

# **SOCIAL JUSTICE COMMITTEE**

Wednesday 1 May 2002  
*(Morning)*

Session 1

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## **SOCIAL JUSTICE COMMITTEE**

**7<sup>th</sup> Meeting 2002, Session 1**

### **CONVENER**

\*Johann Lamont (Glasgow Pollok) (Lab)

### **DEPUTY CONVENER**

\*Mr Kenneth Gibson (Glasgow) (SNP)

### **COMMITTEE MEMBERS**

\*Robert Brown (Glasgow) (LD)

\*Cathie Craigie (Cumbernauld and Kilsyth) (Lab)

\*Linda Fabiani (Central Scotland) (SNP)

\*Mrs Lyndsay McIntosh (Central Scotland) (Con)

\*Karen Whitefield (Airdrie and Shotts) (Lab)

\*attended

### **WITNESSES**

Ron Ashton (Convention of Scottish Local Authorities)

David Brownlee (Age Concern Scotland)

John Clough MBE (Eaga Partnership)

Gavin Corbett (Shelter Scotland)

Stephen Cunningham (Convention of Scottish Local Authorities)

Audrey Gallacher (energywatch)

Steve Gorry (Scottish Gas)

Councillor Alistair Gray (Convention of Scottish Local Authorities)

Robert Hammond (energywatch)

Norrie Kerr (Energy Action Scotland)

Ann Loughrey (Energy Action Scotland)

Gordon McGregor (Scottish Power)

Alan McKeown (Convention of Scottish Local Authorities)

Hamish McPherson (Scottish Gas)

Stephen Morrison (Eaga Partnership)

Kirstie Shirra (Friends of the Earth Scotland)

Hammy Smillie (Scottish Power)

Angela Yih (Age Concern Scotland)

### **CLERK TO THE COMMITTEE**

Jim Johnston

### **SENIOR ASSISTANT CLERK**

Mary Dinsdale

### **ASSISTANT CLERK**

Craig Harper

### **LOCATION**

The Chamber



## Scottish Parliament

### Social Justice Committee

Wednesday 1 May 2002

(Morning)

[THE CONVENER opened the meeting at 09:46]

**The Convener (Johann Lamont):** I welcome everybody to this meeting of the Social Justice Committee and I wish you all a happy May day. I also express my gratitude, on behalf of the committee, to all those who have sent us evidence on fuel poverty.

### Items in Private

**The Convener:** Item 1 is to consider whether to take items 7 and 8 in private. Both items relate to draft committee responses. Is it agreed to take items 7 and 8 in private?

**Members** indicated agreement.

## Fuel Poverty

**The Convener:** We move on to item 2, which is on fuel poverty. The Executive has published its consultative draft of the Scottish fuel poverty statement. At its meeting of 20 March, the committee agreed to take limited oral evidence to help inform our response. Given the number of witnesses who are attending, and in order to maximise the time for questions, the witnesses have been told that we will not provide an opportunity for opening statements. However, we have received written submissions—for which we are grateful—and they have been circulated to members.

I welcome the witnesses to our first panel on sustainability and consumer issues. Kirstie Shirra is from the Scottish warm homes campaign and Friends of the Earth Scotland, Gavin Corbett is from Shelter Scotland, Ann Loughrey and Norrie Kerr are from Energy Action Scotland and David Brownlee and Angela Yih are from Age Concern Scotland.

I thank you for your attendance. Perhaps we can get started. I will ask the first, general question. The Executive has indicated its commitment to eradicating fuel poverty within 15 years. Is that a realistic target? Is it reasonable to expect the Executive to achieve that?

**Ann Loughrey (Energy Action Scotland):** I will have the first go at that. That target is achievable, but the Executive should consider co-ordinating grant schemes and widening the range of measures available under current schemes. I do not know whether anyone wants to add anything to that.

**Kirstie Shirra (Friends of the Earth Scotland):** I would back that up. The 15-year target is achievable, but only if much work is done early on. Good measures are in place, such as the central heating programme and the warm deal programme, but we must consider how we can extend those programmes and what new measures we can bring in now if we are to achieve that target. It is effectively a target of only 14 years and a bit that the Executive is setting itself. Some people will be hard to reach and some homes will be hard to improve. We must start considering new measures that can be implemented now.

**Ann Loughrey:** There is also duplication in schemes at the moment. Companies working under the energy efficiency commitment and organisations working under the warm deal are providing insulation measures to and targeting the same groups of households. Given the fact that one third of the Scottish housing stock is non-traditional housing, we must consider how to widen the range of measures to include things such as external cladding and perhaps even solar

solutions in order to take people out of fuel poverty.

**The Convener:** You will be aware that the Housing (Scotland) Act 2001 focused on the social rented sector and that there were strong arguments as to why that was necessary. The Executive is now moving to address issues in the private sector. How should the Scottish Executive address fuel poverty, particularly in the private sector?

**Ann Loughrey:** There are real problems in the private sector because there is no carrot and stick approach. The private rented sector is not really regulated and there are problems with getting measures carried out and with landlords giving permission under current schemes. It is difficult for local authorities to gather information on all the housing stock, particularly in the private rented sector.

**Gavin Corbett (Shelter Scotland):** The committee considered in detail the current scheme for licensing houses in multiple occupation and concluded that it was not working very well. However, I think that the committee also made the point that we should not throw the baby out with the bath water. It is important that the limitations of that scheme do not compromise the long-term argument for a greater degree of regulation or oversight of the private rented sector. That is crucial to achieving our aims to reduce fuel poverty and improve housing quality. Without oversight it is very difficult to get things moving in the private rented sector.

**David Brownlee (Age Concern Scotland):** We have found that the private sector owner-occupied properties of people at the point of retirement are of fairly good quality. However, as owner-occupiers get older, their properties tend to decrease in quality. The house conditions survey showed that those in the oldest age group, 81 and over, live in houses that have the lowest ratings for condensation, heating and double glazing and the lowest national home energy rating—NHER. We would like special measures for the oldest age group.

**Norrie Kerr (Energy Action Scotland):** I have some comments on information gathering, particularly on the private rented sector. Local authorities have just submitted their second progress reports on the Home Energy Conservation Act 1995. The information that local authorities have on the private rented sector is very poor because they do not have the authority to gather information from that sector. Gavin Corbett is right—we license those houses in multiple occupation, but we know nothing more about them, their energy rating or state of repair. If we are disaggregating the figures from the house condition survey, we might want to know about the

robustness of the information on that sector. The regulations under the Home Energy Conservation Act 1995 must be strengthened so that private sector landlords report to the local authority on their stock and its condition. At the moment, local authorities are making a best guess about how efficient or otherwise that stock is. If the local authority does not know how efficient that stock is, it is difficult to say what schemes suit the private rented sector best.

**Mr Kenneth Gibson (Glasgow) (SNP):** The Energy Action Scotland submission says that, on occasion, private landlords have refused permission for tenants to benefit from grants, such as the warm deal. However, a submission from the Scottish Association of Landlords says that

“fully 90% of landlords ... had no idea what the Fuel Poverty Initiative was, how to access it, or what it could mean for their tenants.”

What action should the Executive take to raise awareness among landlords and their tenants of fuel poverty and available grants and what action should it take to ensure that private tenants are not exposed to fuel poverty?

**Ann Loughrey:** You raise a good point on awareness among private landlords—and more widely. There are currently 30 different schemes in Scotland. Even though we are an informed group, this panel would find it difficult to name them all. Access to information is extremely important.

The Scottish Executive should do a number of things. There should be an independent, one-stop shop for anyone who wants information on what grants are available, eligibility for which can be independently assessed. At the moment, some efforts are being made in that direction, but they depend on good will and best practice; they are not Executive-led. I would like the Executive to take a strong line on that so that a one-stop information shop is set up for landlords and the fuel poor.

**Mr Gibson:** The Executive states:

“We will ask the Fuel Poverty Advisory Group to provide the Housing Improvement Task Force with advice on fuel poverty issues that it might want to examine”.

Are there any specific issues that you suggest?

**Norrie Kerr:** The housing improvement task force must consider how the private rented sector works and how the Executive interacts with it. You mentioned the Scottish Association of Landlords. I would like that group to be included in a number of the discussions that are happening. By and large, landlords are hidden from the view of scheme managers, insulation companies or groups like ours. We find it hard to make realistic contact with them.

There are also issues with how houses are passed on. Gavin Corbett may wish to talk about

seller surveys in that regard. There is an issue with the fact that, when someone rents a house, they know very little about the house other than the rent and the rateable value. They do not know how much it costs to live in the house. They tend to focus on how good the amenities are or how close it is to the school. The housing improvement task force must consider the affordability of living in a house, especially in the private rented sector.

**Mr Gibson:** I have questions for Age Concern Scotland and the other organisations that I will ask later. Please do not think that I am ignoring you.

The Energy Action Scotland submission talks about the definition of fuel poverty. Your submission states that, for the figures that the Executive will publish, that definition

“will falsely reduce the numbers of fuel poor and so wrongly influence future schemes and programmes designed to assist them”

because of the inclusion of council tax and housing benefit. Will you expand on what the changes to the definition of fuel poverty that you suggest would mean?

**Ann Loughrey:** From the outset our concern was that, in its measurement of fuel poverty, the Scottish Executive would treat income from housing benefit and mortgage relief as if it were disposable income. The notion of such income being more money in somebody’s pocket is completely inaccurate. Our experience is that, if someone is in rent arrears, housing benefit generally goes on sorting out that debt. They do not suddenly have another £25 in their pocket to spend on fuel.

Because including such income would reduce the numbers of fuel poor, we were keen that the Executive measure gross and net housing costs. That way, we can see accurately how many people are taken out of fuel poverty. Otherwise, we would have started with 200,000 households less. That is why we made that point in our submission.

**Gavin Corbett:** Including such income not only changes the number of fuel poor, it also changes their profile. As Shelter Scotland’s submission mentions, because housing benefit is not spread evenly across the different sectors, including it would take out a disproportionate number of private rented sector households, which is a worry, as that is where the most intractable problems lie.

**Mrs Lyndsay McIntosh (Central Scotland) (Con):** Paragraph 4.21 of the consultation states that

“the Scottish Executive has no target relating to domestic energy efficiency.”

However, the first report of the housing improvement task force, which the Executive has

endorsed, quantifies “poor energy efficiency” as “having an NHER rating of 0-2”.

Do you agree that a target would be useful? If so, what sort of NHER rating is a realistic target?

**Ann Loughrey:** I want to add a comment to your question.

**Mrs McIntosh:** By all means.

**Ann Loughrey:** To put that in perspective, nine out of 10 houses in Scotland—90 per cent of the housing stock—fall below current energy efficiency standards. That is the scale of the problem.

**Mrs McIntosh:** That is enormous.

**Ann Loughrey:** It is enormous. We have to do a number of things. It is not realistic to amend retrospectively the building regulations so that we bring everybody up. Things can be done to some houses. An energy rating of 0 to 2 is poor when compared to houses being built at the moment that have a rating of 8 to 9, depending on who is building them.

10:00

**Norrie Kerr:** Some local authorities that we work in partnership with—the witnesses from the Convention of Scottish Local Authorities might want to say something about this later—have already looked up their stock profile. It is difficult for the Executive to set an NHER rating of 6 when it knows that it will be difficult to bring some house types up to that rating within a realistic spend. Some local authorities are aspiring to a rating of 5. It would therefore be prudent for the Executive to set a rating of 5 to be achieved in the next five or six years.

As we said earlier, that would mean greater co-ordination of schemes and widening the measures. Many of the solid wall and granite properties in Edinburgh and Aberdeen would require a considerable amount of money to be spent on them to bring them up to a rating of 6 or 7.

If most houses that score 2 or less are traditionally built, with a cavity, then by installing loft insulation and cavity wall insulation and installing a central heating system, it is easy to bring them up to a 5 or 5.5. That depends upon how good the heating system is. You would need to apply that package of measures to those houses. A rating of 5 is therefore a reasonable aspiration.

**Mrs McIntosh:** Within the budget, would attaining a rating of 8, as in new builds, be a mission impossible?

**Norrie Kerr:** No. It is not a mission impossible for new houses.

**Mrs McIntosh:** I meant for the older properties.

**Norrie Kerr:** We need to consider more innovative solutions for the older houses. I was talking about widening the measures. Neither the warm deal nor the energy efficiency commitment money introduces solar power or anything to do with photovoltaics. If you bring in technologies that increase the ambient air temperature in the house, you reduce the amount of work that the heating system has to do. Those technologies could be used for £500 or £600. We are not talking about breaking the bank on those properties.

When you look at superinsulation techniques, you are talking about spending several thousands of pounds on older properties—£3,000 to £5,000 per property for the superinsulation alone. That is not outwith the realms of possibility.

**Karen Whitefield (Airdrie and Shotts) (Lab):** Kirstie Shirra has already mentioned the hard-to-reach groups that will get help from the Executive's commitment. Although they will get assistance, it might well be later on in the programme. Some of the written submissions also mention those hard-to-reach groups. Will you be more specific in detailing who those groups are?

**David Brownlee:** Those in the oldest age group tend to have the lowest income, the highest care needs and live in the poorest properties, certainly in the owner-occupier sector. There are projects that deal specifically with that age group. We would look to some kind of initiative to reach the oldest age group.

**Karen Whitefield:** Are there particular reasons why it is harder to get to those groups? What needs to be done to ensure that those groups benefit from the programmes to eradicate fuel poverty as soon as is practicable?

**David Brownlee:** The reason is that it is more difficult for the older age group to get out. That group is socially excluded and finds it more difficult to interact with the amenities that are available. They may not have access to all of the information that other people have. District health officers and community care and social work departments have initiatives in place to try to reach the older age group. Our argument is that the older age group includes people who are most affected by and at greatest risk of fuel poverty. Action should be taken to try to reach them.

As a good start, we would ask for sub-groups within the older age group to be monitored to study the effects that the current initiatives are having on them. If they are not being reached, we would ask for special measures to be taken as soon as possible.

**Ann Loughrey:** We have probably had the easy wins in that we have identified fuel poor

households. We have not yet touched on whether people identify themselves as being fuel poor. The term "fuel poverty" is not easy to understand. When I explain my job to people, until I talk about living in a cold home, they find it hard to understand what I do. We must give people access to information and we must raise awareness. Once that has happened, people will identify themselves as being fuel poor. I have often said that we would be inundated with calls to help access insulation and central heating grants if we ran an advert in the middle of "Coronation Street" that asked, "Are you cold or do you know somebody who is cold?" People do not identify themselves as being fuel poor.

**Karen Whitefield:** The problem is not unique to the elderly. Many people do not understand the concept. Although the elderly are important, the problem applies equally to young families who do not identify themselves as fuel poor.

**Ann Loughrey:** That is a good point and one that could easily be addressed. When new mothers leave hospital with their babies, they are given a Bounty pack. Perhaps they should also be given information about grants to insulate and centrally heat their homes. That sort of simple link requires cross-departmental working between the departments of health, the environment and housing. We need to make those sorts of links and I hope that the advisory group will start to work on that.

**Norrie Kerr:** The committee will be aware that a number of Executive documents describe the community energy partnerships that Transco has proposed. The Dundee community energy partnership is working to identify needs in a street-to-street, door-to-door survey of each household in Dundee. A number of hard-to-reach people, about whom we are talking, do not intermingle with the community. They keep themselves apart and do not attend lunch clubs, use day nurseries and so on. However, if someone arrives on the doorstep with a package of information and asks to make an assessment of how energy efficient the house is, the help comes to the person and they do not have to identify themselves.

Even under the former home energy efficiency scheme, elderly people did not want to be identified as being in need. They did not want to admit that they were on benefit or that they were eligible for a means-tested measure. Pride is involved. I hope that that can be overcome by telling people that we are interested in the energy efficiency of the housing stock and asking them to participate in a survey. The Executive needs to promote and support such examples of good practice.

**Robert Brown (Glasgow) (LD):** There are references to broken and partial central heating



systems throughout the various reports. Perhaps difficulties in definition are involved. Page 12 of the Citizens Advice Scotland report includes a reference to two electric storage heaters that were in different rooms, but linked together, counting as a central heating system. That meant that that property was ineligible for a grant. We need to get a handle on the extent of the problem that the interpretation of definitions and exemptions is causing. There is an urgent need for a follow-through programme.

Page 7 of the Age Concern report specifically mentions that

“the recommended economical 3 rate metering system for electric heating can only be serviced by certain companies”.

The report comments that that can cause change of supply problems. Is that a significant problem and is long-term maintenance and upkeep a major problem for the sustainability of the programme?

**Angela Yih (Age Concern Scotland):** We commonly receive inquiries from older people who have low incomes and little savings for help with the maintenance of central heating systems. It is expensive to maintain a central heating system properly, and for people on low incomes—of any age group, but especially older people whose income will never rise—that will always be a problem. It must be addressed as part of a strategy to maintain warmth in the home for old people.

We are also concerned about hard-to-reach groups, which we need to identify now. We know the effort that is required for a benefits take-up campaign, for example, as well as the information resources that are needed to encourage people to take up what is available for them or to be aware of being cold. We need to deal with that now, rather than concentrate on the people who are taking up the central heating grant, for example, without any advertising. That is commendable, but it is hard to see how we will eradicate fuel poverty among older people in the private sector at the current pace.

As Ann Loughrey said, we need partnership working and one-stop advice shops that will reach out to all age groups and tenures. There is also recognition of the resources and time that are needed to involve people by speaking to them and not simply using normal forms of advertising. We have to get into people's homes and speak to them, to do which we must first gain their trust.

**Ann Loughrey:** The Executive had to start somewhere, and the easy way to start was by giving heating to people who did not have any. However, people who have two storage heaters that are expensive to run are also in fuel poverty. We need to think about changing that, and I hope

that the Executive will do that.

There is also an issue about maintaining heating systems, which needs to be taken on board. There is a safety aspect to that, too. We cannot just put a heating system in and leave somebody to get on with it. My parents get me to change their timer twice a year because they do not have the confidence to do that, although they are both competent, young pensioners—I think that that is how they would like to be described. There is a confidence issue. I would like the provision of energy advice and awareness to be a compulsory measure across all the schemes, with follow-up advice being available to people so that they know how to use their heating effectively and efficiently. We have evidence to suggest that there is not that level of confidence throughout Scotland.

**David Brownlee:** There is a role for an increase in the uptake of the priority services register, which is currently run by energy companies. We are running a campaign in conjunction with energywatch to try to increase that uptake. However, if the issue was acknowledged centrally and the awareness campaign was carried out by the Executive, that would be of use as well. One of the benefits of the priority services register is a free gas safety check each year.

**Robert Brown:** Are there potential linkages with care-and-repair schemes or programmes of that sort, through housing associations, which would be useful in that context?

**Angela Yih:** Such schemes have an important role to play in our supporting older people and gaining their confidence by working with them through what can be a very long process of improvement and repair. Age Concern Scotland and Shelter Scotland were involved in the initiation of the care-and-repair movement in Scotland, many years ago. Although it is much better known now and receives greater recognition from the community and the Executive, it has not evolved much from its original form. It tends to involve one-person projects that can resource only a limited client group. There is definitely a need to strengthen that programme.

**Robert Brown:** Mention was made earlier of the problems of non-standard properties, to which the normal insulation arrangements cannot be applied. There is an issue of what works and how much it costs. The Easthall project was innovative 10 or 15 years ago, but it does not seem to have been advanced by making use of solar energy, and so on. Can you give us an idea of the best methods for improving non-standard houses? They are obviously a major problem. In whole-house terms, are they worth it at all? Being realistic about the economics, do such houses have a long-term future?

10:15

**Norrie Kerr:** That is a good point. We turn over about 1 per cent of our stock every year through demolition and new build. Much of our stock will be around for a long time, particularly the solid-wall properties. The best thing that we can do is put in extremely efficient central heating systems, which is what the Executive stated should be done when it drew up its specifications for the standards up to which stock had to come. We have done a lot in that regard and have introduced the seasonal efficiency of domestic boilers in the UK—SEDBUK—ratings. Once a high-efficiency central heating system is in place, solar slate technology can be used. For about £500, such technology provides about 2,000 kWh a year of warm air drawn from the atmosphere. Berwickshire Housing Association and Perthshire Housing Association are experimenting with that technology at the moment. That project has been around for the past three or four years and is probably the biggest project of its kind.

A warm deal grant also comes to £500, but it cannot be applied to a solid-wall property whereas solar slates can. Furthermore, no planning permission is needed to install solar slates because the system does not go on the roof, but under it. That will not bring the national home energy rating of a property up to 6 or 7, but it will increase it to 3 or perhaps even 5, if the boiler mechanism is extremely efficient.

A point was made earlier about dynamic teleswitching and I am sure that energywatch would like to comment on that. Dynamic teleswitching is an efficient way of ensuring that electric central heating systems continue to get the charge that they need throughout the day; members might want to ask the representatives from Scottish Power about that later. It also helps the power generators plan ahead because they know when to bring power stations on during the day. That means that their generation curve does not fluctuate, which is beneficial to them and to consumers. The difficulty is in allowing other consumers access to those codes. The Office of Gas and Electricity Markets is already working with Scottish Hydro-Electric to examine ways of tackling that issue.

**Gavin Corbett:** On whether it is cost effective to invest in houses that have a short life span, the priority must go to investment in the houses. Although it is right to say that we expect to demolish more houses in the next 20 years than we did in the previous 20 years, much demolition happens for management and popularity reasons, rather than because of physical obsolescence. There is limited overlap between being popular and having a short lifespan—we would be in a bit of a cul-de-sac if we were to demolish large numbers of non-traditional and awkward house

styles despite their being popular.

**Linda Fabiani (Central Scotland) (SNP):** Ann Loughrey talked about the amount of schemes that exist—one-stop shops and so on—and the fact that there is a lack of co-ordination among them. Is the Scottish Executive doing enough on how fuel poverty relates to health, to the environment, to education and so on? Would the existence of a more co-ordinated approach at the top—perhaps fuel poverty's inclusion as a social justice indicator—filter down and improve the situation across the board?

**Ann Loughrey:** I agree absolutely. Greater co-operation, with the lead coming from the Scottish Executive, is exactly what we are looking for. There must be less duplication and more effective use of resources.

**Linda Fabiani:** I have another quick question on a subject that is puzzling me. Practically every response that we have heard talks about the necessity of front-loading if we are to achieve the 15-year target, but we then hear reports that there are not enough gas fitters. How can that problem be addressed if we are serious about meeting the target?

**Norrie Kerr:** We must co-ordinate provision that already exists. We still have a lot of stock that needs cavity-wall insulation, and there is enough capacity in that industry. We still have a lot of stock that needs loft insulation; there is enough capacity in that industry, too. Gas central heating is not the only type of heating system that can be installed. I share the view that we have a long-term problem with gas engineers. We are not talking about the next three or four years. However, as the schemes that we are instigating now hit their targets there will be a problem not with installing systems, but with on-going repair and maintenance. We must take action now. Transco and GWINTO—the Gas and Water Industries National Training Organisation—are working closely to bring gas fitters on stream now so that, in three or four years' time when we start to have serious problems, we will already have created a work force that can tackle other hard-to-heat houses. I hope that we will then go back to the houses that have partial or obsolete central heating to replace those systems. It is a problem, but steps are being taken now to address it. We must ensure that those steps are effective and that they have the support of the industry and of the Executive.

**Linda Fabiani:** Do you reckon that front-loading is a viable option?

**Norrie Kerr:** Yes.

**Kirstie Shirra:** Front-loading is crucial. It will be hard to achieve a front-loaded target, but we are talking about eradicating fuel poverty; that is a

goal that we must achieve. We have said that there will be hard-to-reach groups and that there will be properties that are difficult to deal with. Unless we front-load the initiative early on, our target will not be achievable. It will be difficult, but we need to do it.

**Cathie Craigie (Cumbernauld and Kilsyth) (Lab):** We have spoken about the Executive's position on the central heating programme and about the target for elderly people who have no central heating at all. However, we all recognise that there is a problem with partial systems or systems that are on their last legs. If you had the power to make the Executive change its view, would you widen the initiative to include people who have partial systems now, or do you think that the Executive has got it right by targeting people who have no central heating?

**Ann Loughrey:** I do not have enough statistical information to say how successful the initiative is. I know that the Eaga Partnership will give evidence today, so perhaps it can answer that question. However, we think that widening the central heating programme must happen sooner rather than later. I would not want a situation in which a person who does not have heating is beaten to the grant by somebody who has a little bit of heating. That is a difficult question, which has a lot to do with information and access to information.

I know that we are running out of time, but I would like to add one related point. We have talked about house conditions and I know that the committee will be gathering evidence throughout the morning. However, in considering fuel poverty we must also take into account disposable income and energy price, which have a tremendous effect on people's use of their heating and on their being able to make choices about heating or eating.

**Norrie Kerr:** I would like to follow up on Cathie Craigie's point. She asked whether we would widen the measure if we had the power. The difficulty is that along with power there must be resources. If we widen the client group now, we must also increase the amount of money that is available. Already, without a lot of publicity, there is a huge queue of people lining up, although Eaga is managing the queue effectively and getting people through the system. We must manage expectation as well as install heating systems. In a five-year programme, somebody has to be last, but everybody wants their heating system installed in the first year. Ann Loughrey made a good point. Do we choose whoever is first to chap on the door? If that person gets their central heating first, will they be getting it at the expense of someone who has no central heating at all? It is very difficult to answer the question.

**Cathie Craigie:** I would love an increase in resources for the programme. Today we have

talked about the skills that people will need to meet the challenge. If we increase resources, are there enough people to do the fitting and maintenance that are required?

**Norrie Kerr:** We are building the labour resource that is required, so that in three or four years' time there will be a substantial number of people who are able to do the work. If the money were put on the table today, the industry would struggle to find enough people who are qualified to do the work. The industry does not have the required capacity.

**Cathie Craigie:** So we need to plan for the next three or four years.

**Norrie Kerr:** We need to bring about a step change.

**Ann Loughrey:** If we had more information about the housing stock, we would be able to target the worst housing first. That would address many of the concerns that Cathie Craigie expressed. However, at the moment we do not have the information that we require. That is why we would like local as well as national housing stock condition surveys.

**Mr Gibson:** I hope that a new housing stock condition survey will take place soon. Our witnesses have made a plethora of excellent suggestions. If you were to suggest one improvement to the strategy for eliminating fuel poverty, what would it be?

**Kirstie Shirra:** Energy auditing could help in numerous ways. It would enable us to build up a detailed picture of the condition of Scotland's housing. It would also provide local authorities with information on private sector stock and their own stock, which would allow councils to focus grants on the people who need them.

There are various mechanisms for carrying out energy auditing. We have always advocated the seller-survey approach, in which properties are energy audited when the occupier changes. However, there are other ways of compelling private owners to carry out energy audits.

**Gavin Corbett:** It is hard to tackle problems with a one-dimensional approach—members would expect me to say that.

We talked earlier about setting a general domestic energy efficiency target. We should set an ambitious energy efficiency target for the council and housing association sectors in particular, because those sectors include most of the poorest households and are most malleable by public policy. If money were made available for that, we would be sure to achieve something dramatic in those sectors. However, that is a big "if".

**Ann Loughrey:** In our view, it is most important to have a Government led, formal and co-ordinated policy that draws everything together. If I could do one thing by waving a magic wand, I would stop people self-disconnecting and ensure that they have fuel all the time. That would take people out of fuel poverty, but it is not realistic.

**David Brownlee:** Today we have talked a good deal about the most vulnerable groups. Ann Loughrey touched on income, as opposed to energy efficiency. Although many powers related to income are reserved, income maximisation policies are not reserved. We would like income maximisation policies to be embedded in every strategy that the fuel poverty advisory group and the Executive propose. Failure to take up income support and attendance allowance is a particularly big problem with older people. When the pensions credit comes on stream next year, the number of people who are eligible for extra income, but do not receive it, will increase hugely. We would support any initiative that was aimed at getting older people to check their benefits.

**Robert Brown:** I want to ask Energy Action Scotland about the skills shortage that Norrie Kerr spoke about earlier. In its report, Transco says that not addressing that shortage

“will compromise the Scottish Executive’s efforts to tackle fuel poverty.”

I would like to get a handle on the extent of the problem. I have heard that by 2004 we will be short of 2,400 gas-fitters. Is that anything like the real figure? Will the measures to which Norrie Kerr referred address that problem?

**Norrie Kerr:** GWINTO, which works closely with Transco, has done some very good work in that area. If members have not already received a copy of its profiles, I will ensure that one is sent to them. GWINTO has perceived that the industry will cope, except during cold weather. That situation will not necessarily affect the amount of installations, but it might affect you or me if we phone up to get our boilers repaired. There is a deficit of engineers in the winter, but during the summer, the engineers are well up to capacity. Again, the issue is about the timing of jobs. If many central heating systems are installed in summer when engineers are not doing maintenance work and repairing breakdowns, we can keep the programme going.

There is a problem, however, that will not go away. As I said earlier in reply to Ms Craigie, the industry is addressing that problem by putting in place innovative training solutions. The industry would like the Executive to support that process by funding it and promoting the process in various places. Again, the Executive could therefore have a leading role. However, the shortage will not go away. Committee members should consider the

profile—I will ensure that it is passed on to members.

**Gavin Corbett:** It is not long since Shelter and other housing organisations were arguing for housing investment that would create jobs. Let us hope that we do not reverse that argument by saying that we should break housing investment because we cannot provide skilled jobs. I am sure that everyone would agree that it is important to give that message.

**The Convener:** I thank the witnesses for their attendance and evidence. If you feel that we have missed points that you want to highlight, we would be happy to hear from you again.

We will suspend the meeting for two minutes to allow for the changeover of witnesses.

10:31

*Meeting suspended.*

10:39

*On resuming—*

**The Convener:** I welcome our second panel on implementation issues. The witnesses are Councillor Alistair Gray, Ron Ashton, Stephen Cunningham and Alan McKeown—all from the Convention of Scottish Local Authorities—and John Clough and Stephen Morrison, who are from the Eaga Partnership. I am grateful for your attendance and your written submissions. As has been indicated, we will move straight to questions. However, at the end of the session, if you feel that there are points that you have not been able to make or that you want to expand on, we will be happy to hear from you later.

I will kick off with general questions that the committee wants to address to all the witnesses. The Executive is committed to eradicating fuel poverty within 15 years. From your perspective, is that a realistic target?

**John Clough MBE (Eaga Partnership):** The target is eminently reachable, but I have some caveats that echo sentiments that were expressed earlier. Those caveats concern availability of resources, development of infrastructure and the drive to achieve. However, we believe that those aspects could be ramped up and the target achieved within 15 years.

**Councillor Alistair Gray (Convention of Scottish Local Authorities):** COSLA’s perspective is similar. I believe that the target is achievable and that the task is doable. It will be important to review the milestones and evaluate progress to ensure that we get there. Resources, as my Eaga colleague said, might also be implicated.

**Ron Ashton (Convention of Scottish Local Authorities):** I want to clarify that when we talk about resources, we are not talking only about money. The issue, as was said, is getting the tradesmen. It is also about the ability of contractors to carry out the work in existing heating programmes. The biggest constraint is getting enough contractors to be able to programme the work and do the installations that are required. That situation needs to be thought through.

**The Convener:** As you are aware, much of the focus of the Housing (Scotland) Act 2001 is on the social rented sector. It is clear that there is now a move by the Executive to address issues in the private sector. What are the key issues for the Executive in seeking to address fuel poverty in the private sector?

**John Clough:** Eaga is charged with delivering the central heating programme to the private sector. First, it is worth establishing what the benchmark is. We were set a target in September last year of delivering, in the first six months, 3,500 central heating systems. That target has been achieved and surpassed. The benchmark target is challenging but achievable. In looking forward, the issue is the rate at which we can extend and roll out that programme. At what point will it be appropriate to extend eligibility for, and availability of, measures, and support and invest in the infrastructure that is required to deliver the programme?

I sum up the situation by referring to the strategic planning issues, which are important for achieving delivery. I do not think that the private sector is an insurmountable problem, albeit that we all recognise that it is a particularly difficult sector to reach effectively.

**Councillor Gray:** I add that we are talking about dealing with vulnerable—sometimes extremely vulnerable—members of society. We must be careful how we deal with them. We still must also better quantify the volume. It is not just a case of dealing with heating; we must also consider the fabric and long-term maintenance of buildings. We must consider achieving fuel efficiency, which will help people's costs, through work on the buildings.

**Stephen Cunningham (Convention of Scottish Local Authorities):** A key task for getting into the private sector has been flagged up strongly at meetings of the fuel poverty working group. The task is to identify the fuel poor by methodologies such as aggregated surveys—for example, the Scottish house condition survey—and local house condition surveys.

The committee will be aware that one needs a significant amount of information about an individual and their house to be able to identify

whether that person is in fuel poverty. It is easy to identify areas of general deprivation, but I think that we all acknowledge that some people in fuel poverty are not so easy to identify. They will form a significant proportion of the total numbers identified as being in fuel poverty.

**Mr Gibson:** The Executive has said that it will ask the fuel poverty advisory group to provide the housing improvement task force with advice on which fuel poverty issues it might want to examine. Which issues do you suggest should be examined?

**Ron Ashton:** There is a clear link between the housing improvement task force and the fuel poverty agenda. The question is how we provide an overall package for the individual. For example, there is little point in putting in a state-of-the-art heating system if the windows are falling out. We need to have a joined-up message and a co-ordinated approach. As Councillor Gray said, we need to provide a comprehensive solution to the individual housing and other circumstances of the vulnerable and needy, especially those who are in the private sector. We need to co-ordinate and think.

10:45

**John Clough:** We advocate what we might call a three-legged-stool approach. As has been mentioned, we need to take into account not only what home improvements are required but what effect the price of fuel has on the number of people who are in fuel poverty and on the income conditions of the particular clients. It is important to consider all three aspects. We need to be honest about the impact that we can have on each of those things.

It is worth saying that the Executive's approach so far has been ahead of the pack compared with schemes in other countries within the UK. We can provide the committee with an analysis of how what is available in Scotland compares with other countries. One thing that is laudable about the programme in Scotland is the incidence of benefits entitlement checks, which seek to get to the heart of the income issue. Although it is early days to say how well those checks have gone, we can say that—having revisited our initial problems with take-up—more than 20 per cent of those who apply to us are eligible for more benefits. The average increase in benefit is more than £9 a week.

There can be significant wins if we concentrate on the elements on which we can have an impact.

**Mr Gibson:** A number of vulnerable groups who are in fuel poverty, such as people with long-term illness, impaired mobility or disability, need warmer homes than others might need. What

specific measures should the Scottish Executive take to remove such groups from fuel poverty?

**Councillor Gray:** An immediate measure that could be considered would be to deal with the fact that gas is not available in all areas and that domestic electricity prices are 9 per cent higher in Scotland than they are in England and Wales. Legislation might be required, but tackling those factors would provide an immediate impact, ahead of the capital cost funding that the Executive is introducing.

**Stephen Cunningham:** The fuel poverty working group identified a number of areas in which liaison with the housing improvement task force would be beneficial in the fight to eradicate fuel poverty. It was suggested that the energy auditing of homes—by whatever measure; for example, by tying the audit to house sales or surveys—should be investigated. The working group felt that the energy auditing of houses would be worth while for its own sake and should be flagged up to the HITF. The working group also discussed the simple income indexes and the energy ratings of houses that are linked to the energy audit and agreed that the housing improvement task force should consider the issue.

It was felt that the implementation of building standards should be examined and that the HITF should consider whether building standards could be made binding at the time of issue. Many authorities feel strongly that developers should not be able to wait for three years after their initial application before being required to start implementing the new building standards. We believe that the situation should be tightened up considerably.

As I said, fuel poverty is tied closely to the person and the house. That links to the housing improvement task force and work on the housing quality index, which includes work on how the index should be designed and used. There is a strong feeling that the index could be used as an incremental tolerable standard, for want of a better term. There could be a system whereby when all houses meet the tolerable standard, the standard moves another step up the housing quality index. There would be no requirement for another consultation on building standards to have a new tolerable standard, below which grants from local authorities apply. The housing quality index could provide a long-term, graded tolerable standard. It would be an aspirational standard that might be met in time through statutory functions. We want to flag that idea up to the housing improvement task force.

The housing improvement task force's papers do not mention the leasing of heating systems and other measures for private landlords and the private sector. Those should also be investigated.

**Ron Ashton:** Mr Gibson asked about vulnerable groups. The provision of housing must be considered as part of the overall package. We co-operate with the health service, joint future projects and a wide variety of agencies. In the private sector, care and repair organisations have a fundamental role. They examine the individual needs of the vulnerable and the elderly and match the solution to those needs. Undoubtedly, part of that solution is the heating agenda as a condition of the housing agenda. We must consider the matter in the round and match the approach to the individual. A package for the care and repair of individuals' properties must be designed.

**John Clough:** I support that point. The way to reach the most vulnerable households is to work actively with organisations that are already on the ground—such as care and repair organisations—and which have active networks. Such organisations hold a baton of trust with the clients. Given the level of intervention in properties that we are talking about, it is extremely important to gain people's trust. Generally, we find that the number of referrals that are received from the network organisations is not huge, but the quality is high and they involve the most vulnerable clients. Quite often, working with those networks is the only way to access the most vulnerable people because they do not nominate themselves and they do not respond readily to public information. It is imperative that we work closely with those networks. Such close work seems to work well. A huge amount of networking activity takes place, which is positive. The more that we can build on that, the better.

In future, we need the active involvement of health groups. The improvement of the housing infrastructure has huge health benefits. As a deliverer, we find it incredibly difficult to access the right people in the right volume in the health networks. That is not because there is apathy, but because the networks are extremely complex animals and the people who are involved are busy and have active agendas of their own. We must build on that.

The previous group of witnesses said that guidance from the Executive is required. Such guidance is important and enabling, but there must also be enthusiasm and energy at ground level so that people can see the benefits of intervention. We need more authoritative, action-based research projects to convince general practitioners and primary health workers that prescribing a heating system and a warm, healthy home is the way to improve health. That is the sort of dynamic that we must achieve.

**Mr Gibson:** Do you want the central heating initiative to be extended to those groups?

**John Clough:** In time, I would like the initiative to be extended so that the health bodies could

make referrals. I would like nothing better than to have GPs prescribing central heating systems.

**Councillor Gray:** John Clough mentioned vulnerable groups in connection with care and repair organisations. I declare that I am chairman of Angus Care and Repair. Older people who are disabled sometimes have difficulty appreciating how to access funding. There is a clear role for groups such as care and repair organisations.

The better we look after our citizens, particularly our vulnerable citizens, the fewer beds will be occupied. I hope that the health boards will recognise the importance of funding the central heating initiative and care and repair.

**Karen Whitefield:** We have heard about the shortage of gas fitters—Ron Ashton mentioned that in response to an earlier question. Is the problem affecting or impeding your ability to deliver the central heating initiative, or is it a problem for the future? If it is a problem for the future, at what point will it become a problem—next year or in two or three years' time?

**Ron Ashton:** I think that the problem is approaching very fast. I was fascinated by the earlier evidence, which reflects my experience. People are okay in the summer, so they start doing their installations, but they cannot get gas engineers in the winter when there is a high number of breakdowns.

The shortage of gas engineers is affecting how local authorities programme the installation of central heating systems in their own stock. The prices and installations vary depending on the season. There is clear evidence that the problem is starting to roll. Furthermore, the number of people who are qualified to install gas is decreasing. A lot is going on and we are not at a standstill. I have to be fair to Transco and say that it has done a lot of good work. It is starting a scheme in Dundee, which we are tapping into, to train gas installers. It is not training full gas fitters; it is training gas installers who will be qualified to install gas central heating systems but will not have the knowledge to do the complex breakdown work. We need to up the rate of response if we are to get the necessary resources to complete the programme.

**John Clough:** My take on the situation is that the problem is not as acute in Scotland as it is south of the border, but that we should face up to it, as it is about 18 months away. It has not affected the delivery of the private sector central heating programme in its first six months—those targets have been achieved. The target for the next 12 months is 4,500 installations and in the following year it is 10,400 installations. As members can see, that is quite a step change. Acceleration of the programme in the coming year

in the private sector would be positive and would allow the infrastructure to develop.

We can take heed of early wins. Overall, sign-up to the new deal is good—more than 100 placements are in place through the warm deal. The target is 250 and we are on target to achieve it. It is worth noting that we have worked with Transco and the Gas and Water Industries National Training Organisation. A particular example of that is our work with NEC Semiconductors. We took 45 highly skilled engineers, who were going to be made redundant, and retrained them to do gas fitting. That sort of joined-up initiative is important. Scottish Enterprise funded the 45 placements, which are now delivering and are part of the reason why we were able to achieve our targets in the first year.

We have to face up to the problem now. The infrastructure cannot be put in place overnight. I know to my cost and grief that the problem is huge south of the border. It drives up prices incredibly in the winter—the point that Ron Ashton made—and that cannot be best value for the public purse. It is good common business sense for us to adopt the sort of approach that I suggest, but we need to act now.

**The Convener:** Do you get a sense that the Scottish Executive regards the lack of gas fitters as a problem? Should more work be done with Scottish Enterprise to support the initiatives that Transco and others are taking to address the problem, rather than addressing the problem in-house?

**John Clough:** A powerful response would be for the committee to note the issue in its response to the consultation document and ask for joined-up thinking to take place.

**Ron Ashton:** There is a general lack of tradesmen. Today we are talking about gas fitting, but the situation is the same in other areas. Fewer apprentices are coming through than did so in the past. Other difficulties are starting to arise. That caught the system out, but national bodies, such as the Executive, are responding well. I support John Clough's comments that if the committee made that sort of statement, it would send out a powerful message.

**Karen Whitefield:** Are there difficulties in particular parts of Scotland? Is there more of a shortfall in the central belt than there is in Lothian or is there more of a problem in the Highlands? Has any work been done to examine the pilot that Transco is operating in England, which encourages skilled people who have been made redundant, for example by Corus, to train as gas fitters so that they remain employable? The jobs are there and the scheme gives people a long-term future after they have been made redundant.

11:00

**Ron Ashton:** Yes. That is part of the scheme in which we are involved. It is centred round the Claverhouse Group in Dundee. Extremely valuable work is being done. The pattern tends to follow the work, in that, although theoretically Angus is a small rural area, a lot of the gas contracting industry is influenced by the Dundee market and the Aberdeen market. The contractors tend to follow the work, so the pattern can be sporadic and depends on where the work is, where the contracts are and what is happening. An overall shortage exists, but it tends to be worse in the central belt.

**Stephen Morrison (Eaga Partnership):** The shortage of engineers does not relate only to the gas industry. While delivering the programme throughout Scotland, we have discovered that there is, for example, a shortage of electricians in Orkney. Historically, companies have perhaps not had contracts of sufficient length to enable them to invest in training. Fortunately, with the mandate from the Scottish Executive to deliver the programme, we have been able to offer contracts of substantial length to heating companies. Now that the companies have between two and four years of work, they can say that, as they want to be a certain size of company in a couple of years, they will invest in training now. Historically, companies might have been given contracts for a couple of hundred houses, which it might have taken them three, four or six months to do. Once that contract was over, any investment would not be recouped. The shortage of engineers is not limited to the gas industry, but there is movement.

We have not encountered shortages in any one area for the central heating programme. As Ron Ashton highlighted, the work force will move to where the work is. It will follow the gas network.

**Karen Whitefield:** You give out contracts that cover a longer period. As part of the current housing stock transfers, one of the housing associations that operate in my constituency is doing a whole community regeneration in Airdrie. As part of that, the contractor—the builder—has had to take on a certain number of local young people and give them apprenticeships. Could you write a similar provision into your contracts to encourage companies, as well as training people, to take on local people, whether they are in their 40s or 50s or are school leavers?

**Stephen Morrison:** John Clough mentioned the example of NEC in Livingston. We brought all our central belt contractors to meet the people who were being made redundant from NEC. The meeting was about establishing the travel-to-work area for those guys and saying that there were real opportunities. We said that, rather than becoming unemployed and living off their

redundancy payment, they could invest a year of their life with no income to retrain as a gas engineer. The companies that we use are all backing that. They are sponsoring the places, so anybody who comes out of the 45 training places will work on the Scottish Executive central heating programme. The programmes in Dundee and the new community energy partnership that is being developed in Lanarkshire will feed into that. We will take advantage of any of those schemes for the central heating programme.

**John Clough:** The key learning point in delivering training of that nature is that there must be the guarantee of a job at the end of it. Otherwise, you tend to find—we have run many training courses with Transco and the Gas and Water Industries National Training Organisation—that the drop-out rate is very high. Generally, these are skilled people, who have the promise of a highly skilled, highly paid job. If there is no absolute promise of employment at the end of the training, they can become less-skilled plumbers or fitters and drift away from the programme.

We need an end-to-end approach: as trainees come through the front door, agents have to be prepared, as we have been, to stick their necks out and say, "There is a job for you at the end. There is a good, high-skill, high-pay employment opportunity for you." Then trainees will stick with agents.

**Councillor Gray:** We are concentrating on training qualifications for fitters, but members should bear in mind the fact that we must ensure that we cover the maintenance side of the rapid installation work that is being done by the private sector. That may be an issue for the housing improvement task force. We cannot ignore the risk of carbon monoxide problems for our older citizens.

**Stephen Cunningham:** I want to develop an earlier point about the issue being much wider than just central heating, and to pick up Stephen Morrison's point about longer-term contracts that enable contractors to take on apprentices and carry out retraining. That issue could be flagged up under the Egan report, "Rethinking Construction". Rather than going through a competitive tendering exercise, we could use a best-value scenario to enter into long-term partnerships for certain types of work. Perhaps we should push quite strongly for the definition of best value to take account of the much wider principles of retraining apprentices. When local authorities are negotiating contracts, which can be quite large, with the Eaga Partnership, dialling in the need for apprentices is almost a requirement. Apprentices should be an integral part of work that is to carry on for three years or more, and they should be included in the best-value calculations.



**Alan McKeown (Convention of Scottish Local Authorities):** The fact that there is a much more co-ordinated approach to the delivery of national objectives through local government, the community planning process and, through that, local housing strategies is helpful. The strategic context is very much up front.

I am glad that the point about what housing investment can achieve has been raised—it is not just about delivering a heating system in a house, as there are knock-on effects. As a movement, we have consistently made the case that investment in housing will deliver on the First Minister's five priorities. Gavin Corbett made the important point that we should not lose sight of the fact that housing investment will have significant knock-on effects.

**Robert Brown:** I would like to pursue that point a little further. As I understand the situation, part of the trouble is the double whammy of the increase in demand as the programme develops and the age profile of the industry, given that people in their 50s are retiring. Three points arise, the first of which is the adequacy of the plans that are being put in place. If we accept that certain things are being done, is it your impression that, despite the difficulties, the plans are adequate and will meet the demands of the programme? Secondly, are sufficient training facilities available across the country? I understand that the main training establishment is Lauder College and that facilities are coming on stream in Queenslie. Thirdly, if we accept that people who are made redundant from other skilled industries can be retrained, which will deal with short-term problems, is there sufficient provision for training younger people who come into the industry over the longer term? How long does it take to train younger people?

**John Clough:** I will kick off, but I will ask Stephen Morrison to come in.

As I indicated, the adequacy of the plans has not been a problem so far, but that is a sleeping problem that needs to be pushed up the agenda. We need some good but fast strategic planning over an 18-month horizon. Significant investment in the necessary delivery infrastructure is required.

I will hand the question about training facilities to Stephen Morrison, as he knows more about them than I do. On the longer-term training implications, it is important to consider the industry's needs. For example, traditionally someone who wanted to be a gas fitter had to go through a three or four-year apprenticeship. Recently we worked with GWINTO and Transco on taking a fast-track approach to the development of central heating fitters who are not fully-fledged gas fitters.

There have been barriers, for example the question whether the level of training that the fitter comes out with is recognised as part of the

continuous learning profile—the national vocational qualifications and so on. We need to join the qualifications up to ensure that there is currency in the training stages that fitters achieve.

Although we need a quick win, with fitters at the base level qualifying possibly in 26 weeks, we need a continuous learning programme that would be the equivalent of an old-fashioned apprenticeship. The period of training could be condensed into fewer than three or four years.

We also need to start further back and try to get kids excited about the possibility of gas engineering, gas fitting and central heating installation as a good career. There are good opportunities for high-wage, high-skill jobs, and awareness of that needs to start way back in the schools. Perhaps we also need to start getting teachers and careers advisers excited about the prospect as well. Stephen Morrison probably has more of an insight into training.

**Stephen Morrison:** The two levels of courses that have been developed by the gas and water industry will make people able to install central heating in either six or 12 months. That will help us out of a hole a year down the line. However, if we can provide the industry base with the confidence to invest in normal apprenticeships, there is no reason why the two types of training programme cannot run in parallel. Younger people would go through normal apprenticeships of three or four years. Even if the central heating programme were completed within three or four years, the systems would still need to be maintained and serviced over the longer term. There is no doubt that anyone who comes new to the industry will have a lifelong career. As a result, there is no need to choose between the two courses. One addresses short-term need and the other addresses long-term need.

**Stephen Cunningham:** We must welcome the fact that we are considering a problem that might arise 18 months from now instead of reacting to one that we are sitting on top of, which has been the case too often in the past. I want to give recognition to the industry, Transco, the Executive and the Eaga Partnership for dealing with the situation in this way. As I said, I want to highlight how contracts and works can change under a best-value regime. Using the Egan report on improving construction could, over time, drive a complete change in the way that small companies approach investment in staff and apprenticeships. Giving ourselves 18 months to ameliorate the problem is a welcome step. I agree that we have identified ways of dealing with the problem in the longer term and that things are falling into place, slowly in some areas and quickly in others.

**Ron Ashton:** You are absolutely right to say that the problem is not just the short-term impact

over the next 18 months but the longer-term impact, and how the whole package of training and development is presented. I remind everyone that we are talking about a programme lasting 15 years, which is about the average life of a gas system. In fact, that is probably pushing such a system right to its end. We are talking not about making a one-off hit and saying "That's it, it's over and done with," but about a constant cycle from now on that will last as long as gas lasts.

**The Convener:** I have just realised that my central heating system might have become obsolete.

**Linda Fabiani:** The witnesses have mentioned the problems with gas fitters and so on, but the previous panel of witnesses said that front-loading should not be a problem, because we can do many other things to address certain elements of fuel poverty while we are waiting for all these new people to be trained as gas fitters. Do you accept that front-loading is a viable option?

**John Clough:** I agree with front-loading in the sense that additional measures should be introduced and the programme should be rolled out. I tend to agree with the fuel poverty advisory group that we need to front-load in order to meet the consultation document's 15-year target. We need a 30 to 40 per cent achievement rate by 2007. It will get harder to address cases in the latter years and the rate of progress will probably not be as great. In Scotland, we also have to face particular issues such as hard-to-heat homes and rurality.

I fully support the approach of examining renewables and other cutting-edge technologies to address those issues. The easiest way to take someone out of fuel poverty is to give them a gas-condensing or high-efficiency heating system that is on the gas grid and to insulate their cavity walls. There are many houses in Scotland to which that cannot be done.

**Linda Fabiani:** Two of the key comments in COSLA's submission concern grants. COSLA asks for expansion of the eligibility for and the extent of grants to be considered. Local authorities also ask for a bit more discretion. Are the current grant systems to combat fuel poverty inadequate to do a good job for COSLA's members?

**Councillor Gray:** Our submission says that we want local discretion to deal with local issues, which would include the issue that Linda Fabiani raises. That is important. All the additional work that we are considering with the housing improvement task force may have a resource implication across the board, which will be addressed when a report with recommendations is produced. There appear to be implications for grants, whether they are dealt with locally or nationally.

**Alan McKeown:** Measures under part 6 of the Housing (Scotland) Act 2001 are out for consultation at present and we will return to the committee with evidence on that. I am sure that the committee will be interested to hear where that goes. That carries a huge implication for the housing improvement task force. We must make the links with the HITF. COSLA's view is that the HITF's stage one report sums up the issues appropriately. Now we have to look for solutions to tackle those issues.

**The Convener:** Do you have any last burning points to make?

**Alan McKeown:** Although the report is important, the process of developing the fuel poverty statement is also important, and today's meeting forms part of that process. The Executive has struck a good balance. We look forward to working with it through not only the consultation process but the implementation process. We look forward to monitoring the situation and ensuring that we keep on top of the issue.

**The Convener:** I thank the witnesses for attending. The committee found the evidence useful. If you wish to expand on points, we will be more than happy to hear from you. I will suspend the meeting for two minutes to allow for the change of witnesses, but I ask committee members to stay in their seats, so that we can restart promptly.

11:16

*Meeting suspended.*

11:18

*On resuming—*

**The Convener:** For our panel on provision issues, I welcome Hammy Smillie and Gordon McGregor from Scottish Power, Steve Gorry and Hamish McPherson from Scottish Gas, and Audrey Gallacher and Robert Hammond from energywatch.

I thank you for your attendance and written evidence. If, after the meeting, you feel that there are some points that have not been made today, we would be more than happy to hear from you again.

We will move straight to the general questions that we have also asked the other witnesses today. First, the Executive is committed to eradicating fuel poverty within 15 years. Is that a realistic target in your view?

**Audrey Gallacher (energywatch):** That target will be achievable as long as sufficient resources are in place to achieve it. I echo what has already been said this morning about co-ordination of effort and the potential extension of schemes to

ensure that more measures are available—as opposed to the current arrangements, about which there is said to have been a degree of duplication.

**Hammy Smillie (Scottish Power):** I go along with my colleague from energywatch. There is no doubt that we—the utilities, the Government, the private sector and the fuel poverty action groups who have been represented in the inquiry, including Energy Action Scotland—have a major opportunity to make a difference and to get the scourge of fuel poverty out of our society. I think that a target of 15 years is achievable if we all work together.

**Steve Gorry (Scottish Gas):** Scottish Gas endorses that view. We are delighted to play a part in today's discussions and to be putting some momentum behind the efforts that will be required to deliver on that target. I reiterate the importance of the comments that have already been made about ensuring that our action is joined up and integrated. Some of the schemes that are in place may compete with, rather than complement, each other. I agree that we have a massive opportunity, which might include an opportunity to work smarter as well as harder.

**The Convener:** You will be aware of a focus on the social rented sector in the new housing legislation and that the Scottish Executive is now devoting much more attention to the private sector. Are there any particular issues that you think we should be aware of in relation to fuel poverty in the private sector?

**Hamish McPherson (Scottish Gas):** From the point of view of the supply companies, the rules have tightened up where we are using energy efficiency commitment money to enter schemes aimed at people on fuel benefit. The problem with that is that there might be a considerable number of people in private sector housing as well as in social housing who are either eligible for benefits but not taking them up or on the margins of eligibility. Those people are effectively being excluded, which is an issue and a concern for us all and something that we would want to be addressed.

**Hammy Smillie:** I agree that there is an issue here for many people, particularly elderly customers who stay in pretty big family homes. Not enough money might have been spent on their homes over many years, which might have been allowed to deteriorate. We have difficulty identifying it, but there is a market out there. In particular, we have to identify the elderly people in the circumstances I have described and do something about their situation. We have not found the solutions yet, but I think that we have the opportunity to sort the situation out if we work together.

A lot of hard issues are involved. The problem is not so much one of the debt that has been incurred or of poor conditions as the fact that it is not easy to persuade an elderly person to move out of the family home and into a smaller home that is easier to heat. It will not be easy to resolve that issue.

**Audrey Gallacher:** One of the main issues is that of people's awareness of what is available to them. Work could be done on that. It was suggested in earlier evidence that a possible solution in the private rented sector could lie in energy audits of households. That idea could be taken forward by the Scottish Executive.

**Mr Gibson:** What effect do you think the removal of domestic price controls on energy providers will have on the fuel poor? Can you give a commitment that people on low incomes will not be put at a financial disadvantage following further deregulation of the energy market?

**Hammy Smillie:** I will kick off. Scottish Power is the incumbent electricity supplier in the south of Scotland. The removal of price controls will have no adverse effect on our customer base. Prices in the south of Scotland have dropped by something in the region of 23 per cent since privatisation, but I must be honest and say—and I think that other people have said this—that lower electricity pricing will not necessarily get people out of fuel poverty. The fact is that people are having to spend 10 per cent or more of their income to heat homes that are difficult to heat. A drop in prices will not solve that problem.

As energy companies, we have to—I hate to use this word—educate people, and try to get them interested in energy efficiency measures in their homes, a crucial part of which is working in partnership with the Scottish Executive. We must also try to get people to understand the benefits of reducing their energy usage. The energy efficiency commitment will help customers, but pricing is not necessarily the sole answer—it must be included with energy efficiency measures. That is crucial if people are to get out of fuel poverty.

**Steve Gorry:** We agree. Figures from the past speak for themselves. There have been significant price reductions, year after year, in our case since privatisation in 1986. The issue has become more sophisticated with time. For example, it has been contended that not all sectors of our customer base have benefited from competitive market entry and that the removal of price controls would increase risk. I point to the opposite being the case. If current pricing structures are examined, it can be seen that standing charges have been removed in many cases—we were the first company to do that.

The industry is considering the removal of debt

blocking, to allow customers to choose their supplier freely. Wherever you look, there are opportunities: we are targeting our social banking product specifically at people who do not have bank accounts because lower prices are often targeted at people who have bank accounts. We have an opportunity to examine the customer base, particularly customers who are in fuel-poor situations, so that we can apply the best and most beneficial tariffs to the widest group of customers.

**Audrey Gallacher:** It is a comfort to me that Scottish Power has assured us that the removal of price controls will have no detrimental effects on consumers. With regard to Scottish Gas, we are concerned about the removal of price controls because we do not have effective competition in the Scottish market. A considerable number of consumers do not have access to the market.

Steve Gorry referred to the problem of debt blocking, which in our opinion is nowhere near being resolved. In addition, because of the type of tariff they are on, a significant number of consumers cannot access the market at all. Another issue is how much benefit can be achieved for prepayment customers. People who prepay can least afford electricity, so it is ironic that they are paying the most for it. I am concerned about the removal of price controls and the impact that that may have on the delivery of the fuel poverty strategy.

**Mr Gibson:** Age Concern Scotland stated:

“protection in the form of price controls must remain until we have energy efficient homes, and true competition in the market ... the removal of price controls could have a negative impact on the fuel poverty strategy.”

That view has been expressed by a number of people in submissions to the committee. Would you comment on it?

**Hammy Smillie:** I mentioned that energy efficiency is crucial. The issue is not just pricing. I want to state clearly that competition is effective in the south of Scotland.

**Mr Gibson:** What about the whole of Scotland?

**Hammy Smillie:** I cannot answer for the north of Scotland. However, the vast majority of the population—75 per cent—is based in central and southern Scotland. Competition is firmly established—30 per cent of our customer base has changed supplier. That is comparable to England and Wales.

I accept that energy efficiency is a crucial element to bringing people out of fuel poverty. The problem is that energy efficiency is not a sexy subject—people do not wake up in the morning and tell themselves that they need energy efficiency advice. That is a big issue for the utility companies—how to get energy efficiency messages across to the general public and get the

public to take an interest. That is not happening at the moment.

11:30

**Cathie Craigie:** Several written submissions raise concerns about the high costs associated with prepayment meters. As Audrey Gallacher said, they have a significant effect on some of the poorer people in society. How can you justify the higher charges to those who use prepayment meters?

**Hammy Smillie:** Prepayment meters and the infrastructure to support them are more expensive than credit meters. That fact has been verified by Ofgem. The figures indicate that the costs of a prepayment meter are about £18 a year higher than those of a standard credit meter. Those costs include infrastructure costs and make allowance for people paying early. In Scottish Power's licensed area, the net additional charge for an electricity prepayment meter is £13 a year. Somewhere in the region of 80 per cent of the customer base has chosen a prepayment meter because that is their preferred method of budgeting. We have always promoted prepayment as a secure method of budgeting to avoid getting into debt. The research that we have conducted shows that 80 per cent of our customer base is happy with a prepayment meter and the majority understand that they are paying an extra £13 a year for that meter. Something like 300,000 of our customers in central and southern Scotland use prepayment meters.

**Steve Gorry:** In Scottish Gas's experience, the cost of gas under prepayment is the same as it is using a standard credit meter. We equalised those tariffs two years ago. There are higher costs in supplying prepayment meter customers because the meter is a sophisticated piece of equipment that serves a multiplicity of purposes. Like Scottish Power, we ask those customers regularly about how they feel about prepayment as a supply method. We have found that the satisfaction levels are universally high. In addition, a significant percentage of that customer group is changing supply. There is already sophistication in the prepayment customer population—they know that choice is available and can be extended. More and more customers in the prepayment group—not just in gas, but in electricity—are choosing to exercise choice.

However, we are concerned that there are households in Scotland that are not being presented with real choice. We estimate that as many as 700,000 households in Scotland are in a situation, either through teleswitching or shared services metering, that means that Scottish Gas cannot enter the market and offer them choice. We hope that the committee will examine that issue.

**Robert Hammond (energywatch):** We believe that there is also an issue of transparency and of how much consumers understand about what they are paying for their gas and electricity through a prepayment meter. You have heard reports of satisfaction that have reached suppliers from their customers, but I have to say that that does not accord with the views that customers make known to us. Research that we have conducted, which will shortly be made public, turns that information on its head. Perhaps as few as a third of gas prepayment meter customers understand how expensive their meter is and fewer than a quarter of electricity customers understand that they are paying more for their electricity through a prepayment meter. The other thing to note is that 70 per cent of gas customers and 33 per cent of electricity customers in Scotland who are on prepayment meters are paying in that way because a debt is being recovered. It is still the case that if you owe a debt to your supplier you cannot switch supplier, so you cannot access a better pricing tariff.

**Cathie Craigie:** It was my understanding that suppliers also use prepayment meters as a tool for recovering debt. I would be interested to see the information that suppliers and providers have on that. The information that I have certainly balances what energywatch is saying. The committee has been concerned by previous evidence that showed that people on the lowest incomes find themselves paying higher tariffs.

I would like to move on to debt blocking. People who are in debt and using prepayment meters do not have any choice; they do not have the opportunity to take advantage of the competition between energy providers. Scottish Gas has mentioned that it is examining the issue. I would welcome further information on whether Scottish Power is doing the same. If there is to be openness and transparency, people should have the opportunity to change, and suppliers should be considering ways of managing the debts.

**Steve Gorry:** This is a cross-industry issue that is currently under the sponsorship of Ofgem. For four months towards the end of last year and the beginning of this year, much of the debt blocking for prepayment meters was removed, to allow systems to develop and to allow the experience to be measured from the point of view of suppliers and customers. That trial is now at an end and Ofgem is reviewing what the next steps need to be. From our perspective, the removal of debt blocking, particularly with regard to prepayment meters, is an active reality and I have no doubt that further procedures and policies will be developed this year to extend choice to that customer group.

**Hammy Smillie:** Prepayment meters have been installed to allow people to pay off debt, but they

have not been used as a method of preventing prepayment customers changing supplier. The rate of change for prepayment customers of Scottish Power is in line with the expected rate of change for other consumers. In fact, in some areas it is higher than the standard change-of-supplier rate. Along with British Gas and a number of other electricity companies, Scottish Power has been involved in the four-month pilot that Steve Gorry mentioned, the outcome of which is being reviewed. We will examine the results of the pilot and consider what lessons can be learned from it. I think that debt blocking as a method of preventing customers changing supplier will be removed in the not-too-distant future. Indeed, it is already happening.

**Robert Hammond:** I do not wish to pour cold water on the comments that have been made, but they might be a little optimistic. A lot of lessons have been learned from the trial. We have received a preliminary briefing on the outcome, but a lot more data need to be analysed before the picture will be totally clear.

It is apparent that debt blocking will not come to an end. It may come to an end in a limited sense—customers who are in debt up to a certain sum may be allowed to transfer as of right, but we are being told that debt blocking will not end completely.

**Mr Gibson:** I am interested in the fact that both Scottish Power and Scottish Gas supported the Executive's definition of those who are in fuel poverty. The lame reason that Scottish Power gives for doing so is that

"it is important to ensure that a yardstick against the rest of the UK is used as energy suppliers mostly operate programmes across the entire United Kingdom."

Surely devolution allows us to do things differently here. The committee must think of the interests of the Scottish people. This morning, we heard that we are 18 months ahead of England and Wales in addressing fuel poverty. Is it not important, therefore, to have an accurate picture of fuel poverty in Scotland?

Do you agree with Energy Action Scotland, which says that a household should be defined as suffering from fuel poverty

"if in order to maintain a satisfactory heating regime, it would be required to spend 10% or more of its disposable income (excluding housing benefit and income support for mortgage interest)"?

Energy Action Scotland claims that, otherwise, we will be presented with a false picture of the number of people who are fuel poor, which will

"wrongly influence future schemes and programmes designed to assist them".

Do you not think that a definition of fuel poverty in Scotland is more appropriate, given the circumstances in which we find ourselves?

**Hamish McPherson:** The definition to which the member refers was agreed by the fuel poverty advisory group, on which Energy Action Scotland was represented. Most of those who are currently giving evidence to the committee, as well as a large number of other people—from some of whom members heard earlier—were members of the group.

There was considerable debate about the definition of fuel poverty. At the end of the day, the majority decision was to support the definition that Mr Gibson has outlined. The definition of fuel poverty is being discussed both north and south of the border. Despite devolution and the fact that we are ahead of England and Wales in certain areas, there is a case for saying that there should be one definition of fuel poverty. If there were more than one definition, that might create difficulties with the figures. Energy Action Scotland makes a valid point, but the definition set out in the report represents not just the Executive's view, but the majority view of the advisory group as a whole.

**Gordon McGregor (Scottish Power):** Scottish Power is strongly of the view that we need local solutions to problems of fuel poverty and poor energy efficiency. To a large extent, Scottish Power's programmes involve partnerships with local authorities, housing associations and housing providers.

We have energy efficiency commitments that relate to the entire United Kingdom, under legislation derived from the Utilities Act 2000. Our programmes cut across all types of customers in every part of England, Scotland and Wales. For purely practical reasons, our management favours a definition of fuel poverty that would make it possible to compare and contrast the situation in different areas.

However, in our written submission we indicated that it is important to take into account changes in housing costs—I refer to differences not just between Scotland and England, but between different parts of Scotland—in the definition of fuel poverty. We recommended that the fuel poverty advisory group keep a watchful eye on that issue.

In our written submission we also pointed out that the definitions of fuel poverty that are used in England, Scotland and Wales relate to the theoretical energy spend that is needed to achieve a level of comfort in the home. We asked the fuel poverty advisory group and others to keep a watchful eye on people's actual spend on fuel, to enable it to appreciate fully issues of energy rationing and self-disconnection as they affect people in most acute need.

**Linda Fabiani:** I would like to know about debt blocking. How does the fact that we now have competition affect debt blocking? How do companies deal with it at a competitive level?

When you read the submissions you see that a lot of people are affected by debt blocking. The solution is not just to say that it is going to disappear so it will be all right. Debt is obviously still a huge problem.

You say that you have all sorts of commitments. Do the companies have commitments to considering debt prevention methods or debt intervention methods? Where does the industry stand on that?

11:45

**Hammy Smillie:** Let me clarify that a fuel poverty action group has been set up under the chairmanship of Peter Lehmann. The outcome of that has been the establishment of a debt prevention working group.

The industry recognises the debt situation that we inherited from the nationalised industry. That now has to be addressed. We must move along to the stage where people do not have debt, wherever possible. We should avoid debt.

A working group has been set up to consider issues surrounding estimated meter readings, delays in billing, energy efficiency measures and special needs customers. The aim is to try to avoid debt occurring. An advisory group has been formed. It is expected that the outcome of that advisory group's work will be known at the end of June, when a UK-wide consultation document will be produced. That work is continuing.

**Audrey Gallacher:** Hammy Smillie is referring to a project that energywatch and Ofgem are conducting jointly. The convener helped to launch that project in Scotland and to gather some evidence that we are using to give the industry guidelines on debt and disconnection.

Debt is a particular problem in Scotland. Approximately 10 per cent of customers in Scotland are in debt, compared with about 4 per cent nationally. We have a bigger problem to tackle and it is important that we address it.

Hammy Smillie has spoken about some of the initiatives that the companies can bring in. Clearly that is about a change of culture, which is essential if we are going to eradicate the debt problem.

There are other, corporate, social responsibilities and obligations on the companies to provide energy efficiency advice. We have Ofgem statistics that show that a vast number of consumers in Scotland who are in debt have not received energy efficiency advice from their suppliers—despite the fact that there is a licence obligation on suppliers to provide energy efficiency information.

There is also the natural conclusion that if the companies can identify through their billing

systems the consumers who are in debt—by virtue of having prepayment meters, for example—they will target those people for energy efficiency commitment measures, but we do not see anything like that happening.

Some good work is being done but the industry has to be encouraged to work and spread best practice.

**Linda Fabiani:** How do you think that can be done? Whose responsibility is it?

**Audrey Gallacher:** There is a licence obligation on suppliers to provide energy efficiency advice to their consumers. We need to ensure that companies are doing that well. We have information about companies with a smaller customer base that are providing substantially more energy efficiency advice and measures. We need to spread best practice throughout the industry and put pressure on companies to deliver on their social obligations.

**Karen Whitefield:** We all want to do everything we can to prevent debt.

I would like to go back to one of the early points that Hammy Smillie made about prepayment meters. Do you not agree that one of the very reasons for many people choosing prepayment meters is to avoid getting into debt? When asked, people may say that they are happy to pay extra for those meters. However, they may not necessarily be happy to pay extra; it may be that, to avoid getting into debt, those meters are their only option. Many of those people are on very limited incomes. They want to monitor their bills closely so that they know exactly what they are paying. That is why they use prepayment meters.

**Steve Gorry:** One of our most popular schemes is the fortnightly payment card. Purchases for prepayment meters tend to be weekly or twice weekly. People can therefore get the same features—the ability to monitor closely, to have personal control and to make regular payments—with credit meters as they can get with prepayment meters. However, prepayment meters offer additional functionality and control. We are obliged to account effectively, every six months, for consumption in relation to the payment plans.

**Audrey Gallacher:** I agree with Karen Whitefield to a certain extent. Many people do not have alternatives. Perhaps we should encourage innovation to offer them those alternatives. In the absence of such innovation, we should consider equality in costs.

A substantial number of people have prepayment meters installed because they are in debt. At the moment, 70 per cent of gas prepayment meter consumers are in debt. Half of them have debts of more than £100. People

cannot afford to pay, they get into debt, and then get a prepayment meter. The irony of that is that they are put on a more expensive payment scheme. They are also required to make weekly payments of anything up to £5 a week to pay off their debt. They are immediately put at a greater risk of disconnection. The prepayment meter therefore exacerbates the problems that people already have.

It may be that, before a prepayment meter is installed, energy efficiency advice should be given to the household or energy efficiency measures should be taken. We should try to mitigate the effects of having to pay a dearer price and having to repay a debt.

**Hammy Smillie:** We have always had prepayment meters. Years and years ago, when I joined the old South of Scotland Electricity Board—

**Linda Fabiani:** It was only a penny for the meter.

**Hammy Smillie:** Thank you. It was actually sixpence.

If we go back far enough, the costs of a coin-operated prepayment meter were a lot more than they are with the prepayment meters that we have now, whether or not they are operated by token.

Karen Whitefield is right: many customers on limited income choose prepayment meters because they feel that they are in control and will not get into debt. Many other customers have prepayment meters because they have a second home. We should not say that prepayment meters are a bad thing. They are not a bad thing. They help people to budget. The challenge for all suppliers, as Steve Gorry said, is to get the costs of prepayment meters down to the level of other methods of payment. Prepayment meters are not bad; they are a good budgeting aid. Many people know and understand that other options exist.

The UK Government is, I believe, trying to let the fuel direct scheme wither on the vine. The problem is that a lot of customers—although not a tremendous number—want to pay for their electricity or gas through the fuel direct scheme because they know that the money that is left is their money and that they do not need to worry about the utility services. There are many people to whom we should give that opportunity. Although prepayment meters are not a bad thing, the suppliers face a challenge.

**Robert Hammond:** Prepayment meters are not the solution to budgeting. As we have heard, there are other options. Through the workshop that we held in Glasgow earlier in the year, we found that people were not necessarily being made aware of the alternative payment methods. A lot more could

be done to raise awareness about such methods. Consumers want to feel in control and they want to have real choice. They can only have real choice if they have informed choice. Suppliers could do far more to make known to the public the alternative payment methods. That would ensure that PPMs are not the only answer.

There are also security deposit issues. In a situation in which one is faced with having to come up with a large security deposit or with having a PPM, one does not have a choice if one does not have such an amount of money—the PPM will have to be accepted. Similarly, people who move into a property and find that a PPM is in place do not have much choice. They are saddled with having a PPM and must accept it. A lot more could be done on public awareness and suppliers could be more socially responsible in their use of PPMs.

**Linda Fabiani:** I am a bit concerned about the simplistic view that debt prevention in relation to fuel is all about energy efficiency. That puts an onus on the householder, but some people live in houses in which the heating systems are clearly incapable of being energy efficient. When I worked in East Kilbride, the area had been used as a testing ground for every stupid, faddy heating system—whether electrical or gas—under the sun. A lot of systems are extremely expensive to run. Many people with such systems have prepayment meters and suffer from debt blocking. What can we do about debt prevention without hooking the responsibility on to householders and insisting that they are more energy efficient?

**Steve Gorry:** Debt prevention is working. It is alive and well in Scottish Gas, which operates the debt prevention centre for the whole of the UK British Gas operation.

I will pick up some of the points that energywatch raised. According to our customer base and our customer records, the level of prepayment meter debt in Scotland is 50 per cent, not 70 per cent, and is dropping all the time. Average outstanding debts are dropping. Customers seem much more confident about contacting us that much earlier if they have a problem or need advice. That enables us to respond that much earlier, which inherently offers more choice. We do not regard a rush to prepayment meters as being part of our debt strategy. Early prevention and the provision of early advice are the only effective way forward.

I agree with what Audrey Gallacher said about being smarter at tying into the early part of the process some of the schemes that have been spoken about today. We are actively looking at benefits advice and benefits maximisation as a means of addressing fuel poverty situations in initiatives such as the warm-a-life scheme. Such approaches are in our interests. We are training

our staff on what is available and are applying our advice at a much earlier stage.

**The Convener:** After Robert Brown, members will be able to respond to the points that Linda Fabiani made.

**Robert Brown:** I want to return to price, because the definition of fuel poverty is heavily dependent on the price. The Ofgem report made the point that the reason for half the people who were in fuel poverty being taken out of fuel poverty during the four-year period was the fall in energy prices. That distorts the monitoring a wee bit. Am I right to say that fuel prices in Scotland are still somewhat higher than they are in England? If so, why is that? Is there a clear view about the likely trend in fuel prices in the next year or two? I appreciate that that is subject to all sorts of variables. In recent years, there has been a fall in fuel prices, which has helped the situation that we are discussing.

**Hamish McPherson:** We must separate electricity and gas prices. Gas prices have fallen, overall. Our prices have fallen by 33 per cent since privatisation, so we believe that competition is working in that respect. Electricity is another matter because there is not a common electricity wholesale market in the way that there is for gas.

In England and Wales, electricity prices are under the new electricity trading arrangements—NETA. In Scotland, the prices will be under the British electricity trading and transmission arrangements—BETTA—which is not due to start to operate for another couple of years. That means that the two incumbent suppliers effectively dominate the wholesale market. As a quick plug for us, I will say that our electricity prices are around 17 per cent cheaper than those of the incumbent suppliers. Having said that, however, the base is still higher. There is an issue in relation to electricity, but gas operates on more of a level playing field throughout the UK.

12:00

**Hammy Smillie:** I would like to clarify a slight mistake in that statement. The wholesale price of electricity in Scotland is tied to that in England and Wales. Because of that, it is broadly the same. The problem has been caused by the fact that, in Scotland, the distribution network represents 25 per cent of the asset base of the UK but serves only 10 per cent of the population. If you take out the distribution use of system charges, which all suppliers pay, whether they be the incumbent supplier or a competitor, the wholesale price and the supply price of a unit of electricity is the same in Scotland as it is in England and Wales. The problem is created by the distribution use of system charges.



**Audrey Gallacher:** Robert Brown made a pertinent point. Ofgem is making public statements about taking a million people out of fuel poverty but has given us no indication of what the adverse effect of that would be in terms of price increases. The price of gas in Scotland has gone up by about 10 per cent this year. One of the electricity companies has just increased its prices by just more than 2 per cent. Following long-term real-terms reductions, we are now starting to see increases. It is important that we recognise that as that is why we cannot simply rely on low fuel prices as a solution to fuel poverty.

Hammy Smillie said that there were higher distribution charges in Scotland, but it is important to note that we do not have any competition in the wholesale market. Although there is a link to the market south of the border, we have a bigger plant margin in Scotland, which results in a greater excess capacity. The normal rules of economics would suggest that that would make the price cheaper, but because we do not have competition, we have nothing to mitigate the effects of higher distribution prices. Consumers can save money by changing suppliers so, although every supplier has to pay similar distribution charges, lower margins in the supply price means cheaper prices for consumers. That is the message that we need to get across.

**The Convener:** I am conscious that, towards the end of that exchange, we began to move into more controversial areas. The point of bringing this group together was not to prove that there was competition in the energy market in Scotland, but I think that that has been established. Members might want to pursue certain points that have not been fully brought out, but we are against time constraints, as ever. Even if we had three days to cover this subject, we would still be short of time because of the nature of the subject.

I thank our witnesses for their attendance. If they want to develop points further, the committee would be more than happy to hear from them.

12:03

*Meeting suspended.*

12:04

*On resuming—*

**The Convener:** As a finishing-off point to that item, does the committee agree to consider on 15 May a paper that will summarise the evidence that we have taken at this meeting?

**Members indicated agreement.**

**The Convener:** I thank members for that and for their forbearance. We got much out of that session.

## Voluntary Sector Inquiry

**The Convener:** Do members agree to the wording of the following motion in my name?

“That the Parliament notes the 1st Report, 2002 of the Social Justice Committee on the Inquiry into the Voluntary Sector (SP Paper 556).”

**Members indicated agreement.**

**The Convener:** Members should note that that report will form the basis of the committee business debate in the chamber on the morning of 9 May.

## Community Budgeting

**The Convener:** Members will know that the Scottish Executive has issued a consultation document on community budgeting with a response date of 14 June. We have been asked to consider whether we wish to respond to the consultation and, if so, whether we wish to consider limited written evidence and whether our report on social inclusion could refer to any conclusions on community budgeting. Do members want to make brief points on that recommendation?

**Karen Whitefield:** We should take some written evidence on community budgeting, which should form part of our report on social inclusion and community participation. Those two issues are inseparable. Such information would be a valuable addition to our report.

**Mr Gibson:** I am intrigued by the list of possible consultees, particularly the Chief and Assistant Chief Fire Officers Association and the Association of Chief Police Officers of Scotland. I would welcome their contributions. What about the Association of Scottish Community Councils and even the Tenant Participation Advisory Service? As we are talking about community budgeting, community councils should have an opportunity to make a submission.

**The Convener:** If members have comments on proposed witnesses or suggestions for witnesses, they may wish to e-mail the clerk, who can circulate those suggestions. Is that approach agreed?

**Members indicated agreement.**

## Carers Week

**The Convener:** Carers Scotland has asked me whether the committee wishes to hold an informal fact-finding event as part of carers week. We have been asked to host a buffet lunch on Thursday 13 June and to make that a joint event with the Health and Community Care Committee and the Equal Opportunities Committee. We might wish to consider inviting the convener of the cross-party group on carers to the event.

**Karen Whitefield:** As convener of the cross-party group on carers, I welcome that initiative. It would be a valuable contribution towards highlighting carers' issues during carers week.

**The Convener:** Is that agreed?

**Members indicated agreement.**

**The Convener:** Do members agree to a press release being issued on the matter? We are keen to liaise with Carers Scotland on the issues on which it wants to focus.

**Members indicated agreement.**

## Social Inclusion

**The Convener:** The committee will recall that, at our previous meeting, we agreed to consider further action on social inclusion and community engagement. We have been asked to consider whether we wish to publish a report to highlight the action to date and to make recommendations to the Executive on social inclusion issues that have arisen from evidence. The clerk has produced a paper that highlights those issues.

**Robert Brown:** Could we make sensible recommendations? I appreciate that we have received several discrete inputs on the issues that are described in the paper, but we have not investigated social inclusion partnerships in depth, bar the research report. Are we in a position to form a view? It would help to take on board the community budgeting stuff, but perhaps we should have a preliminary paper on the issues that are emerging, before we consider whether we need further evidence. It is a bit like the HMO situation—we are at the halfway stage rather than a stage at which a full report is possible.

**The Convener:** The intention is that, following the evidence on community budgeting, an issues paper will be drawn together, with a view not so much to giving the Executive the full picture as to meeting some of the need of organisations that have contributed to our work. Obvious themes are emerging that we wish to highlight and reflect on further. We are not suggesting that we will produce fully formed solutions to every problem that has been identified to us, but at least we will flag up the key issues that we are taking on board and which we wish the Executive to be aware of.

**Robert Brown:** I am happy with that.

**Mr Gibson:** I agree. At the away day, the minister made it clear that the Executive would undertake its own research into social inclusion partnerships and the issue was discussed in detail. We cannot provide any definitive solutions until that work has been performed and fed back to us.

**The Convener:** Is that approach agreed?

**Members indicated agreement.**

12:10

*Meeting continued in private until 12:22.*



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