great and that her health had improved.

We are also looking at whether there is an impact on children's attainment levels. People have told us that, instead of everybody in a cold house living in one room, which at least is warm because everybody is in it—the dog, the telly, the food and the kids who are trying to do their homework—as soon as the house is insulated, they can use more rooms in a whole house. The children can then do their homework in a separate room, which must have a major impact.

With regard to the health benefits, people say that their arthritis improves and we see improvements in chronic obstructive pulmonary disease and mental health very quickly. More analysis is being completed by NHS Ayrshire and Arran on how much we can define the impact of health by taking out the other compounding factors. We are nervous about getting too involved in that, because taking money from a health budget and putting it into energy efficiency might be quite controversial, even if we save money by doing it. However, for the whole Scottish budget, it must have a major impact. We can perhaps also show the impact on children's attainment. We need to think of energy efficiency as a vital part of our fabric and the world that we live in. Nobody should live in really cold, damp homes.

The Convener: Your point about homework was interesting. I was previously the convener of the Education and Skills Committee, and one thing that came across time and again was that kids cannot do their homework so well because there is no place for them to go. Thank you for that.

Alex Rowley (Mid Scotland and Fife) (Lab): I will come in on the back of some of those issues. Earlier, people had a go at Dr Baker, but I know where he is coming from with regard to the folk-first approach.

I do not know whether our witnesses have seen the evidence from last week's committee meeting, when Kenny Gibson said that ever since he has been in Parliament, it has wanted to tackle fuel poverty—it has been a goal of the Scottish Parliament since it was established. We can get a bit down, thinking that we have not really succeeded. There is no doubt, however, that despite the doom and gloom, the reality is that since energy efficiency ratings were introduced, council and housing association housing has improved significantly.

Given that, my first question is this: do you think that we need to look at the issue sector by sector? For example, should we look at having energy efficiency standards for the private rented sector?

My second question is about the folk-first approach that Dr Baker spoke about. This week, I met a project in Fife called the cosy kingdom home energy advice service, which combines free home energy advice and debt advice. In order to tackle fuel poverty, does our strategy need to target more resources through such organisations? Cosy kingdom does home visits and goes out and speaks to people.

My third point is about damp houses, which people spoke about earlier. Individuals saying that their house is damp but the council calls it condensation comes up time and again. I had an email exchange this morning with a lady in Kelty who has a young child. She says that the wallpaper keeps coming off the walls because of the problem, but the council says that it is condensation. Cosy kingdom's advice is that when people hang wet towels over radiators in winter, the water seeps into the walls, so there is an issue about behaviour, as well.

If we are to succeed in tackling fuel poverty and not give up because energy prices will go up, what do we need to do? The Scottish Government's financial memorandum says that there is no new money. Do we finally need more money to go in? Has the strategy got to be from the ground, rather than central?

Liz Marquis: There was an awful lot in those questions. I will try to cover a few of the issues.

On the energy performance certificates, in our health study we have been looking at about 340 mixed properties across the whole of Ayrshire and Dumfries and Galloway. A 23 per cent energy saving was calculated from the annual fuel costs that were reported in the energy performance certificates. That study assumes the standard heating regime, so it is not actual savings—it is an average among the households. By comparison, for the properties that we have monitored, the average energy saving based on actual use is similar—it is 22 per cent. In the mixed-housing

area in which we have been working, the EPCs are remarkably good.

A large number of people also report a great reduction in condensation as a result of insulation. We do not specifically ask about it; we ask what the improvements have been. Previously, there has been a worry that making houses too airtight might cause an increase in condensation. However, even if external walls are done perfectly and windows are improved, a house is generally still not airtight: there will still be airflow.

The important point is that, as well as there being national schemes, schemes that can be delivered through local agencies should incorporate all the help and advice. The scheme that we are running in Dumfries and Galloway is very much designed around pulling together all the national and local schemes, so that the main benefit is to the householder. We should be looking at that as well as at the property. The money for the two-year programme comes from the council's tackling poverty strategy, and the intention is to make homes more energy efficient, to boost household incomes and to improve the quality and standard of living. A member of staff from the Energy Agency is based in Dumfries, and we work with all partners to deliver the programme as effectively as possible. We provide brilliant customer service that is centred on human beings.

We are now at the end of year 1 of the two-year period. There is £75,000 to spend per annum, and we have achieved 116 measures in 140 homes. Out of the 30 contractors that we have used so far, 28 have been based within a 20-mile radius of the households, which are in very rural Dumfries and Galloway.

The other key point is that, because we use local contractors, we ensure that we pay their bills quickly—they are paid within seven days of completion of work. We want those contractors to keep wanting to work with us on delivering the schemes. It is a question of everything being in the right category, and of believing that we should focus on the issue.

The average time for getting measures in place is about three weeks from first contact. In the most recent case, it took 14 days for a boiler to be replaced, but that involved someone who needed a mental health support worker with him, so planning the work took slightly longer. There are lots of really good schemes that deliver locally, especially in rural areas where people have to rely on smaller local organisations to do the work.

I am sorry—I will stop talking now.

Bill Halliday: Alex Rowley mentioned the private rented sector. The short answer is yes—we need standards in that sector. It is a difficult nut to crack. Some of my housing association colleagues have difficulties with tenement blocks with mixed ownership, in which there will be owner occupiers and private renters in beside registered social landlords' tenants, who have to meet the energy efficiency standard for social housing. There are landlords and owners who are not interested in doing such works.

We have had some success with housing association partners utilising the area-based money that is available to do external wall insulation, and Argyll and Bute Council still has a small amount from our private sector housing grant. We have done external fabric repairs to walls and roofs, which have been remarkably successful and have completely transformed properties in terms of their internal energy performance and their external appearance, but such projects are few and far between.

I agree that standards need to be set for the private rented sector. When someone is letting a property, the property should meet the repairing standard. It is up to the Scottish Government to determine what energy standard should come into the repairing standard, but a property should certainly meet a standard on energy performance before it is let to a tenant.

11:30

Alasdair Calder: On energy efficiency standards in general, we need to bear it in mind that in some rural areas it will be difficult to attain an appropriate EPC rating. We went to a property on the isle of Gigha that was EPC band G01: even after we had installed internal wall insulation, through the HEEPS ABS programme, the property's rating only went up to G19. That was after significant investment. Rural areas are really discounted, and we need to keep that in mind.

Liz Marquis talked about local delivery partners. Argyll and Bute Council has the Argyll and Bute energy efficiency forum, which brings together local energy agencies, energy trusts and folk who have an interest in fuel poverty, to share best practice and make best use of the resources that are available. I encourage other local authorities to look at what Argyll and Bute is doing.

Lawrie Morgan-Klein: I agree with the point about the private rented sector. In the sample of clients that we identified as meeting the definition, 29 per cent were renting privately—that proportion was marginally ahead of the proportion who were renting from housing associations. The lowest proportion was made up of people with mortgages or who owned their properties outright.

I met the cosy kingdom energy advice service at an event a few months ago: that team does really good work. There are great examples of

partnership working, which Liz Marquis talked about, to intervene on multiple different issues.

That takes me back to my point about how viewing the issue in terms of fabric versus folk is far too polarising. There are opportunities to do both. If, during a conversation with someone about improving their home, it emerges that the person has health issues, they can be signposted to an intervention that is much more comprehensive and, ultimately, more successful.

Alex Rowley: Government intervention on energy standards for council and social landlord housing has worked and been successful. There is policy at national level. However, the more I look at the issue and hear about work that your groups are doing, the more I think that we might need regional strategies that take account of variations across the country. For example, there are areas where we need to consider off-grid properties. Should we, if we are serious about reaching the targets, develop more regional strategies, as opposed to having a single strategy for Scotland?

Liz Marquis: We could do that to some extent, but I also appreciate the same standards applying across the board. There is no reason why someone who is in private rented accommodation should be living in a worse property than someone in social housing. The Dumfries and Galloway project is open to every type of housing occupation.

In the energy efficient Scotland programme's area-based schemes, we are not now able to help private landlords. In principle, I completely agree with that, but in practice it makes things really complicated and can prevent schemes from going ahead. Help for three householders in a block of four can be held up because we cannot help the one private landlord—and it is the people in those properties who are really badly off. I want the Scottish Government to be clear about building standards across the board, so that all domestic properties can be brought up to standard.

Alasdair Calder: I echo what Liz Marquis said about the private rented sector. Argyll and Bute has a high proportion of empty homes, and the only assistance for which they qualify is the equity loan that is currently available, which might not always be a feasible option. We encourage consideration of energy efficiency standards for empty homes and making grant assistance available for such homes.

The Convener: The Scottish Government has set a target of no more than 5 per cent of households being in fuel poverty by 2040, rather than having a zero per cent target. Is a target necessary and, if so, why?

It looks as if Liz Marquis will start the answers again.

Liz Marquis: I just have an expressive face when I am thinking.

A target focuses minds. We do not want to see anybody living in fuel poverty, but the reality—as we have discussed—is that people often slip into it because of personal circumstances, even when the house is not too bad.

I would like to say that we should have nobody in fuel poverty, but that is not a realistic option from where we are at the moment—especially not over the next 10 to 15 years. We need a target, but perhaps it should be no more than 2.5 per cent, rather than 5 per cent. If the target is to do what is practically possible, a 5 per cent target gives too much leeway and space.

Bill Halliday: I go along with that. The target should be that everybody lives in a warm and dry home that they can afford to heat properly. We need a target to focus the mind. With five-yearly reviews, we can adjust and adapt the target as we go along. We definitely need a target to aim for, and having everybody in warm and dry homes by 2040 is not overly ambitious.

Alasdair Calder: I would echo what Bill Halliday has said.

My only other comment would be that I am concerned that by 2040 the households in that 5 per cent fuel-poor households would be disproportionately in rural areas, given the amount that are off the gas grid and the nature of the housing stock.

There are also issues to do with houses being in conservation areas or being listed buildings, because energy efficiency improvements are generally more costly or difficult to implement in such cases.

The Convener: I am sure that my colleague Kenny Gibson will want to come on to that point shortly.

Lawrie Morgan-Klein: I agree about the 5 per cent. The worry is that all the easy stuff gets done and those who are in the most acute difficulty are left in the 5 per cent, with people saying that the target has been met successfully, so let's have a party.

StepChange's figures show that electricity arrears is the second-fastest growing debt type—such arrears have gone up by about 37 per cent between 2013 and 2017. Those arrears have also increased faster in Scotland. In 2013, 11 per cent of the clients whom we saw had electricity arrears; that has gone up to 15 per cent. Over the UK, the change has been far less steep—from 13 to 14 per cent. It is a growing problem in Scotland, so we welcome there being a target to tackle it. The timeline to 2040 feels distant, considering that we

have seen a 4 per cent increase in clients who are struggling with energy costs, so that is a concern.

The Convener: You say that you have concern about a 2040 target. Do you see the rationale behind it?

Lawrie Morgan-Klein: Obviously, we see that there is realism there. Such things take time, but with a 4 per cent increase in fuel poverty in five years, there is a danger that doing things at that pace will mean that all that we are doing is standing still.

The Convener: Does anyone else have a comment on either the 2040 target or the 5 per cent part of the target?

Liz Marquis: It seems a long way to 2040.

The Convener: It does when you are my age.

Liz Marquis: It would mean only a 1 per cent increase every year, which is not moving very fast.

The Convener: I suspect that Kenny Gibson will come in on that point.

Liz Marquis: My feeling is that the target date needs to be much sooner.

We welcome energy being part of the national infrastructure programme: that is brilliant. However, spending is really needed—spending to get properties warmer is preventative spend. In South Ayrshire and East Ayrshire, we are trying to ascertain whether, in areas where work has been done, there has been a reduction in the police having to follow up social issues. The research needs two or three years, but we think that there is probably a reduction in antisocial behaviour. When we look at the effects of energy efficiency spending on areas including health, education, social behaviour and the strength of communities and local businesses, we see that it makes sense to spend more money on energy efficiency in order to improve other aspects of our society.

The Convener: That was a good plug for getting more money for your sector.

Bill Halliday: We have to be careful. We had the Home Energy Conservation Act 1995, and then we had the 2016 target, which was missed by a long way. This will be a long and slow process, and we have to recognise that we will not achieve change overnight. We can step up improvements to energy efficiency in housing, but tackling fuel poverty and dealing with income levels and fuel costs will take a lot longer.

There is still resistance to switching to lower tariffs, and it will take a long time to change householders' attitudes. I am a little uncomfortable about bringing behaviour into the discussion, because there is a tendency to sound as though we are saying that people make themselves fuel poor, and I do not believe for a minute that anyone does that. However, there is no doubt that behavioural changes are required. That will take time and resources. I am talking about the old-fashioned resource of feet on the ground—people going out to talk to people and coach them through a process.

I tend to disagree with Liz Marquis about 2040. I do not think that it is very far away—although it might be in other ways.

The Convener: You are younger than me.

You mentioned fuel prices and income levels—two issues in which this Parliament does not have levers. That perhaps makes 2040 a more rational target, given that we cannot be sure what will happen and we might not have the ability to deal with whatever happens. Do you agree?

Bill Halliday: I tend to agree. However, with five-yearly reviews the target can be adjusted as we go along. No doubt, technological changes will improve what can be delivered and will have an impact. I do not know what is coming down the line. Something might create a step change such that Parliament would want to bring forward the target.

However, from where I am sitting today, I think that 2040 is realistic—I have to say "Sorry" to Liz Marquis. If the target is brought forward too far, we risk missing it, as we did in relation to the 1995 act and as happened with the 2016 target. For at least half the time between the setting of the target and 2016, people knew that the target would be missed. We were probably just waiting for that year to pass to find out what would come next.

Alex Rowley: Is there a danger that we are trying to tackle too much and that our approach is so broad that we will end up missing the lot? We talked about warm homes. Most people would not think it overambitious to plan to have watertight warm houses in Scotland. Should we be starting to break down what we are doing instead of combining the issues? I am told that there are 72 suppliers out there, although I think that a couple went bust last week. Is that a separate issue? We cannot control energy prices—we do not have the power to do that—but, surely, it is not too ambitious to say that everyone in Scotland should have a warm watertight house with a heating facility. Is it too ambitious to say that?

Bill Halliday: In some ways, no, but in other ways, yes. We know from the HECA experience and the fact that the 2016 target was not met that it is ambitious and difficult to achieve. Wearing another of my hats, I add that it is proving quite difficult in Scotland to have houses—particularly tenement houses—that are dry and not unstable, never mind anything else. The condition of a lot of our housing stock is quite poor.

11:45

Liz Marquis: I would be careful about limiting the approach any further. One of our worries about the bill is that it has been narrowed. Previously, it was a warm homes bill, but it has become a fuel poverty bill. We are keen for it to be as wide as possible so that we can target properties of all types through it.

The Convener: Do you accept that it will work in tandem with other legislation that goes through the Parliament?

Liz Marquis: Yes.

Kenneth Gibson: My understanding is that it is one of three bills. We also have the Climate Change (Emissions Reduction Targets) (Scotland) Bill, and a warm homes bill will be introduced in the current session of Parliament. They will tackle all the issues and will complement one another.

On the point about ambition, I think that, at a time of stagnant wages, political uncertainty with Brexit and fuel prices rising by more than inflation, to try to reduce the number of households in fuel poverty by a net 23,000 a year for 20 consecutive years is ambitious. It does not represent a 1 per cent annual decrease; from 600,000 to 140,000 is more like a 4 per cent annual decrease, which I think is ambitious.

I want to ask you about rurality, which has been mentioned a couple of times. Argyll and Bute Council's submission is quite hard hitting. It is a really good submission. It says:

"given that this is a blanket target which is Scotland wide; there is the potential that householders in remote and rural areas will be disproportionately represented in the residual 5%".

You have touched on that issue. You go on to say:

"Despite the known additional costs associated with remote and rural areas, there is still no allowance for this in the fuel poverty bill".

What measures should be implemented to ensure that we do not have the situation that Mr Morgan-Klein mentioned, whereby the low-hanging fruit are dealt with first in order to meet targets and we end up with the people in the deepest fuel poverty and the most difficult hard-to-heat houses being left to the end of the process?

Alasdair Calder: I think I mentioned that the rural factor is not really addressed in the bill. Using the MIS, which is a UK-based approach, does not really make sense for us. We could look at developing a Scottish minimum income standard with a rural element. Alternatively, if the way forward is to continue to use the UK-wide MIS, I suggest that we consider having, instead of a 90 per cent measurement against fuel poverty to account for rural areas, a 110 or 120 per cent measurement to take account of areas where there are higher energy costs for things such as oil and electric heating. I do not believe that that would substantially change the position for folk who heat their homes using gas, which is substantially cheaper. That might be a way of capturing the rural issue.

Kenneth Gibson: Okay. Professor Hirsch, who gave evidence before you, said that there is not really any difference between urban Scotland and urban England, excluding London, so there is no real necessity to have a Scottish MIS. However, there is an argument for a rural MIS, whether or not the committee and the Government agree on that. I would say that it should be a remote, rural and island MIS. Would all of Argyll and Bute be included in that or would you define it more strictly? How would you define it? With the best will in the world, we might all be in favour of that but I do not know, because the committee has not discussed the matter yet.

How should we grapple with that and deliver it? It is one thing to say that we should have it, but how can we get down to the nitty-gritty and tackle the really difficult hard-to-heat houses in rural Scotland and, indeed, other parts of Scotland?

Alasdair Calder: We have a remote rural and island uplift of £9,000 through the HEEPS ABS programme. That amount is based on the eightfold definition of rurality, which works quite well in some but not all instances. Campbeltown is a really good example in that regard. It is a band 5 area but it is extremely rural, in my opinion. It is very difficult to get contractors to work there, and there are supply chain issues linked to its rurality. It is a difficult issue, if I am honest, but the eightfold definition, with a few tweaks, would work favourably in identifying rural properties.

Kenneth Gibson: Mr Halliday comes from the same local authority. Do you have anything to add?

Bill Halliday: No, not particularly. I agree with everything that Alasdair has said. Argyll and Bute, which goes from Helensburgh to Tiree, has about 200 small communities. There is no ferry journey to get to Kintyre, but, given the time that it takes to get down the peninsula, it is remote.

Kenneth Gibson: The ferry runs about three times a week in the summer.

Bill Halliday: It runs much less often than that for those who live in Helensburgh, which is on the boundaries of the urban conurbation of the west-central belt. Some towns have gas, but it is not from the grid; it is transported in.

Kenneth Gibson: It is Calor gas.

Bill Halliday: There are 23 inhabited islands, which adds another layer of difficulty.

I would use the factors that Ali Calder mentioned. That would produce a reasonable outcome for us.

Kenneth Gibson: Do you want to add anything, Liz? This is a key issue for remote rural and island areas.

Liz Marquis: Yes, it is a major issue for south-west Scotland, particularly down in Dumfries and Galloway and the more rural areas of the Ayrshires. It depends on what you are trying to do. If you are installing boilers, as in Dumfries and Galloway, you can use local contractors. If you are trying to install external wall insulation, you need to use the bigger companies, which are based in the central belt. There is a real problem, depending on what issue you are trying to solve. External wall insulation is the most difficult type of installation to provide.

Kenneth Gibson: We have an all-Scotland target of no more than 5 per cent of households being in fuel poverty. Should the target of 5 per cent be set for each local authority? Should each local authority be incentivised to ensure that the more difficult properties are tackled first? How do we get round the low-hanging fruit issue that Mr Morgan-Klein and others have mentioned? That is the nub of what we are trying to do. It is about not just reducing the number of households in poverty but not leaving a situation in which 95 per cent of homes are heated well and the other 5 per cent are horrendous.

Liz Marquis: I have no solution. It is a real issue.

Bill Halliday: It is possible that the target could be set by local authority area. We have nine distinct housing market areas in our local housing strategy, and we could operate the target at that level—we could say that the 5 per cent target applied in each housing market area. There is the potential to apply the target at lower levels, on an area basis.

Kenneth Gibson: You would need an incentive, because councils are not exactly awash with money. If there were five houses for each of which the measures would cost £5,000 and there were another five houses for each of which the measures would cost £15,000, more people could be helped by fixing the cheaper homes. Therefore, you might want a subsidy or additional resources to make up the £10,000 difference in that example.

Bill Halliday: Resources are always important. One of our housing market areas is Tiree and Coll, where there are difficult house types and there is the issue of—

Kenneth Gibson: Getting the workforce over there.

Bill Halliday: There is the issue of getting the workforce over there, the supply chain issue and the difficulty of the location. That all adds up to its being an extremely difficult area to deal with, for which extra resources will be needed.

At the same time, if we addressed the whole of Argyll and Bute, we would not want our 5 per cent to be disproportionately located on our islands or in remote rural areas. Whatever the challenge is nationally, we should face that challenge locally to make sure that we have a good distribution of all the schemes that we operate.

Liz Marquis: The area-based schemes that we are talking about have some flexibility. That is really important—everything should not be too rigid; there should be a bit of flexibility. The project in Dumfries and Galloway that I have been talking about comes out of the council's budgets for tackling poverty in the area.

There are creative ways of doing things inexpensively that help lots of people. We should try to combine that creativity with quite rigid rules about what we should be doing and achieving in the long term.

Andy Wightman: I have a couple of questions on slightly different topics. One member of the panel talked about extreme fuel poverty, and, at the committee meeting on 21 November, I think it was Di Alexander who advocated a separate target for its eradication. Extreme fuel poverty is based on fuel taking up a minimum of 20 per cent of a household's income. What are the panel's views?

Liz Marquis: I am positive about Di Alexander's comments. It makes sense to have a separate target to avoid the risk that the harder-to-reach properties and people vanish from the schemes.

Lawrie Morgan-Klein: We would welcome that target as well. We see acute cases in which people who are vulnerable and in real financial difficulty face extensive arrears and challenges in heating their homes. Such a target would be of interest.

Bill Halliday: We started off by saying that targets focus the mind. It is important that we focus on the difficult cases, so I agree with the rest of the panel.

Andy Wightman: On scrutiny and monitoring, section 6 of the bill makes provision for the Scottish ministers to prepare a report. However, there are no provisions for independent scrutiny or monitoring such as are included in other bills that the Parliament has passed. For example, the Climate Change (Scotland) Act 2009 provides for independent scrutiny by the Scottish Committee on Climate Change, and the Child Poverty (Scotland) Act 2017 provides for independent

scrutiny by the Poverty and Inequality Commission.

Given that we do not know whether we will reach whatever target is set—obviously, as it is in the future—would it be useful to have an honest appraisal of the extent to which we are meeting it and what would need to change in order for us to meet it? Does the panel have views on how we could have advanced scrutiny and monitoring provisions in the bill?

Bill Halliday: I agree with what you say, but I do not know how it could be achieved.

Andy Wightman: One suggestion is to involve an independent body.

Bill Halliday: Yes, if an independent body reviewed and monitored the target and made recommendations, that would be good.

Andy Wightman: It is fair to say that you have not given much thought to the proposal. If you want to come back to the committee on the issue, please feel free to do so.

Bill Halliday: Okay.

Andy Wightman: My final question is on a small technical point. As panel members probably know, when the Parliament passes legislation, it gets royal assent but does not come into force until it is commenced. The commencement provisions in section 13 say only that sections 13 and 14, which is the short title, will

"come into force on the day after Royal Assent".

In other words, nothing will happen other than the piece of paper becoming law. Nothing will start until ministers decide that it will start. None of the sections will come into force until ministers decide that they will.

Do you have views on whether we should seek to amend the bill to ensure that some of its provisions come into effect on defined dates? If panel members have not given much thought to that point, you would be welcome to write to the committee.

Alasdair Calder: I have not given much thought to it, so I will write to the committee.

Andy Wightman: That is fine.

Liz Marquis: May I add something about independent monitoring? All the councils report on the area-based schemes on a quarterly basis, detailing how much work has been done and how much money has been spent, and some of the other schemes are reported on regularly to the Scottish Government. It is essential that there is an independent monitoring organisation that can evaluate and be clear about what is happening. That work may be done by a part of Government or it could be provided in another way, but that organisation needs to be there to ensure that we are delivering what we should.

The reports should go to that body at least annually and to the Government on a five-year basis, if not more often. If there is a fall in output or delivery, there should be ways of addressing that. That is essential. We can have great ideas but, unless the reporting is done correctly and in a valid way, we may not be making any difference to people's lives.

12:00

Andy Wightman: You are talking about examples of reporting on programmes—

Liz Marquis: Yes.

Andy Wightman: But the bill is not about programmes. Clearly, that is for the Government to decide.

Liz Marquis: Sorry.

Andy Wightman: The bill sets out a definition and a target, and it provides for five-yearly reporting by the Government. All that I am asking is whether there should be independent scrutiny of the extent to which we are meeting the target, what might need to change in order for us to do that and, if new technology came along that produced a step change, the extent to which that technology would allow the target to be brought forward. I am asking about independent scrutiny of the bill's provisions, not the programmes that are delivered.

Liz Marquis: I think that there should be independent scrutiny, but I make it clear that I would like money to be spent on programmes that work on the ground. There is a balance to be struck in not spending a lot of money on scrutiny, as there is obviously a limit to how much money there is, but we need scrutiny of the bill's provisions to be sure that we are achieving the fuel poverty targets, never mind anything else.

Andy Wightman: One proposition is that there should be independent evaluation of the four drivers.

Liz Marquis: Yes.

Andy Wightman: When I talk about independent scrutiny, I am talking about providing Parliament with the ability to hold the Executive to account on the money that it spends and the policies that it adopts. I am not talking about the monitoring of the Government, which goes on anyway.

Liz Marquis: As part of the Existing Homes Alliance, we are definitely focused on that. We can come back to you with more information on that, perhaps this afternoon.

Andy Wightman: That is fine.

Graham Simpson: I think that Liz Marquis said earlier that changing the definition of fuel poverty had reduced the number of people in such poverty. That could, of course, suit Governments of any colour. However, as the Delegated Powers and Law Reform Committee has pointed out, the bill as drafted contains quite wide powers to change that definition again, under affirmative procedure. Are any of you concerned that Governments can just come along and change that definition at any time they like for whatever reason, reducing yet again the number of people who are in fuel poverty?

Liz Marquis: That is a possible risk. I do not know whether anyone else has anything to say about that. The Existing Homes Alliance is focusing on that provision, too, and we will come back with comments on it.

Alexander Stewart: One of the witnesses on the previous panel made some real criticisms of energy performance certificates. Do you see any opportunities in that respect? Has the approach been validated? How is it looked on? It would be useful to hear your views on that.

Liz Marquis: Someone seemed to suggest that we could have a Scottish energy performance system that would build on what we already have. The way in which the energy performance certificates are completed is being tweaked, but the fact is that we already have those certificates and people are beginning to understand them. They have been in place for a long time now for those who are buying, selling or renting properties, although people are still much more worried about location than about their home's energy performance.

That said, I think that the system is gradually coming into people's conscious minds more and more, and I would not want it to be thrown out completely. The certificates have their place, and, certainly in the properties that we have been working on, they seem to be closely aligned with what is happening in the property both in theory and in reality.

The situation varies. When the EPC for one rural property was changed to say that it was part of a hamlet instead of being an individual property on its own, its rating went up substantially. Some of the ways in which these things are calculated are strange, and the system itself is very complicated, but Energy Action Scotland and various other organisations are looking at whether certain tweaks can be made that would be much less expensive than redesigning the whole system.

Alasdair Calder: When you say that a property is in a rural location, one of the measures that come up for it is a wind turbine, which is not always feasible or cost effective. That aspect of the EPC needs to be looked at, but I think that the certificate itself gives a good indication of the property as a whole.

Annabelle Ewing: Just for the sake of completeness, I want to go back to the issue of reporting. Last week, I asked panel members about the frequency of reporting, and it would be helpful to get some comments on the proposal in the bill for a five-yearly reporting frequency.

Bill Halliday: I think that a five-year period is adequate, because it fits in with the local housing strategy five-year programme. To that extent, it marries up quite well.

However, I note that we give annual updates on the strategic housing investment programme and the proposals for rapid rehousing. We could have short annual reviews with a more comprehensive review every five years, but, to be honest, I think that it is manageable either way. You will not want to spend too much time on putting major annual reports together, because that will take the focus away from delivery. Five years is long enough to have some concerns about what is going on and to look at whether you are on the right pathway. You do not want to start your report in year 4 and think, "Help ma boab! It's too late for us to make it." Things can be managed within that process.

Alasdair Calder: I think that the frequency should be every two or three years, because that would allow for better reporting and an evaluation of how each programme was working and whether any tweaks could be made to ensure that there was a focus on fuel-poor households.

Lawrie Morgan-Klein: I would agree with reporting every two to three years—five years seems a bit long to me. I go back to my point about the average electricity arrears of our clients going up 37 per cent in the previous five years. The danger in waiting five years before we look at this is that things just move far too quickly.

Liz Marquis: I would say that the frequency should definitely be two to three years. We need to bear in mind Andy Wightman's point about how long it might take to do something if we find, when the legislation comes into force, that things have fallen behind. Reporting needs to happen every two to three years to ensure that we can put something in place to improve the situation.

Annabelle Ewing: On the substance of reporting, last week, I asked the panellists whether it should cover the four drivers of fuel poverty. Do you have any comments on that?

Liz Marquis: It is essential that it covers all four drivers, if that is possible.

Lawrie Morgan-Klein: I agree. It is really important that the income issues are fully understood, because we see income as the primary driver of people's arrears issues.

Alasdair Calder: I agree.

Bill Halliday: Because we do not have our hands on all the levers to eliminate fuel poverty, it is essential that we look at all four drivers. We tend to focus on those that we can influence the most. There is nothing particularly wrong with that, but, by looking at all four, we will ensure that the others are not forgotten.

The Convener: I thank all our witnesses for coming along and contributing to our scrutiny of the bill. That concludes the public part of today's meeting.

12:08

Meeting continued in private until 12:24.

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