

# **LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**

Wednesday 3 December 2008

Session 3

£5.00

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## LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

### 31<sup>st</sup> Meeting 2008, Session 3

#### CONVENER

\*Duncan McNeil (Greenock and Inverclyde) (Lab)

#### DEPUTY CONVENER

\*Alasdair Allan (Western Isles) (SNP)

#### COMMITTEE MEMBERS

\*Bob Doris (Glasgow) (SNP)

\*Patricia Ferguson (Glasgow Maryhill) (Lab)

\*David McLetchie (Edinburgh Pentlands) (Con)

\*Mary Mulligan (Linlithgow) (Lab)

\*Jim Tolson (Dunfermline West) (LD)

\*John Wilson (Central Scotland) (SNP)

#### COMMITTEE SUBSTITUTES

Brian Adam (Aberdeen North) (SNP)

Paul Martin (Glasgow Springburn) (Lab)

Alison McInnes (North East Scotland) (LD)

Margaret Mitchell (Central Scotland) (Con)

\*attended

#### THE FOLLOWING GAVE EVIDENCE:

Carol Aitken (Scottish Fuel Poverty Forum)

The Rev Graham Blount (Scottish Fuel Poverty Forum)

Norman Kerr (Scottish Fuel Poverty Forum)

Ruth Semple (Scottish Fuel Poverty Forum)

Mike Thornton (Scottish Fuel Poverty Forum)

#### CLERK TO THE COMMITTEE

Martin Verity

#### SENIOR ASSISTANT CLERK

David McLaren

#### ASSISTANT CLERK

Ian Cowan

#### LOCATION

Committee Room 2



## Scottish Parliament

### Local Government and Communities Committee

*Wednesday 3 December 2008*

[THE CONVENER opened the meeting at 10:00]

### Fuel Poverty

**The Convener (Duncan McNeil):** Good morning, everyone, and welcome to the 31<sup>st</sup> meeting in 2008 of the Local Government and Communities Committee. I remind everyone to turn off their BlackBerrys and mobile phones. *[Interruption.]* Right on cue, a phone rings.

Agenda item 1 is to take evidence on fuel poverty in Scotland. The Scottish fuel poverty forum recently published its report, "Towards 2016 - the Future of Fuel Poverty Policy in Scotland", which has been circulated to committee members.

I welcome the Rev Graham Blount, chair of the fuel poverty forum; Norman Kerr, from Energy Action Scotland; Ruth Semple, from Scottish Power; Carol Aitken, from Scottish Gas; and Mike Thornton, from the Energy Saving Trust. I appreciate your giving us your time. Does one of you want to make a statement on behalf of all of you, or should we move right to questions?

**The Rev Graham Blount (Scottish Fuel Poverty Forum):** We are happy to move right to questions.

**The Convener:** Right. That will give us maximum time. We are aware of the statement by the Cabinet Secretary for Health and Wellbeing on 22 May this year on re-establishing the fuel poverty forum. Prior to that date, when did the forum last meet?

**The Rev Graham Blount:** You have managed to stump me right away because I was not a member of the forum in its previous incarnation.

**The Convener:** Can Norman Kerr help?

**Norman Kerr (Scottish Fuel Poverty Forum):** The forum previously met on around 22 June 2006.

**The Convener:** When did the forum first meet after the cabinet secretary's statement?

**Norman Kerr:** In June.

**The Convener:** How many meetings have there been since then?

**The Rev Graham Blount:** Six or seven.

**The Convener:** The forum's report has 38 recommendations, as I recall. What is the estimated cost of the various recommendations that the forum has made to the Westminster Government, the Scottish Government and the power companies?

**The Rev Graham Blount:** It would be impossible to quantify the costs. The final point in our report is that we believe that if the 2016 target is to be achieved, there must be a step change in investment. We did not quantify that because it seemed beyond our resources to put a figure on it, so I cannot answer the question.

**The Convener:** You made 18 recommendations to the Scottish Government. Can you put a cost on the recommendations that it has accepted?

**The Rev Graham Blount:** The central recommendation that the Government has accepted is on the energy assistance package. Our remit was to provide the Government with a recommendation on how we could best use existing resources. We did what we were asked to do in that respect, noting that the resources could be better targeted, along the lines that we recommended, because previously the resources were not adequate for the task.

**The Convener:** As there are no cost estimates for your recommendations to the Scottish Government, there is no point in asking whether there are cost estimates for your recommendations to the Westminster Government and the power companies.

**The Rev Graham Blount:** That is correct.

**The Convener:** Has the fuel poverty forum been a bit timorous in respect of the power companies, given that they have made significant profits and that oil and gas prices have fallen? We are asking banks to pass on savings from rates cuts and demanding that retailers pass on VAT reductions, so why are we not demanding that the power companies pass on price cuts? Some of the consumer watchdogs are saying that they should be able to pass on cuts of up to about 20 per cent, so why did the fuel poverty forum not demand that?

**The Rev Graham Blount:** When it started, the fuel poverty forum was aware that the United Kingdom Government had been in discussion with the fuel companies along exactly those lines. Indeed, during the time that they were meeting in September, the fuel companies announced a substantial further commitment to spending under the carbon emissions reduction target—CERT. We have also made specific recommendations for action by the fuel companies on prepayment meters, social tariffs and other matters.

Perhaps one of the representatives from the fuel companies might want to comment.

**The Convener:** That would be helpful. Wholesale gas and electricity prices have fallen by a third, energy watchdogs have estimated that fuel companies could pass on a 20 per cent price cut and half a million households live in fuel poverty, so why are those savings not being passed on to consumers?

**Carol Aitken (Scottish Fuel Poverty Forum):** I am happy to take up that point if it would be helpful. I can speak only for Scottish Gas, but I think that my comments reflect the situation for fuel companies in the round. We buy forward, so the gas and electricity that we are selling to our customers now in the winter months was purchased in the summer when prices were extremely high. The price that we are paying for gas now—72p a therm—is still 75 per cent more than we were paying this time last year. We have made a commitment that, when the forward projection for wholesale prices for gas and electricity looks stable enough, we will be happy to pass the savings on to our customers. We have traditionally done that; we put prices down twice last year when the wholesale market allowed us to do so and we would certainly be minded to do that again when it is judicious for the company.

**The Convener:** What timeframe are we talking about? When can we expect those cuts to pass through to consumers?

**Carol Aitken:** The current volatility in the wholesale market would have to come to a pass and a certain amount of stability would have to be achieved before we could put a timeframe on it.

**The Convener:** Does anyone else have anything to add?

**Ruth Semple (Scottish Fuel Poverty Forum):** At Scottish Power, we constantly review our prices against the wholesale energy prices and the competitive market in which we work. A recent, detailed probe by the Office of Gas and Electricity Markets into the energy supply market stated that consumers had been protected from the full impact of rising wholesale prices. We will continue to reflect the long-term trend of prices in the market.

**John Wilson (Central Scotland) (SNP):** As another Wilson once said, a week is a long time in politics. Certainly, since the forum's report was produced in October, many things have happened in the economy. Has the forum met since it produced the report? In light of the current economic situation and volatility, which mean that many families may face fuel poverty in the not-too-distant future, would the witnesses have liked any other recommendations to be included in the

report that was presented to the Scottish Government?

**The Rev Graham Blount:** The forum has not met since it finalised its report. Its initial remit was to produce the report but, as per the Cabinet Secretary for Health and Wellbeing's recent statement, it has been continued in existence and I am in the process of arranging its first meeting since the report's production, which is likely to take place next month.

Obviously, the changing economic situation—which is deteriorating for many people—is a significant factor. As we say in the report, one of the three crucial factors in fuel poverty is household income. For many people, that is at least under threat of deteriorating, which obviously has an impact. I am not sure of any specific recommendations, but I am certain that the forum will consider the situation.

The slightly more positive side, to which the convener referred a few moments ago, is that if the downturn in wholesale energy prices is maintained, fuel prices might start to go in what we would see as the right direction. That is positive, but the situation is clearly deteriorating for people.

**John Wilson:** I want to take the issue slightly further and talk about the context of the economic downturn and the likelihood of redundancies—which we hear about on a daily basis. The Scottish Government's remit to the forum was to examine the resources and circumstances as of June 2008. As the convener mentioned, we expect and hope that the energy companies will introduce price reductions as early as possible to alleviate some fuel poverty. However, working on the assumption that there will be more financial difficulties for households, even though energy prices are set to drop—although we do not know by how much—it could be argued that the Scottish and UK Governments should put in more resources to ensure that a large number of families do not burn up energy that they cannot afford to pay for, particularly given the weather that we have had in Scotland in the past couple of days.

**The Rev Graham Blount:** Absolutely. I would be surprised if the forum's thinking was not strongly in that direction. We have tended to focus on issues that are specific to fuel poverty but, obviously, fuel poverty occurs within a context of wider poverty issues.

Norrie Kerr might like to say something about that.

**Norman Kerr:** Our recommendations suggest that the companies should consider their corporate social responsibility programmes and their social initiatives such as social tariffs. Those on-going initiatives can have a significant impact on people's lives. As we have seen, prices are

volatile and go up and down, but the trend is upward. However, I would not say that the recommendations are timorous; we are saying to the companies that they have a responsibility and that we want them to show their willingness to address the issues.

On Mr Wilson's point, one of the key recommendations in the forum's work is that we should consider fuel-poor households that we have not been able to assist before, such as those living off the gas grid—whom we can help with newer technologies—and those who live in hard-to-treat homes. The forum recognises that, until now, many people have been excluded from the work of the Government's main programmes and from the fuel suppliers' CERT programmes. It is important that we have recognised that and put in place recommendations to address those points.

**The Convener:** You say that the recommendations are not timorous. If we had information on what we are asking the energy companies to give or to buy into, we could compare that with their 500 per cent increase in profits—there have been profits of £571 million this year. For instance, how much would it cost to introduce maintenance contracts throughout Scotland, as suggested in your recommendation 28?

**Norman Kerr:** We need to consider what we mean by a maintenance contract and who would be responsible for such contracts. Energy Action Scotland has had meetings with boiler manufacturers, who suggest that the type of contract that we are considering would cost in the region of £20 a week. We would need to discuss further whether that would be open to all or just to people who receive help through the energy assistance package. Not all energy companies have sufficient expertise. For example, they do not all offer gas maintenance contracts—I think that Scottish Gas and Scottish and Southern Energy are the only two suppliers who do so in Scotland, although a number of independents operate in that field.

We reckon that a gas maintenance contract, whereby a boiler could be replaced at the end of its life, could be provided for about £20 a month. I am sorry—I said £20 a week earlier; I saw Mr McLetchie's look. The costing would depend on how that is taken forward, whether we can make economies of scale and to whom we offer it. We are talking about the forum's initial recommendations. The forum is quite clear that a lot more work needs to be done before the full package goes live in a year's time.

10:15

**The Convener:** What would provide the greatest benefit from the point of view of tackling fuel poverty—a maintenance contract, the forum's other four recommendations for energy companies or a 5, 10 or 20 per cent cut in consumers' fuel bills?

**Norman Kerr:** Prices obviously have an impact, but it is necessary to look to the long term. The cheapest unit of energy will always be the one that is not used in the first place. As long as there continue to be homes that we cannot treat, those homes will continue to use the same amount of energy. It is fine to say that we can reduce overall energy costs, but it should be borne in mind that we are talking about gas and electricity; we are not talking about the other fuels, the use of which is prevalent in many rural areas in Scotland. We have domestic oil and solid fuel markets that are completely unregulated. The price increases that consumers in those markets have faced over the past few years have not been tackled by any Government.

**Jim Tolson (Dunfermline West) (LD):** I apologise for my late arrival. Good morning, ladies and gentlemen.

I note that one of the forum's key recommendations—that the Government should move to adopt a new energy assistance package—was quickly taken on board by the Cabinet Secretary for Health and Wellbeing, Nicola Sturgeon. From the feedback that I get from constituents—I am sure that other members are in the same position—there is quite a bit of confusion between the warm deal and the central heating programme and about who is eligible for what.

It is extremely helpful that the Government is bringing those programmes together into one package. I am interested in the transition period and in what the forum will do to ensure that concise information is provided to the public so that they understand who is eligible for what. What detailed recommendations has the forum made to help to ensure that the public are well informed about the upcoming changes?

**The Rev Graham Blount:** There is nothing in our recommendations about the transition period. We welcomed the cabinet secretary's announcement, particularly the part about the continued eligibility of people who are over 60 and who do not have a central heating system to have such a system installed. If there is a headline issue, that is probably it. We certainly welcome what has been announced in that regard.

Your point is well made. Providing accurate public information about what is available is a significant priority. I understand that the new regulations that will enable the energy assistance

package to be introduced are due to be laid before Parliament in the new year so that, if they are agreed, the package can come into existence at the start of the next financial year. We want that to happen as expeditiously and effectively as possible. Beyond that, we made no specific recommendations for the transition period.

**Jim Tolson:** I suggest that we bring in Carol Aitken, as the representative of Scottish Gas, which is the present provider of the central heating programme, which seems to be the key cause of confusion in constituents' minds. Have you learned lessons from having run the programme, so that if you are asked to run that part of the package in the future, you will be able to get the message across to the public more effectively?

**Carol Aitken:** Within our existing resources, we have done quite a good job of getting out to stakeholders and raising awareness of the eligibility criteria for the central heating programme. However, I fully agree that if the new scheme is to work, we must have a clear system whereby people self-nominate or come through third parties. A significant part of the scheme's effectiveness will attach to that detail. We must also manage people's expectations about the delivery time and the framework for the scheme, once they start going through the qualifying criteria.

**Jim Tolson:** I appreciate that. You are right to say that although the vast majority of people are aware of the criteria, some members of the public are not, despite your best efforts. The problem comes up in our mailbags—I see other members nodding in agreement—and I think that there are lessons to be learned. Along with Scottish Gas, we need to improve that part of the game when the new system comes in.

**Carol Aitken:** The onus will be not only on Scottish Gas; we are working very much in partnership with other parts of the system on the delivery of the combined package. Partly, it will be up to whoever in Government is responsible for delivery of the central heating programme. However, part of the remit of the third-party stakeholders through whom we are working to deliver the scheme will be to raise awareness and market the scheme in a way that ensures that everybody knows their entitlement.

**Jim Tolson:** I appreciate that.

**The Convener:** For the record, I will read out part of a letter from Scottish Gas, because I am concerned that people will miss out. Speaking of the prioritisation—which others might call a means test—it says that it will cover the following households:

“Aged 60yrs and over who have never had a central heating system;

Those who have a system which is broken beyond repair, are between 60 and 74yrs and are in receipt of the Guarantee Element of Pension Credit;

Those who have a system that is broken beyond repair and are aged 75 or over;

Those who have a partial or inefficient system, are aged between 60 and 79yrs, and are in receipt of the Guarantee Element of Pension Credit; and

Those who have a partial or inefficient system and are aged 80 or over.”

I defy anyone to deny that that will cause confusion among the pensioner population who were eligible for benefit but are no longer eligible.

**Mike Thornton (Scottish Fuel Poverty Forum):** One of the key things about the energy assistance package is that stage 1 of the process—the initial contact with people who might be eligible—will be carried out by the energy saving Scotland advice centre network. That addresses the point that Jim Tolson was making, as there will be a single channel through which people can be advised on their eligibility from the beginning of what we might call their customer journey. Informed people whose job it is to tell people what they are eligible for will have been in active contact with them from the beginning, so they will not get all the way to an advanced stage in the process and then have to ask whether they are eligible for certain measures. That will not solve all of the problems, but it has been built into the process as a way of addressing the issue that the member raised.

**The Convener:** Does the process that you describe make it easier or more difficult to reach our target group?

**Mike Thornton:** It makes it easier, because it is designed to reach out to the maximum number of people and make them aware of the things that they are eligible for.

**The Convener:** MSPs of all parties have had a lot of correspondence from their constituents—you have not seen the letters that we have received.

**Mike Thornton:** With respect, the system that I described has not yet been introduced; the measure is being brought in as part of the energy assistance package—

**The Convener:** The letter that I quoted from is part of the correspondence with Scottish Gas that I have been involved in since May. People got in touch with me as soon as the announcement was made that, as of 27 October, certain people who were previously entitled to a replacement central heating system would now be excluded. There is no MSP who has not had correspondence from pensioners on the issue. I know that forums such as yours operate at another level but, at the level that we are working at, we are aware that people



are losing out and are confused about what they are entitled to.

**Norman Kerr:** I echo many of Mike Thornton's points. It is true that many people who were previously in the programme are not in the programme any more. However, that is not to say that those people should not receive help. Part of the reason for bringing in everyone at stage 1 of the process is to determine what help they can be pointed towards.

It is important to recognise that the package opens up the programme to a significant new group of people: families with children under five; families with children under 16 who have a disability; and those who are living off the gas grid or in hard-to-treat homes.

You are right to say that some of your constituents are no longer eligible, but you must remember that Age Concern and Help the Aged are active members of the forum. They recognise that a number of the pensioners who have been coming forward for help cannot honestly be classed as fuel poor, and could be directed towards other sources of help. We have not discounted the views of those who represent elderly people.

**The Convener:** I am disappointed that Help the Aged's representative is not here this morning, but that is another matter. I hope that we will get an opportunity later in the session to discuss how many families will benefit from the extension.

**Patricia Ferguson (Glasgow Maryhill) (Lab):** I share other members' concerns about the transition. Most of us around the table experienced all sorts of problems at the time of the comparatively simple transition from the Eaga Partnership to Scottish Gas, which involved a change of supplier, not a change in criteria or eligibility, so our concerns are valid.

In your report, you said that it might be necessary to have a transition period during 2009-10, but that will not now take place. It would be good not to have a transition period, but sometimes, on a practical level, it is important to do so. I am concerned about the people who are waiting for what they are currently eligible for, and about where they might be by April when the new system comes in.

That issue has been explored by my colleagues; therefore, further to that, do you think that the advice networks can be geared up to give the right kind of advice by April? Judging from the number of people who have come to speak to me about the issue so far, I suspect that there will be an avalanche of calls, at least at the beginning.

**Mike Thornton:** It is important to remember that the energy saving Scotland advice centre network

already provides services to a lot of customers who are fuel poor. This is a transition and a step change, but it is not a step change from a low floor. It will be a challenging task, but it is doable, given that we have about four months to gear up for it. I am fairly confident that we can deal with it on that basis. Actually, I should probably remove the word "fairly"—it slipped out.

We are building on existing foundations—we deal with a large number of clients already. We have examined the numbers and the network's activities scale pretty well, so we believe that we can cope with them.

**Patricia Ferguson:** I genuinely hope that that is the case; I just think that the volume of calls and contacts, in addition to the explanations that will be involved in informing people about their eligibility and the criteria that apply to them, might be a larger task than the one that you currently face.

In her statement to Parliament, the Cabinet Secretary for Health and Wellbeing talked about four stages. From the way in which that was explained, it sounded to me and to others as though someone would have to progress from stage 1 to stage 2 through stage 3 to stage 4. After reading your report and receiving some correspondence, I am satisfied that that is not the case. However, I wonder how quickly people will be able to move through the system, from the first stage to whichever stage it is that they need to go to. For example, if someone needs replacement central heating, they will make their call and, presumably, go straight on the list of people who need central heating.

**Mike Thornton:** We are tasked with integrating a number of services that will be provided at the different stages. For instance, the CERT-obligated fuel suppliers will carry out cost-effective measures under CERT, the managing agent for the Scottish Government will do stage 4, and some of the income maximisation measures are also likely to be provided by a third party. We will manage the spine of the system and will track people through it to ensure that they receive services from those additional providers within the agreed norms. The question is what those agreed norms are.

You are right that there will be no requirement for people, for example, to finish stage 2 and then go on to stage 3. It is much more a question of identifying what customers need and referring them to the people who can give them what they need within the boundaries of the package. If there is a waiting list for stage 4, it will be under the control of the people who deliver stage 4. However, we will be aware of individual clients' progress through the system and will be able to take action as appropriate.

**Patricia Ferguson:** I suspect that we will be aware of that, too.

10:30

**Alasdair Allan (Western Isles) (SNP):** Some recommendations focused on prepayment meters. I am keen to hear the energy companies' response to those recommendations.

**Ruth Semple:** As I said earlier, our prices are cost reflective, covering cost to serve and so on, and that includes our prepayment prices. Some customers choose the prepayment method because they like the convenience and ability to budget.

As part of a broader package under social spend targets that have been agreed with the Government, we are looking to deliver a range of measures that will be announced shortly to address pricing for some vulnerable customers. We currently have a carefree plus tariff, which provides a discount to customers who are on prepayment meters.

**Carol Aitken:** We have made a top-line commitment to remove any additional costs attached to prepayment meters as we remove those costs from our business, and we are actively engaged in a programme to do that. The differential costs have reduced considerably during the summer and we will reduce them further on 18 December. We will carry out that commitment according to the affordability in our business.

As Ruth Semple said, in many instances the differential in price for prepayment meters is cost reflective. We recognise that for some customers there is a lifestyle choice. However, I add that fuel-poor customers and customers whom we identify as vulnerable already pay no more—and in many cases pay less—with prepayment meters. We already treat vulnerable and fuel-poor customers differently for the tariff attached to prepayment meters and we will continue to do that.

**Alasdair Allan:** It is interesting that you mention that some customers choose prepayment meters. I bow to others' knowledge on that but, on the basis of what people have said to me in surgeries, I understood that the people with prepayment meters make no choice at all. They are fuel poor. Are you saying that all those people are identified and that you ensure that they are not paying more for their energy?

**Carol Aitken:** If we identify people as vulnerable, they do not pay any more on a prepayment meter. I can give you examples of the types of people and households who choose to have prepayment meters. They include multi-occupancy households in which nobody wants to

be responsible for getting a regular bill. In those cases, it is easier to have a prepayment meter.

**Norman Kerr:** I can perhaps give some helpful information. A couple of years back, Energy Action Scotland did some research on prepayment meters and home energy efficiency—I am happy to send the committee a copy of the report. We found that many people chose prepayment meters as a budgeting tool. They knew that it was more expensive than direct debit, for example, but they still made the choice. That surprised us because we did not expect that result.

Fuel companies advise people on the available tariffs and payment methods, but a significant number of people will say that they are happy with what they have because it is a budgeting tool. Part of the energy assistance package is to educate people about tariffs and payment methods so that they can have advice independent of the fuel company on whether to change payment method or tariff. That is important.

**Alasdair Allan:** Thank you.

**Mary Mulligan (Linlithgow) (Lab):** Good morning. I have concerns about what I heard in response to the convener's question about eligibility. It worries me that, when they are told that they are not a priority, some people still wait for assistance. Some of my constituents who would previously have had central heating installed have been told that they are no longer a priority. They think that that means that they will get the central heating at some stage but not immediately. However, that is not the case. I wonder about the wording that you are using instead of telling people directly that they are no longer eligible.

**Norman Kerr:** That is a valid point. We need to make clear what we are saying to people. We might understand the use of the word "priority", but we must ensure that any communication that we have with a member of the public tells them what they are and are not eligible for, and what they will and will not receive. That is a well-made point.

**Mary Mulligan:** Thank you. My next question relates to the 2016 target. Do you think that we will reach that?

**The Rev Graham Blount:** Having taken a snapshot of the situation over the summer and into the autumn, the forum recognises that it would require a step change in investment in addition to the other specific measures in our recommendations to achieve the 2016 target. It is a statutory commitment, which gives it an urgency beyond a mere political target. The commitment to eradicate fuel poverty, as far as is practicable, by 2016 will require a step change in investment along with many of the other measures that we have recommended. Although our remit was to

produce a recommendation within the existing budget, we felt that we would be letting people who are in fuel poverty down if we did not make that absolutely clear.

**Mary Mulligan:** You have made recommendations within the parameters that you were set, which will improve the situation. However, you think that we will not achieve the 2016 target without additional investment.

**The Rev Graham Blount:** That is our belief. The report that was presented to Parliament in the spring suggested that, for all the achievements of the central heating programme and other programmes up to that point, the figures were going in the wrong direction. The trend of fuel prices since that report was compiled has been in an upward direction, so the figures are currently likely to be going even further in the wrong direction.

There is not a great deal on the horizon to suggest that, magically, the situation will change. We believe that our energy assistance package better targets the existing resources on people who are in fuel poverty and will lift more people out of fuel poverty than what is in place at the moment. That is why we have recommended it. However, it will not achieve what we want to achieve by 2016.

**Mary Mulligan:** I appreciate your efforts to get back on track towards the target and the importance of fuel charges to the issue of fuel poverty. You say that a step change in investment is required. Is there anything specific to which you can point us? What could be done as a priority to help us to achieve the target?

**The Rev Graham Blount:** There is no magic bullet. One of the key themes of our report is that tackling fuel poverty requires an holistic approach that takes into account all the ingredients. We could do more; for example, we could provide further investment to tackle the households that are in deepest fuel poverty and their homes. At the beginning of the meeting, our attention was drawn to what is happening in the wider economy which, of course, has its own impact and at the moment seems to be going in the wrong direction.

As I said, the energy assistance package contains no magic bullet for sorting the problem. Although we believe that it represents a significant step forward—and trust that when it is up and running it delivers on its aims—the fact is that we have to start by building a consensus around the recognition that it is not the answer.

**Norman Kerr:** With regard to the different elements that could make an impact on this issue, according to recent research by Energy Action Scotland, which will be published shortly, between £4 billion to £6 billion of tax credit, housing benefit,

pension credit and family credit goes unclaimed every year in the United Kingdom. The package partly recognises that income maximisation is a particular means of assistance, and other work has shown that, as a result of successful benefit campaigns, a family's income can increase by £1,000 to £1,200. That would have a major impact in increasing the amount of disposable income in families and would allow them to buy not only fuel but other things. From a campaigning point of view, we really need to get benefit uptake right time and again.

**Ruth Sample:** Scottish Power's energy people trust reached similar conclusions after funding a number of benefit health check and income maximisation projects. It found, for example, that every pound of funding realised £20 in income for families and households in a particular area and, of course, that kind of significant impact will have a knock-on effect for the local economy.

**Mike Thornton:** Perhaps I can complete the picture. As the forum's report highlights, one issue that has been debated a lot is the holistic approach that needs to be taken. It is also worth flagging up the fact that, although my organisation fully supports income maximisation, the only long-term and future-proof solution is to increase the energy efficiency of housing stock. These short-to-medium-term and long-term solutions have to be addressed in tandem if we are to eliminate the problem permanently.

**David McLetchie (Edinburgh Pentlands) (Con):** Following on from Patricia Ferguson's questions about advice centres, I wonder whether you can tell us how many centres there are, where they are located and how many people work in each of them.

**Mike Thornton:** The five energy saving Scotland advice centres service Strathclyde and central Scotland; south-east Scotland, covering Edinburgh, the Lothians and the Borders; south-west Scotland, covering the Ayrshires and Dumfries and Galloway; north-east Scotland; and the Highlands and Islands. The south-east Scotland centre is in Edinburgh, the Strathclyde centre is in Glasgow, the south-west Scotland centre is in Ayr, and the north-east centre is in Aberdeen. The Highland centre is in Inverness, but it has a structure of outreach and geographically located workers in the islands and far-flung mainland areas to meet the various geographical challenges.

**David McLetchie:** How many are employed in each centre?

**Mike Thornton:** There are about 50 in the combined teams.

**David McLetchie:** How do you expect the volume of business—if I can put it like that—to

increase as a result of the changes that are being introduced?

10:45

**Mike Thornton:** That is an interesting question, which takes us back to a question that Patricia Ferguson asked earlier. We will have to consider not only how many people come forward but whether they come in a single wave on 1 April or come more gradually. The network's target is to deal with 250,000 customers a year from next year. Helping people with access to the energy assistance package could increase the figure by another 100,000 a year. That would be a significant increase but not a doubling or anything like that.

**David McLetchie:** It would be roughly a 40 per cent increase in business.

**Mike Thornton:** Yes.

**David McLetchie:** Will you therefore be expanding the number of advice centres, or expanding the number of people employed?

**Mike Thornton:** We will not be expanding the number of centres but we will be expanding the teams within them. As I said earlier, the network does scale. Much of the value added by the centres comes through the management and the systems that are already in place. We expect to employ quite a few additional advisers to interact with fuel-poor clients, but we do not think that additional centres are needed. The main structure will stay as it is, but that is not to say that we might not increase the outreach facilities of those centres if appropriate.

**David McLetchie:** Is an assessment of a home at any stage up to stage 3 done by somebody visiting the home?

**Mike Thornton:** No. It would be done by telephone. The client would be asked about their property and their benefit status, for example.

**David McLetchie:** So there will be a mixture of self-assessment and the skill and knowledge of the person in the call centre, whose judgment will be relied on.

**Mike Thornton:** The advisers will be on the other end of the telephone, but they are not, if you like, call-centre people. They work to a script, but they are knowledgeable and can assist the client. They do not just get answers to questions—tick, tick, tick—and then say, "Right, we know this." The process is more discursive and informed than that. The network has successfully dealt with existing clients in that way and has built up a lot of experience and knowledge of how to work effectively.

**David McLetchie:** What are the standard measures for stage 3—for water tank insulation, cavity wall insulation, draught-proofing and so on? If I am a stage 3 person dealing with an advice centre, who will tell me whether I need draught-proofing or not, without coming to look at my house?

**Mike Thornton:** We would gather information from the telephone contact. We would ask, "Have you got cavity walls?" The person may not know, but we would then tell them some signs to look for in their home that would give them a good chance of knowing whether they had cavity walls and whether they were filled. Having obtained such information, we would then judge whether they needed, for example, to be referred for cavity wall insulation by a CERT provider. Representatives from CERT providers may wish to comment but, normally, the company with the installation system would send out a surveyor before undertaking the job. Any technical issues would be identified and dealt with at that stage.

**David McLetchie:** If a client calls in, and you then arrange for somebody to go and inspect the property to determine whether any insulation is required, who pays for that assessment?

**Mike Thornton:** The Scottish Government funds the advice centre network, and the surveyor's costs would be part of the cost of the job under CERT for the fuel company.

**David McLetchie:** Is that the case even though the survey is speculative and there may not be a job at the end of it—or there may not be a job that can be done economically within the grant levels of the scheme? That cost would still have to be borne.

**Mike Thornton:** That possibility cannot be eliminated, but it is probably worth mentioning that some advice centres already have similar regional or local arrangements whereby they contact clients and refer them directly to fuel companies for installation of CERT measures. There is a certain false positive rate, if you like, but it is kept very low because of the expertise of the people in the centres. That is their job; they add value.

**Carol Aitken:** We have worked with the centres as a CERT supplier, and we have no information that suggests that we are somehow sent on wild-goose chases and that that has become an additional business burden that we cannot bear. We work with people on whom we rely to have expertise, and there is no reason to suggest that the system will fall short as we go forward.

**Mike Thornton:** I suppose that we would see the approach as adding value even for the fuel supplier and the installer. Obviously, we pass pre-assessed warm leads to them, so we add value to the installation process. The point of the funnel

through stage 1 is that individual suppliers will not have to go out and find clients. Clients will be found and passed on, so there will be efficiencies of scale and focus.

**David McLetchie:** Just to be clear, will insulation measures and so on be means tested in the new scheme? Is it correct that they will be free only for people who get to stage 3 and that the previous grants that were universally available, albeit that they were limited, will no longer be available?

**Mike Thornton:** On the customer journey, if someone contacts the centre and is not identified as fuel poor, that does not mean that they cannot be referred for a CERT installation; it simply means that they will not necessarily get that installation without making some contribution towards it.

**David McLetchie:** I understand that. That is what happens under the current system. I am trying to establish whether people in general will still be given grants to make their homes energy efficient or whether the scheme has been refocused so that energy efficiency grants will be available only to people who fall into the fuel poor category.

**Mike Thornton:** Stage 3 involves CERT funding, which will remain available to those who are able to pay—in effect, those who are not fuel poor—and the priority groups, or those who get things free.

**David McLetchie:** So we are talking about universal grants.

**Mike Thornton:** They are universally available, but not on the same terms.

**David McLetchie:** I appreciate that, but that is what happens under the current scheme as well. Is it correct to say that the grant package is fundamentally the same as it was before and that the criteria have not been significantly changed?

**Mike Thornton:** The forum's recommendations are based on a way of effectively channelling the fuel poor to CERT measures and ensuring that they take advantage of a service that is available to them.

**David McLetchie:** I understand that. Thank you.

The convener read from a letter about the criteria relating to whether existing systems have broken down and are beyond economical repair. We are all familiar with the issues that are involved. Such criteria become a somewhat contentious issue for customers under the old scheme. From our briefing on the issue, I understand that the extended criteria include pensioners and low-income families in energy inefficient homes. Does that mean that all the

assessments of whether a system has broken down and is beyond repair will go and that the criterion that will be considered will be whether a house is energy inefficient? A broken-down system will probably be energy inefficient. Have we got beyond all the stuff about whether a system is broken down and is beyond repair, or will there still be potentially contentious issues to do with the physical condition of central heating systems?

**The Rev Graham Blount:** There are inescapable issues to do with the most effective ways of improving situations. Inevitably, resolving those issues will depend on discussing whether something can be economically and effectively repaired or whether it is beyond economic repair. The concern is to ensure that we spend money in the most effective way. The focal point is the home's energy efficiency rating, but clearly that is affected by whether the person has a functioning central heating system.

**David McLetchie:** But is that personalised? For instance, if I have a central heating system with a certain performance rating—F, G, or whatever—but it is not working because it has broken down, is it still regarded as having that rating? Is the home's rating based on its theoretical efficiency if all the installed systems are working, or is it based on someone looking at the individual's home and saying, "This isn't working properly, this radiator is broken, and there's a draught here because of the window"? How personal is the rating? Is it just a tick-box thing that is based on whether the home has insulation and a central heating system?

**The Rev Graham Blount:** We hope that the regulations will reflect what we asked for, which is for the categorisation of the home to reflect whether the heating system works. The answer to your question is that the rating is towards the personal end. It does not consider only whether there is a system and disregard whether it is functioning. If the system is not functioning because it is broken, the home's energy efficiency rating will be altered. As I said before, I suspect that questions will remain about the most effective way to deal with that, be it repair, renewal or whatever. That remains a difficult area, but the Scottish fuel poverty forum is clear that people should not be excluded from stage 4 because a system that is physically in place is not functioning.

**The Convener:** Whether people benefit depends on their age, in some cases, on whether they receive guaranteed pension credit, and on whether the system is broken or just inefficient. Again, we come back to the fact that we do not have clarity on the ground about the types of system and the criteria that are applied. The position is not clear to people, even if they get the

best advice. We do not know whether the end of universality will result in people losing out. I accept that only time will tell, but it has all the ingredients—

**The Rev Graham Blount:** I agree. We are as passionate as you about addressing those points as effectively as possible. The forum would take issue with just one thing that you said. The current system is not universal but is targeted at people in a particular age group. We suggest a different way of targeting, which we believe would more effectively focus resources on people who are in fuel poverty.

**Bob Doris (Glasgow) (SNP):** That brings me quite nicely to the question that I have been sitting waiting patiently to ask. Between 2006 and 2007, some 26,000 additional households went into fuel poverty, so it is obvious that the previous system was not working. There seemed to be mission drift in tackling fuel poverty, and it seems to be accepted that the energy assistance package brings a positive refocusing.

First, can I check something with everyone on the panel? Do you believe that the framework that the cabinet secretary announced is the correct one? I would like to talk about funding in a moment, but will the framework meaningfully tackle fuel poverty in Scotland?

**The Rev Graham Blount:** Our understanding is that what the cabinet secretary has agreed is the package that we proposed` so, obviously, we think that it is the most effective way in which to spend the existing money. In our report, we recognise that there are issues, and we use the word “prioritising”. I appreciate the point that has been made, but the issue for the Government is one of prioritisation.

11:00

**Bob Doris:** Thank you for that. We are still using targeting to tackle fuel poverty, but there is now a framework for that approach, which has a four-stage process.

Recommendation 30, which is for energy companies, says:

“Energy companies should be willing to integrate CERT within the holistic approach of the Energy Assistance Package, including use of Flexibility to contribute to Stage 4 measures where this is cost effective.”

My understanding is that the Scotland-wide CERT for energy companies costs about £100 million a year, which towers over the £55.8 million a year for the Government’s fuel poverty package. That is not a huge amount of cash, although it is a 20 per cent increase over the previous figure. I have a question for the two witnesses who represent energy companies. How can you channel your

CERT obligations in Scotland into stage 3 or 4 of the cabinet secretary’s framework?

**Carol Aitken:** The fact that we are around the table talking about the issue suggests that we take a positive approach to joined-up delivery of CERT through the funnel of the energy assistance package. We are more than happy to look at how that can be done. From a Scottish Gas perspective, the key is to use the package as a way of accessing vulnerable customers according to the 40/60 per cent priority group split. The easier that becomes for us—we are taking a step in that direction—the more we will be helped to increase our spend and delivery in Scotland.

**Bob Doris:** Would Scottish Gas take referrals during the four-stage process or would it give money directly to support the energy assistance package? Those are different approaches. For example, Scottish Gas could say that it wants to give £5 million directly to Mike Thornton to help fund the infrastructure of advice centres and the push to tackle fuel poverty.

**Carol Aitken:** To an extent, CERT is measured in carbon savings rather than money, and I suppose that we would view matters in that light. We have not been approached about just handing over a single lump sum. We would have to defer somewhat to the work of the CERT strategy group, which is working on the fine detail of how we make Scotland an attractive venue for CERT delivery. When the group has completed its work, we will see how that can interface with the fuel poverty forum’s work in helping us deliver CERT through the advice centres.

**Bob Doris:** So direct funding has not been ruled out? We will wait to see how it shakes down in the negotiations.

**Carol Aitken:** It has neither been ruled out nor ruled in. The CERT strategy group and the workshops will work through that in December, January and, possibly, into February.

**Ruth Semple:** The agreement in principle is around the CERT measures rather than around cash going to, for example, the EST or another third party that could help deliver the package. As Carol Aitken said, energy companies measure the CERT according to carbon savings rather than money. The agreement in principle would be reached on carbon savings measures that are installed to deliver the package.

**Mike Thornton:** It is important to bear it in mind that investment in CERT can be done only under the rules that Ofgem sets. As colleagues have said, Ofgem asks whether clear carbon savings can be demonstrated as a result of the spend. Funding the infrastructure, however valuable and worthy, will not necessarily be acceptable to Ofgem as offering a distinct and clear carbon

emissions saving. That point will have to be included in the consideration of the issue.

**The Rev Graham Blount:** Given the constraints on CERT funding, and given that CERT is ultimately measured in carbon savings, our concern and aim in the package is to maximise the impact of the CERT spending on fuel poverty in Scotland.

**Bob Doris:** Recommendation 21, which is for the Westminster Government, links with what has just been said. There is also a linked recommendation about Ofgem. However, it states that there should be more flexibility in the formula and rules for the CERT. For example, it states that carbon savings should be based on criteria such as “geography and harsher climate”. Would loosening up certain rules and regulations give power companies the flexibility to be more imaginative in how they finance carbon reduction savings and, as a knock-on effect, how they contribute to a reduction in fuel poverty? Is recommendation 21 a central part of how we can liberate more cash for the fuel poverty agenda?

**Carol Aitken:** I think it is. As things stand, we have to be careful to balance our CERT delivery throughout the UK and in each region in turn, but we would be broadly in favour of using different geographies and climates as a consideration in how we define CERT.

**Bob Doris:** Cavity wall insulation in Glasgow—the area I represent—will have a bigger impact than cavity wall insulation in Surrey, for example. In the Western Isles, with its harsher climate, it would lead to an even bigger carbon saving. The rules on that need to be relaxed.

**Carol Aitken:** If Ofgem is persuaded to have a debate on that, we would be positive contributors.

**Alasdair Allan:** The Western Isles have been mentioned. I appreciate that I have raised this issue with Mike Thornton previously, but I wish to continue to put it on the record that the area of Scotland that has the highest fuel poverty is the area of Scotland that does not benefit at all from CERT. In those circumstances, how do you maintain customers’ confidence in the scheme? I appreciate that the aim of CERT is to reduce carbon emissions, not to solve social problems, but when 50 per cent of people in the Western Isles are in fuel poverty and no one is getting CERT, you can understand the feelings of grievance.

**Carol Aitken:** I might be making an announcement here, but I was in touch with your office yesterday to say that as of Friday we have a contract to deliver CERT in the Western Isles.

**The Convener:** As if by magic.

**Carol Aitken:** As if by long negotiation.

**The Convener:** Christmas has come early.

**Alasdair Allan:** Everyone should be on a committee.

**John Wilson:** In paragraph 3.3(b) of your report, you refer to

“other hard to treat properties—where fuel poverty is harder to eradicate”—

and say:

“Further research may be needed on ensuring the most effective technologies for some property types”.

How many houses in the social rented sector and the private sector come under that category? This goes back to cavity wall insulation and other measures to make houses more fuel efficient—if we have an idea how many houses come under that category, we will have an idea of the costs that may be incurred.

**The Convener:** Norman Kerr is bidding for this one.

**Norman Kerr:** I do not know whether bidding is the right word.

The Scottish house condition survey, which is released regularly, will give you the exact figures. A rough rule of thumb is that, because of the construction type, a third of all homes in Scotland do not have a cavity or have a cavity that cannot be filled. That is the scale of the issue we are dealing with and it is why, when we were moving to the energy assistance package, it was important to take some of the focus away from cavity wall measures and put it on other measures. A third of all houses in Scotland are not benefiting from cavity wall insulation and need to benefit from some other form of insulation or technology.

**John Wilson:** I have a supplementary question for Scottish Gas: how many of the central heating systems that were installed in, say, 2007-08 received a financial contribution towards the installation from the resident?

**Carol Aitken:** I do not have those figures, but I can get them for you.

**John Wilson:** I raise that issue because letters land on my desk from time to time in which people tell me that they have been asked to make a financial contribution towards the installation of their central heating system. I want to get an idea of how many people are in that category. Despite different central heating systems being installed, £250 seems magically to come up regularly as the amount of money that constituents say they have been asked to contribute.

**The Convener:** The witnesses may not be able to answer that in detail today, so we would appreciate some information.

**Carol Aitken:** As I understand it, the top-up fees attach chiefly, but not exclusively, to areas where customers are off the gas grid and the fuel of choice is oil, but I am sure that there are instances in which they attach to people who are not off the gas grid. As I said, I am happy to come back to you with figures on that.

**Patricia Ferguson:** John Wilson asked about houses that are constructed in a way that makes them difficult to insulate. I have seen some brave attempts to provide cavities so that cavity insulation can be installed. A number of properties in my constituency are tenemental, and the ground-floor flats, particularly those in closes where there is a large undercroft or basement that has not been treated in the past, do not provide any opportunity for insulation. Would anything in the proposed measures include those hard-to-treat houses?

**Norman Kerr:** We have considered what measures exist and whether they are cost effective. We are not suggesting any measure as a priority for, for example, tenemental properties, but we have said that there should be an element in the package that allows new technologies to be tested and properly costed. For example, at least two internal insulation systems are on the go just now. They range from £20 per square metre to £40 per square metre, which is a significant cost. The question is whether installing one of those systems would save householders the money we think it would save or whether it would simply be a costly exercise that disrupted the household.

Quite a lot of work is going on but, until now, we have lacked the opportunity to assess the contribution and effectiveness of new technologies under either scheme. A number of technologies are available, but we have not recommended any of them. Rather, we have said that there should be a mechanism that allows them to be examined.

**Mary Mulligan:** Will Carol Aitken from Scottish Gas tell us what the situation is with people waiting for insulation measures or central heating to be installed?

**Carol Aitken:** Do you mean the time they wait?

**Mary Mulligan:** Yes.

**Carol Aitken:** I think that they wait six to seven months for the full central heating package. I do not have a figure for insulation installation under the warm deal.

**Bob Doris:** The forum's report makes a series of recommendations for energy companies, the Scottish Government, the UK Government and Ofgem. The forum has had a structured opportunity to make representations directly to the Scottish Government—that is why it sat—but will it have such an opportunity to make representations to the UK Government or Ofgem?

**The Rev Graham Blount:** Ofgem has observers on the forum, so we have that direct link, but your question is one of the issues we want to explore—we have suggested that we might develop links with parallel bodies elsewhere in the UK and make representations to the UK Government and Ofgem in partnership with them. That is one of the key issues that we will consider in thinking about how to take the recommendations forward. We are aware that we need to focus on that and that there would be greater strength in working with the other bodies elsewhere in the UK if we are able to find common ground.

11:15

**The Convener:** Norman Kerr chided me for describing the forum as timorous; now, I move on to where it is being very brave, as the official warned the minister.

Recommendation 25 seems to ask for a thorough review that would bring winter fuel payments to an end. Given our earlier discussion about the universality of the free central heating replacement programme for pensioners, I wonder how much agreement there was from Help the Aged and Age Concern Scotland on that recommendation. As I read it, if such a review took place and you got your way, the result could be different payments to pensioners in Dumfries and Dundee. Indeed, it could mean different payments to pensioners who live next door to each other. How would we decide which pensioners are fuel poor and which are not? Would the criterion be the receipt of a guaranteed element or pension credit?

It is brave of you to recommend an end to the current system now, when pensioners have been celebrating the cheque coming through the letterbox. I presume that it is a stage on the way to ending the universal provision and moving to discounts on bills, with April payments replacing the December payments. Effectively, your recommendation is that we move away from the universal benefit. Is that what you are recommending?

**The Rev Graham Blount:** No, it is not. Recommendation 25 calls for

"A thorough review ... to ensure a better fit ... This should consider ... less restrictive criteria for Cold Weather Payments; extending Winter Fuel Payments to"

a range of other vulnerable groups and the possibility of payments being weighted differently for different regions. It does not say that anybody who currently receives payments should not get them.

**The Convener:** With due respect, when you embarked on the review of the free central heating programme I asked the minister at this committee whether we were going to introduce means testing



and he denied that that was the case yet, lo and behold, you are recommending something similar. The bullet point at the top of page 11 of the report says:

“Similarly, a discount from energy bills could be more effectively linked to fuel poverty than a universal benefit.”

To what are you referring in speaking about “a universal benefit” if not the universal benefit that is paid to pensioners as winter fuel payments?

**The Rev Graham Blount:** Recommendation 25 talks about

“a discount from energy bills rather than the current payment system.”

**The Convener:** I refer to page 11 of your report. That is not the only reference to it in the report. In talking about CERT, you complain about people who are not deserving of payments—people who can afford fuel—getting the payments and say that the poor should not be subsidising the rich. I am not arguing with you; I just think that it is brave of you at this time to suggest that a scheme that is popular among pensioners who are on fixed incomes should be reviewed, which could mean that pensioners in different parts of the country would receive different payments.

**The Rev Graham Blount:** As an independent forum, we are aware that recommending a thorough review of something is not writing a blank cheque and saying that we will endorse whatever comes out of the review. We are aware that such a review could be taken in whatever direction the Government chose to take it. Recommendation 25, on which the forum agreed—I am not speaking out of court in saying that a range of views on the issue were expressed within the forum—reflects the consensus that was reached on the need to seek a review and on the things that we believe should be considered as part of that review. There is not a clear view from the forum as a whole about the specifics of a new system.

**The Convener:** How many other recommendations did not receive the full endorsement of the forum?

**The Rev Graham Blount:** The recommendation has the full endorsement of the forum—that is what I said. Recommendation 25 has the full agreement of the forum. It says that a review “should consider the following” issues.

**The Convener:** You are critical of the universality of winter fuel payments to pensioners because payments are made to people who are not fuel poor.

**Norman Kerr:** They are also made on a straightforward basis. I think it was Bob Doris who talked about variations in the climate and gave an example of a measure that would lead to greater savings in Scotland than it would on the south

coast of England. The percentage of the population that is in fuel poverty is higher in Scotland than it is in England and we have a much harsher climate. There is nothing wrong with suggesting that there should be regional weighting for the winter fuel payment.

**The Convener:** I presume that the weighting would be applied to Scotland. Do you consider Scotland to be a region? What about regions in Scotland, some of which are colder than others? If your recommendations are accepted, a pensioner in Dumfries could receive a winter fuel payment that is different from the payment that a pensioner in Dundee or the Western Isles receives. That is not intended to sound pejorative; I am concerned about the spin—“dishonesty” would be too strong a word—according to which no one would be affected by the proposal. If universal payments to pensioners are to end, which I understand to be the principled position of many forum members, we need to be completely up front about that.

Means testing has been applied to the free central heating programme and people have been excluded. You argue that much more benefit has been gained from doing that and you are making a similar argument about fuel payments. You think that we can do more with that money to reach people who are fuel poor, but that will mean differences in payments from neighbour to neighbour and from Dundee to Dumfries.

**Norman Kerr:** I do not think that the forum has suggested that we end universality in the way you describe. If we move to regional weighting there might indeed be differences between payments in Dumfries and payments in Dundee, but—right now—people in Dundee or the Western Isles have higher fuel bills than people in Dumfries, so should we not try to compensate for the disparity?

**The Convener:** I am trying to understand the forum’s view. In your evidence you made it clear that ending the replacement of heating systems would bring wider benefits. My point is that spin should not be allowed. When you make a recommendation such as recommendation 25, it means that differences will increase and means tests will be applied—that is the natural course of events. I am just asking people to be up front about that; I am not making a judgment on the recommendation.

**The Rev Graham Blount:** May I also be up front about the context in which recommendation 25 was made? We were thinking about the requirement for significant amounts of extra money. In relation to the package in Scotland we made a recommendation within the current budgetary constraints, but recommendation 25 was not made within current budgetary constraints and we are not talking about withdrawal of winter fuel payments from anybody—

**The Convener:** Mr Blount, you and other members of the group have been unable to describe to the committee the cost implications of any of your proposals.

**The Rev Graham Blount:** I do not think that that is strictly true. We have been able to describe what we recommended within the existing Scottish Government spend.

**The Convener:** I think that the record will show that when I asked at the start of the meeting whether you could describe the cost implications of any of the recommendations to the Scottish Government, Ofgem, power companies or the Westminster Government, you were unable to do so. Is that correct?

**The Rev Graham Blount:** I think that I said that we produced recommendations within the existing spend, which are costed and which we believe can be achieved within the existing spend. You are correct to say that there are no costings for recommendations that go beyond that.

**Alasdair Allan:** I have an observation. We have discussed in depth the meaning of “universality”. Do you think that there is universality if an old lady in Dundee gets enough money to heat her house to the same temperature as that of an old lady in Dumfries? Even if the two payments were different, would that not constitute a certain universality?

**The Rev Graham Blount:** I would not dissent from that. It is about what is fair.

**Mary Mulligan:** How do we measure that? We are talking about individual households. Do you have information that shows differences that would mean we would want to change the payments, or is it about gaining a bit here and a bit there, so that the single figure covers the differences?

**Norman Kerr:** I will answer that one. We can do some modelling: we can place a house in different locations in the UK and model it for the degree-day difference, the construction type and the building regulations that are applied—building regulations in England are different and will continue to be so. We can then work out what should be spent to heat a house to an agreed heating regime and band that by area throughout the UK.

**Mary Mulligan:** That would need to factor in issues such as whether a person is a cold person to start with and, more seriously, which energy company is being used and how much it charges, for example. Is it feasible to do that to the extent that you are suggesting, or are you talking about a regional approach in Scotland?

**Norman Kerr:** We are suggesting that a regional approach should be taken across the UK. Occupancy levels, the type of fuel that people are

using and more than 50 other different criteria within a house can be factored in, and in the model the house can be placed in different parts of the UK. That is part of assessing running costs.

**Mary Mulligan:** Is it cost effective to do that for each individual house or house type as opposed to providing a single payment?

**Norman Kerr:** That does not need to be done for every household because the modelling can come up with a regional average for each area, which will give the required banding.

**Mary Mulligan:** Do you believe that that would be cost effective?

**Norman Kerr:** Yes.

**Bob Doris:** I should pay respect to my convener who has been quite brave in taking on the UK tax and benefits system. I welcome that.

We are talking about cold-weather payments, winter fuel payments, universality and varying targets. I would like to hear the witnesses’ views on the current farcical cold-weather payments system, which is mentioned in the report. We have to be able to predict that it is going to be cold for seven days in a row before UK cold-weather payment kicks in, and people lose out if it turns warm again on the seventh day. Could not the UK Government fix that almost immediately? No one can predict what the weather is going to be like for seven days.

**The Convener:** I believe that the witnesses are asking for a review of that scheme as well.

**Norman Kerr:** A thorough review of cold-weather payments is the first suggestion in recommendation 25 in our report. The problem is not only in having to predict the weather for seven days because there is also a problem with weather stations’ locations; for example, the weather station for Braemar is in Lossiemouth. There is a lot wrong with that system, and has been for many years. We are back to regional weighting for cold-weather payments and when they kick in for a region. We need to establish where the weather stations are and how well they reflect local conditions.

**Bob Doris:** Should we draw from recommendation 25 the lesson that the current system is a bit of a hotch-potch and we need a thorough review of the cold-weather and winter fuel payments, rather than presume what the result of that review will be?

**Norman Kerr:** “Hotch-potch” is not a word that would naturally fit there, but we can say that the system could be improved.

**The Convener:** What the forum is saying is clear in the report and the abbreviated recommendation. If you read it, it is clear.

11:30

**John Wilson:** I am interested in Mr Kerr's mapping exercise and in how we would decide who should or should not be entitled to winter fuel payments. He said that the exercise should consider house type and area. Patricia Ferguson mentioned tenement flats in Glasgow—many ground-floor tenants argue that they heat the middle and upper floors when they burn energy. What about localities where people have been awarded free gas central heating systems because they met the criteria for that programme, but have people living next who do not have a gas central heating system and are still operating an electrical heating system? How would we make comparisons at the local level?

My fear is similar to the convener's: people could lose out if we were to have regional weighting for the payments. Mr Kerr said that a third of houses are energy inefficient. After the mapping exercise, we could end up in a situation in which, as the convener said, people in some areas are disproportionately disadvantaged because their neighbours have a system that they do not have. If we go for regional variation in the winter fuel payments, people could suffer more.

I accept the chair of the forum's point that we are working within existing set budgets. However, your report states:

"The UK Government currently spends around £2 billion per annum on Winter Fuel Payments. The correlation between entitlement to a winter fuel payment and fuel poverty is poor and there are a significant number of fuel poor households who do not currently receive any payment who need it."

Is the forum saying that, working within the budgets that are currently set, the UK expenditure of £2 billion is sufficient to allow us to rejig the system to ensure that people who are fuel poor receive a payment and those who are fuel efficient do not?

**Norman Kerr:** I am not suggesting—nor is the forum—that someone should not get a winter fuel payment when their neighbour does, because of their house type. We are saying that a regional weighting would apply to all eligible people in that region. The review might suggest that the present payment of £250 should be increased to £400 for people in the Highlands and to £300 for people in Dundee. The forum is not suggesting that someone who stays next door to somebody who gets the payment should not get it.

**The Convener:** My point was that, prior to the review of the free central heating replacement programme, two pensioners who lived next door to each other were both entitled to the benefits of the scheme. After the review and the changes to make the system fairer, if one of the pensioners was in receipt of a guaranteed pension credit, they

continued to benefit from the scheme, but if the other did not receive that credit, they no longer benefited. The situation is the same with winter fuel payments. You suggest a review of the scheme. If there are two pensioners and one is fuel poor and the other is not, one will no longer benefit. Are you not suggesting the ending of the universality of fuel poor benefits to pensioners?

**Norman Kerr:** That is not what has been suggested at all. We suggest that a review must be carried out to establish whether we have the payments right.

**The Convener:** Your report mentions the universality of some benefits to pensioners. It states that the CERT programme has been described as making those who cannot afford to pay subsidise those who can. If that is what you believe, why—

**Norman Kerr:** I do not think that what you are suggesting is what we believe. The rules for the CERT programme state that the priority group is made up of people over the age of 70, who will receive systems free. Anyone under the age of 70—

**The Convener:** You have expressed a reservation that that is not correct. In my reading of the report, you say that the 70-years-and-over eligibility criterion includes people who are not fuel poor and that you are, in principle, against such benefits going to those people.

**Norman Kerr:** I will have to disagree with you, convener. I am not sure how I can express that.

**The Convener:** I am glad that you are turning away from what the report says, but the view and the concerns that I am outlining are in the report and the recommendation.

As there are no other questions, I thank members of the panel for their evidence.

## Subordinate Legislation

*Meeting closed at 11:37.*

**Non-Domestic Rating  
(Rural Areas and Rateable Value Limits)  
(Scotland) Amendment Order 2009  
(SSI 2008/370)**

**Non-Domestic Rating  
(Rural Areas and Rateable Value Limits)  
(Scotland) Amendment Order 2009  
Amendment Order 2008 (SSI 2008/371)**

11:36

**The Convener:** Item 2 concerns two instruments that are subject to the negative procedure. Members have received copies of the orders and have not expressed any concerns, and no motion to annul has been lodged. Do members agree that the committee has nothing to report to Parliament on the orders?

**Members** *indicated agreement.*

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