



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

Wednesday 2 February 2011

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LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

4th Meeting 2011, Session 3

CONVENER

*Duncan McNeil (Greenock and Inverclyde) (Lab)

DEPUTY CONVENER

*Bob Doris (Glasgow) (SNP)

COMMITTEE MEMBERS

*Patricia Ferguson (Glasgow Maryhill) (Lab)

*Alex Johnstone (North East Scotland) (Con)

*Alasdair Morgan (South of Scotland) (SNP)

*Mary Mulligan (Linlithgow) (Lab)

*Jim Tolson (Dunfermline West) (LD)

*John Wilson (Central Scotland) (SNP)

COMMITTEE SUBSTITUTES

Brian Adam (Aberdeen North) (SNP)

Malcolm Chisholm (Edinburgh North and Leith) (Lab)

Alison McInnes (North East Scotland) (LD)

David McLetchie (Edinburgh Pentlands) (Con)

*attended

THE FOLLOWING GAVE EVIDENCE:

The Rev Graham Blount (Scottish Fuel Poverty Forum)

Maxine Frerk (Office of the Gas and Electricity Markets)

Charles Gallacher (Office of the Gas and Electricity Markets)

Alizeh Hussain (Citizens Advice Scotland)

David Pimm (Office of the Gas and Electricity Markets)

Jim Stephen (Scottish Government Directorate for Children and Families)

Nicola Sturgeon (Deputy First Minister and Cabinet Secretary for Health and Wellbeing)

CLERK TO THE COMMITTEE

Susan Duffy

LOCATION

Committee Room 4

Scottish Parliament

Local Government and Communities Committee

Wednesday 2 February 2011

[The Convener opened the meeting at 09:59]

Child Poverty

The Convener (Duncan McNeil): Good morning and welcome to the fourth meeting in 2011 of the Local Government and Communities Committee. I remind members of the committee and the public to turn off all mobile phones and BlackBerrys.

Agenda item 1 is an evidence session on child poverty. As members are aware, the committee has an on-going commitment to monitor progress and to scrutinise the Government's strategy for dealing with child poverty.

I welcome Nicola Sturgeon, Cabinet Secretary for Health and Wellbeing, to the meeting. Good morning, cabinet secretary. Good morning also to the Scottish Government witnesses: Samantha Coope, head of the tackling poverty team; Jim Stephen, head of early education and child care; Julie Bilotti, policy manager for employability; and Anne MacDonald, a statistician with communities analytical services.

I believe that the cabinet secretary has a short statement to make before we move to questions.

Nicola Sturgeon (Deputy First Minister and Cabinet Secretary for Health and Wellbeing): Thank you for the invitation to come to the committee. I welcome the opportunity.

We all start from the same place on this issue: too many Scottish children live in relative poverty, and the figures have remained stubbornly steady for far too long. We all know the impact that growing up in poverty can have on children, and I think that we are all committed to doing what we can to tackle poverty—it certainly remains very much at the heart of the Government's agenda.

This meeting is taking place at an opportune time. Members will be aware that we are developing the Scottish child poverty strategy, which we intend to launch in March. The strategy is required from us under the Child Poverty Act 2010. We are required to set out what we will do to reduce levels of child poverty in Scotland and to ensure that as few children as possible experience any kind of socioeconomic disadvantage.

That said, we view the issue of child poverty in broader terms. We intend not just to set out what

we will do to maximise income and household resources for families in Scotland, important though that is; we also wish to set out what we are doing and what we will continue to do to improve children's outcomes and life chances, regardless of family circumstances.

The strategy will be based on key strategic principles, and we will seek to ground those in solid evidence of what works in tackling child poverty. Many of those principles will be familiar to the committee. We continue to make a strong case for early intervention and prevention. The vital importance of getting it right for children in the early years will be a defining feature of the strategy, as it has been in our work to date. We view early intervention as being not just about the early years, although that is fundamental; it is also about preventing problems at an early stage from escalating throughout the life course. Effective financial inclusion and financial capability, for example, can be powerful interventions for helping people to take control of their lives and for preventing them from spiralling into debt.

Ensuring that policies and services are child centred also lies at the heart of what we do. The strategy will therefore be firmly grounded in the getting it right for every child approach. A key aspect of the strategy's development has been the wide-ranging consultation, which has included engagement with young people and parents of children who experience poverty, and with poverty experts. There has been on-going engagement with other key stakeholders, and a written consultation exercise has formed part of that.

We believe that our current approach to tackling poverty and disadvantage is strong, and we are glad that stakeholders demonstrate and articulate broad support for it. We are now in the process of drawing out the core aspects of that approach, ensuring that we focus on those areas of action that we believe will make the biggest impact on child poverty.

Given the subject that we are discussing, it is important to talk about the broader economic context and policies that are being pursued by the United Kingdom Government, both of which have a big impact on our efforts to tackle child poverty. We are all very conscious of the challenges that are presented by the economic climate and of the constraints that we work within under the devolution settlement.

We are still assessing the full impact of the UK Government's welfare reforms, of the proposed cuts to benefits and of the wider budget cuts on devolved services and our ability to tackle child poverty. On the basis of our assessment so far, we believe that those cuts will make reaching the child poverty targets more challenging than ever. The analysis that has been done suggests that the

cuts to benefits that have already been announced might undermine the wellbeing of the very people we are trying to help. That is a big concern for the Scottish Government.

To conclude, despite those challenging circumstances, it is important that we remain optimistic and focused on what we, as a devolved Government, can do to tackle the long-term drivers of poverty and disadvantage. Such a long-term approach, which is focused on tackling the root causes of poverty and on breaking cycles of deprivation, takes time to deliver results but it is welcomed by stakeholders. That long-term view has been at the heart of our approach since we took office, and it will continue as we move forward with the child poverty strategy.

I am happy to take questions.

John Wilson (Central Scotland) (SNP): Good morning, cabinet secretary.

You mentioned the economic situation that we face. In particular, it is fair to say that families who are living in deprivation face the brunt of some of those issues. Given that the retail prices index and the consumer prices index have gone up by just over 4 per cent, on average, energy costs have gone up by 9 per cent and rent rises are taking place in the public sector, as well as the housing association sector, do you think that the Scottish Government is on target to reduce child poverty by 50 per cent by 2010-11? Are the targets for 2020 still realistic, given the situation that we find ourselves in?

Nicola Sturgeon: In my opening remarks, I alluded to the fact that the climate and the context that we are working in make all that incredibly challenging. Everyone recognises that, so I will not try to suggest otherwise. However, it is important that we remain committed to meeting those targets, which are there for a reason. They are there to focus minds and to focus policies, initiatives and action so that they can be met. Even though the targets are challenging, I am committed to ensuring that we continue to focus on them.

The committee will be well aware of the overall statistics. We saw a fairly significant decline in child poverty from about 1994-95 until a few years ago. Since 2006, the figures have remained steady, but steady in the context of child poverty is not good enough. We need to get the figures down even further. The statistics show that we are in a slightly better position than other parts of the UK, but I do not want to overplay that point, as every child in Scotland who is living in poverty is one child too many, and we must tackle the issue. We still have a monumental challenge on our hands to meet those targets.

We do not have all the relevant levers at our disposal. We can address issues such as income maximisation through benefit take-up campaigns and so on, but most of what we have the power and the ability to do under the current devolution settlement involves tackling some of the longer-term drivers of child poverty such as educational underattainment and poor health, which, by their very nature, are long-term issues.

That is the long answer to your question. The shorter answer is that meeting the targets will be extremely challenging, but all of us—regardless of party and regardless of where we come from on the issue—would probably agree that it is important to stay focused on it.

John Wilson: I fully agree that the challenges that we face in dealing with child poverty are very tough. You mentioned that the child poverty stats have remained static for the past three or four years, but those stats do not take account of household costs. The issue for me is how much account is being taken of the additional burden that increases in household costs are placing on families on low incomes whose children are in poverty.

As I indicated in my previous question, I include in household costs the fuel costs that many families are beginning to face. The hikes that have taken place will affect disproportionately those on low incomes. I asked whether we had met the target of reducing child poverty by 50 per cent by 2010-11, on the way to meeting the 2020 targets.

Nicola Sturgeon: No, but we remain focused on doing that. Fuel costs impact disproportionately on certain groups in the population: those at the lower end of the income scale, pensioners and people who live in rural parts of the country, because of the increased cost of petrol at the pump as well as heating costs. All those issues have an impact on the living standards and income that families have at their disposal. Not all of them are within the control of the Scottish Government, which is a frustration for us.

We continue to argue strongly with the UK Government that action needs to be taken to moderate the rising costs of energy and fuel, as well as of a range of other things. The recent VAT increase will have an impact on people's income. We continue to make a strong case to the UK Government on those issues, with varying degrees of success, as well as on the package of proposed benefit changes. We do not disagree with all of those changes, but we have a real concern that, as a totality, they impact disproportionately on the most vulnerable groups in Scotland.

John Wilson: What progress has been made on improving reporting by local authorities on the scale of child poverty in their areas? Has there

been a marked improvement in the reporting mechanisms, or are local authorities still failing to identify or to target some children who find themselves living in poverty?

Nicola Sturgeon: I will answer the question in two parts; I am not sure which of the two concerns you most. The first is the production of statistics that would allow more localised monitoring of child poverty. The second—which, I suspect, is of most concern to you and which other members may pursue later—is the single outcome agreement approach.

In recent years, statisticians have been involved in a project to produce estimates of relative poverty at local authority level. They do so by combining data from the household survey with data from the family resources survey. The committee will be aware of some of that work, which is intended to meet the need—which users of poverty statistics have identified to us—to improve the quality of income and poverty data that are available at local level, so that global, national statistics are not the only ones available.

Estimates from the work were published for the first time in September last year. The chief statistician says that further quality assurance work needs to be done on the stats before they can be designated as suitable for policy making and use in official documents. That work is being done at the moment. A report on it is due to be produced by the end of this month and will be discussed with statisticians, poverty academics and other experts, so that an update and relaunch of the figures can be agreed. Hopefully, that will mean that in future we have a more localised set of figures to monitor progress—or lack of it—in tackling child poverty.

The second part of my answer relates to single outcome agreements. The latest tranche of agreements include poverty indicators. Around half of them include specific child poverty indicators, but those that do not include other poverty indicators. Some local authorities and community planning partnerships focus on employability indicators; others focus on health improvement and tackling health inequalities.

The annual reports against the single outcome agreements are the first ones that have looked in detail at progress towards the indicators but, as I have said to the committee previously, the single outcome agreement regime and the monitoring of it are at a relatively early stage and there is still development work to be done on that. However, Audit Scotland has said—I am not sure whether it was in evidence to the committee or elsewhere—that the whole process is developing well.

10:15

John Wilson: I welcome the chief statistician's role in gathering localised data. In a previous life, I had a debate with someone from the Scottish Executive about gathering localised information so that we could get an accurate picture of child poverty in communities. I feel that there is still hidden child poverty in some communities. People fall off the edge because they do not reside in a particular area, or their household income levels are seen as sufficient to take children out of poverty when the reality is different. We need an accurate figure of all the costs that are associated with raising children in Scotland.

The Convener: Cabinet secretary, when you were at the committee in May, you said that an important part of the Scottish Government's work

“is ensuring that poverty—particularly child poverty—is at the forefront of everyone's mind when significant decisions are made on policy, services and budgets.”

You also said that you were

“considering how such decisions can be systematically poverty proofed.”—[*Official Report, Local Government and Communities Committee*, 5 May 2010; c 3138.]

What work has taken place since then? What does “poverty proofed” mean at the end of the day?

Nicola Sturgeon: That is one of the things that we are taking forward through the learning network activities. We have commissioned work on poverty impact assessments that will include the concept of poverty budgeting. That work is looking to summarise a range of approaches to poverty impact assessment and the consideration of poverty issues in the budgeting process. The study will suggest conclusions from looking at that work and recommendations on how the Scottish Government can proceed on that. That is important work, in that it will inform how we do what I spoke about in May, which is to put poverty issues at the heart of decision making. Obviously, among the more important of Government decisions are those on how money is spent.

Research has also been undertaken by Glasgow Caledonian University and the report from that, which will further inform how we get better at doing that work, is due shortly.

The Convener: Were any of the lessons or ideas applied to the budget process?

Nicola Sturgeon: Yes. Obviously, in the current budget round, equality impact work was done and fairly extensive work was done on ensuring that we had equality and the need to tackle poverty at the heart of the decisions. I can provide the committee with a full explanation of exactly what that work entailed in producing the draft budget.

The Convener: I know that the budget decisions have not yet been made, but I am trying

to follow the process. Was it discussed or anticipated that the cut in the housing budget would have consequences, not for those in absolute poverty, but certainly for those at the margins? As a consequence of that we have, not just in my constituency but throughout the country, proposals for rent increases of 5 per cent and so on, which will have an impact. Is that poverty proofing? Is it about considering how a decision will impact?

Nicola Sturgeon: We look to take all the implications and consequences of the budget into account. On the housing budget, obviously we are talking about proposals that, as you say, have not yet gone through Parliament, so they are not yet approved budget decisions. The housing budget is a consequence of a drastic cut in the Scottish Government capital budget. We are trying to get as much as we can from the capital resources that we have available for housing, as is happening in other parts of the Scottish Government. Alex Neil will have more to say on this in the next few weeks, but we are very much focused on how we use that budget to deliver the biggest outcome. We are focusing on the output from our housing budget. On the number of social houses constructed, we have a good record to talk about.

The Convener: I do not know that whether the budget is approved is a material point here, but I take you back to what you said to the committee in May. You said that child poverty, in particular,

“is at the forefront of everyone’s mind when significant decisions are made”

and that poverty proofing is an important part of that.

Let us look at the cut in the housing budget, regardless of how we got there. I concede that we have less money to spend, so cuts have to be made somewhere, but if child poverty is at the forefront of everyone’s mind, how does the budget process protect people who might be affected by the housing cut? Was there a discussion in which it was decided that although that might increase rents, it would not have an undue impact on child poverty? Freezing council tax is a priority. How will that improve the child poverty situation? Will it affect it? How will the policy on prescription charges help us to address child poverty, which is supposed to be at the forefront of our minds? How does that process work in the budget?

Nicola Sturgeon: I am happy to get into a debate about the impact of individual policies if that is what the committee wants. I take a different view from the one that you have expressed about the impact of our housing budget proposals. I point to the fact that, because of the prescription charges policy, 600,000 people on low incomes who do not qualify for income-based exemptions

from prescription charges will, in future, not have to pay for prescriptions. I think that that will have a very positive impact on poverty, including child poverty. We can have a debate about the pros and cons of each of our policy proposals.

As far as the budgeting process is concerned, as I have said previously to the committee, we are engaged in a process of ensuring that we get better at ensuring that, when we make our budget decisions, equality and poverty proofing is a key part of that process. We have already made significant progress on that by incorporating equality issues in this year’s budget. In doing so, we have taken on board advice from the equality and budget advisory group, and there has been input from the Equal Opportunities Committee. When we consider equality in the budget, we include socioeconomic factors as a characteristic of equality. We develop an analysis of different policy proposals and their likely impact on people in low-income groups.

The short answer to your question is that such considerations are taken into account in the budget process and the budget decisions that we take.

The Convener: Your contention is that your decisions have been “systematically poverty proofed”. You believe that the priorities in the budget are consistent with keeping child poverty at the forefront of all that we do in policy terms in the budget. That is your position.

Nicola Sturgeon: I believe that the budget proposals that we have put forward are right for Scotland in many different respects, including that of the work that we need to do to continue to tackle poverty, including child poverty.

The Convener: As part of a sum, not at the forefront.

Nicola Sturgeon: Sorry?

The Convener: You said that an important part—

Nicola Sturgeon: Oh sorry—I understand the question.

The Convener: —of the Scottish Government’s work

“is ensuring that poverty—particularly child poverty—is at the forefront of everyone’s mind when significant decisions are made on policy, services and budgets.”—[*Official Report, Local Government and Communities Committee*, 5 May 2010; c 3138.]

Nicola Sturgeon: Yes, that has been at the forefront of the Scottish Government’s mind as we have put forward our budget proposals. I believe that our proposals to remove prescription charges for 600,000 people on low incomes who do not presently qualify for exemption and to freeze the

council tax, which will mean that low-income families do not have to pay increases, will help with that.

The Convener: Has there been a systematic assessment of how that helps children who are in absolute poverty? How does freezing the council tax help the child poverty issue?

Nicola Sturgeon: It helps families who are not entitled to council tax benefit. In the case of prescription charges, taking away those charges and having a universal approach helps families who are not eligible for exemption. Those are not the only relevant policies. I can point to other ones, such as extending eligibility for free school meals and the work that we are doing on early intervention with families and children in the most deprived areas. Taken as a totality, we have produced a budget that has reducing child poverty at its heart.

The Convener: Can you provide the committee with the systematic analysis that you carried out of those policies and how they would benefit the work to reduce child poverty?

Nicola Sturgeon: I did not give evidence to the committee as part of the budget process, but I imagine that the committee will have been engaged in the budget scrutiny process and will be aware of the range of documents, including the equality impact assessment, that has been produced as part of the budget process. The committee has had the same opportunity as other committees to scrutinise all that.

Jim Tolson (Dunfermline West) (LD): My colleague John Wilson was right to highlight some key external issues that affect child poverty in Scotland, such as fuel costs and benefits, but I would like to bring back the focus to what we can do in Scotland, which is the reason why we are having this discussion. The Government has a lot of information at its disposal on the issues that children have. Who does it consider faces the biggest problem? For example, is it children of single parents in a workless household? What can the Government and local authorities do in future to help people who are most in need?

Nicola Sturgeon: A range of interventions is required to tackle those who live in child poverty or those who are more likely to experience poverty generally or child poverty. That includes the work that we would categorise as having the most immediate impact, such as that on income maximisation and the work that is reflected in many single outcome agreements on employability and tackling the impact of in-work poverty, which is a significant issue when we talk about child poverty. It also encompasses much of the longer-term work that the Scottish Government is doing, which, as I said, is where most of our policy levers

lie. That work is encompassed by the three key strategy documents to which we work: "Equally Well: Report of the Ministerial Task Force on Health Inequalities", "Achieving Our Potential: A Framework to tackle poverty and income inequality in Scotland" and the early years policy framework, which aims to tackle significant health inequalities among children and younger people and to consider issues of educational attainment. Those are the broad strands of work that we believe will have the biggest impact on levels of child poverty, some in the short term and many in the medium to longer term.

Jim Tolson: Earlier, you were reasonably candid about the interim target, which the Scottish Government has not attained, and the future targets, which you said were challenging. I do not doubt that for a minute. To help the current Government and Parliament, and future ones, to keep a close eye on progress on eradicating child poverty, what monitoring will there be of child poverty at national and local levels?

Nicola Sturgeon: The targets that we will work towards are those that we signed up to under the Child Poverty Act 2010, which was introduced by the previous UK Government. As I said in response to John Wilson, the targets are extremely challenging. Any expert looking at the situation from the outside would say the same. However, it is right that we remain committed to them and focused on the issue. On monitoring, the child poverty strategy will commit us to the things that we have to do to get towards the targets. The various statistics and data collection at national and local levels that I talked about in response to an earlier question will enable not just the Government but Parliament and other stakeholders to monitor our progress over time on reaching the targets.

Your first question was who was most likely to be experiencing child poverty, or who was most vulnerable to child poverty. I guess that, at the moment, you are talking particularly about lone parents and parents of disabled children. A particular issue is the rise in in-work poverty. Even in families where at least one parent is working, there are significant poverty levels.

10:30

Jim Tolson: I am grateful for those answers. I agree that there are significant challenges for us all in ensuring that work gets taken forward. Hopefully, we can have a greater focus on the Scottish Parliament's ability to continue to deliver in those areas.

Mary Mulligan (Linlithgow) (Lab): Cabinet secretary, you have identified some groups that

you think might be particularly at risk of poverty. Would you include young carers?

Nicola Sturgeon: Yes.

Mary Mulligan: Can the Scottish Government take particular measures to enable young carers to avoid poverty?

Nicola Sturgeon: I am sure that the member will be familiar with the carers strategy that the Scottish Government has published—I am happy to furnish the committee with it—which narrates a range of things that we seek to do to help young carers. I will be candid about this: over the past four years we have made progress on assistance to carers generally and, within that, to young carers—an example of that is the increase in the availability of respite; however, it is an area in which we have a significant distance still to travel. I am not alone in visiting projects that try to help young carers. Their impact on the life chances, as well as the immediate life circumstances, of young people who have significant caring responsibilities is immense. I hope that whichever one of us is responsible for these things after the election will keep this as a key priority, because we have a lot more work to do.

Mary Mulligan: I appreciate the strategy on carers, particularly as it relates to young carers. We support the direction of travel.

In answer to a question from John Wilson you suggested that single outcome agreements are having an impact on addressing poverty. We know that many of the measures that need to be taken would need to be taken at a local level. Measures relating to young carers are one such measure. However, the submissions that the committee has received from various children's organisations ask us to consider the need for a statutory duty to tackle child poverty at local level. The cabinet secretary will be aware that we discussed this previously when we were considering the legislative consent motion on the Child Poverty Act 2010. At that stage, you did not think that it was necessary to impose a duty. Has your opinion on that changed?

Nicola Sturgeon: On balance, I still think that that is not the right way to go. There is no absolute right or wrong answer to this. We have had this discussion in this forum many times before. There is always a tension between national prescription, legislation and the statutory approach on the one hand, and local flexibility, which I suppose we encompass in the single outcome agreement approach, on the other.

I think that the single outcome agreement approach is the right one. I do not contend that at this stage in its development it is perfect and that there is not still room for improvement, but it is getting stronger as we progress.

Mary Mulligan is familiar with these arguments. We took very different views on the child poverty statutory obligation on local government and on the socioeconomic duty, which were two very different things. The socioeconomic duty—which, unfortunately, the UK Government looks as if it might not implement, which we are disappointed about—was a lighter-touch arrangement than the child poverty statutory obligation.

The relationship that we have between local and national Government is the best arrangement. It allows us to strike a balance between national policy and local flexibility, as local organisations—whether local authorities, health boards or whatever other local agency we are talking about—will always be better placed to assess the needs of their local areas. The view of the children's charities and others that Mary Mulligan expressed was expressed to us through the consultation on the child poverty strategy. We will always listen to what those organisations and experts in the field have to say and will continue to assess our approach in light of progress. Such things are never fixed in stone.

Mary Mulligan: You mentioned a difference of approach between the Scottish Government and the Westminster Government. You also mentioned to my colleague John Wilson that you are unhappy about some of the changes to benefits. That implies that you are not unhappy about some, so what are you happy about?

Nicola Sturgeon: I probably gave slightly the wrong impression. When I said that we would not oppose everything, I think that I was trying to say—in fact, I know that I was trying to say; I apologise if I did not articulate it particularly well—that we agree with the general notion that work should pay, that our benefits system should be more streamlined and simpler to understand than it is just now and that disincentives to work should not be built into the system. The last time I was here I agreed with Jim Murphy, who had said the same. We agree with that general concept and I think that Mary Mulligan's party agrees with it too. That is what I meant when I said that we would not oppose all the changes.

The specific benefit changes that have been announced so far amount to a lot of benefit cuts. My big concern, and the Government's, is that they will have a disproportionate impact on low-income families and lone parents—the most vulnerable. That is based on the analysis not only that we have done so far but that we have had from the Institute for Fiscal Studies, the Trades Union Congress and the Child Poverty Action Group.

The Scottish Government is working hard to do what it can to influence the decisions that the UK Government is taking. I had a telephone meeting

as recently as last week with Lord Freud, who is one of the ministers involved in the welfare reform work. We do not have powers of decision on welfare and benefits, but we are working as hard as we can to influence decisions that we are worried will have a big impact on the most vulnerable in society.

The Convener: Has that work been progressing a wee bit better? I remember that, the last time you gave evidence to the committee on child poverty, you said that the high-level meetings were still in transition. However, we know who is in power now. You also said that the Scottish Government would do a lot of work on whatever it could influence. Is that progressing well or badly?

Nicola Sturgeon: We are working hard at it. Since the new Government took office, I have had a face-to-face meeting with Iain Duncan Smith; Alex Neil has met Chris Grayling, the Minister for Employment; and I referred to the meeting that Angela Constance and I had last week with Lord Freud on some of the welfare and benefit issues. Those are ministerial meetings, but an immense amount of work goes on at official level.

I will not sit here and say that it is all perfect, because it is not. In our dealings with the Department for Work and Pensions, we frequently get frustrated at a lack of responsiveness and an inability or unwillingness to share proposals at an early stage to allow us to influence them. I know that committee members will understand that it is not simply a case of a devolved Government trying to influence reserved matters—although I think that we have the right to try to do that—because many of the changes to those reserved matters have a big impact on devolved services, so it is really important that our views are taken into account.

On the positive side, I put on record the point that Iain Duncan Smith and his junior ministers have all been keen to say to us that they want to improve relations and want to give us as much opportunity as possible to influence things. We will take them at their word and we hope that relations will improve as time goes on.

The Convener: You have the committee's support in that work. That will be in our report and we hope that, whoever is in power, we can play a cross-party role in influencing the work that needs to be done.

Nicola Sturgeon: I appreciate that.

Patricia Ferguson (Glasgow Maryhill) (Lab): I share the cabinet secretary's concern about the effect that some proposed benefit changes will have on Scotland and very much agree that there will be a detrimental effect—we do not agree often, but I am sure that we agree on that. In your work on the child poverty strategy, how far has it

been necessary to try to skew what is done in Scotland to address or at least mitigate some of the effects of the changes?

Nicola Sturgeon: I stress that the issue is very much in our minds as we put together the child poverty strategy. As you will appreciate, our ability to mitigate benefit changes that will have a bad impact on vulnerable groups is limited. Much of what we can do is to do with the longer-term drivers of change. Members will be aware that we have made efforts in relation to benefit maximisation for people on low incomes. However, when the benefits that we want to maximise are being cut there is a limit to what we can do.

People outside the Scottish Government have described the proposed benefit changes in their totality as regressive and we agree with that interpretation. For example, the change to the housing benefit regime that will result from the decision to use the 30th percentile rather than the 50th percentile of local rents—it sounds very technical—will make something like 55,000 households in Scotland worse off by an average of £10 per week. That is just one change, which starts to give a sense of what we are dealing with.

We need to keep trying to influence the process and we need to try to work harder to skew our policies to mitigate effects, as you suggested, but we should not mislead people about how much we can mitigate damage from benefit changes.

Patricia Ferguson: I understand and appreciate that entirely. I am sure that we can all think of changes that will have a detrimental effect on particularly vulnerable people. This discussion is about children, but I am also concerned that elderly pensioners who live alone in the family house might find that they are no longer eligible for housing benefit.

I understand why the strategy is being prepared on the basis of a three-year programme, but will there be opportunities to consider approaches for the medium and longer-term, or will that be a problem?

Nicola Sturgeon: The timescales were set out in the Child Poverty Act 2010, which gives the context for what we are statutorily required to do, but that does not mean that it is all that we can do. You made a reasonable point: we need to look at the short, medium and long term in our approach. That is what we always try to do.

We intend the strategy to cover not just issues in the three-year timeframe but longer-term issues, because it is over the longer term that, given its current powers, the Scottish Government can have the biggest impact on tackling health inequalities and educational attainment issues, which impact over time on the drivers of child

poverty—I am repeating myself. We very much need to look at the long term as well as the more immediate timeframe.

Patricia Ferguson: I agree. Some of the issues are almost generational, given the timeframe in which we might expect change.

I am not trying to get you to reveal the strategy's contents prior to its launch, but will there be an emphasis on opportunities in the early years, in an attempt to influence the outcomes—that is a terrible way to describe young people's achievements—and effects for families and communities later on?

Nicola Sturgeon: Early years is a significant strand of what we do. As you will recall me saying, and as you know from other sources, our whole approach to child poverty is based on three overarching strategies, one of which is the early years strategy. The approach to the early years will be at the centre of everything that we do on child poverty. We recently announced the establishment of an early intervention fund of £5 million. The fund will not be exclusively about early years, because early intervention is not just about early years, but the early years are likely to be a key focus.

10:45

Bob Doris (Glasgow) (SNP): Good morning, cabinet secretary. The UK benefit reforms, I know, are external factors and you have said how you will try to mitigate the circumstances and that you will make representations. When I read the recent Scottish Government document on the effects that the housing benefit changes might have, one figure jumped out at me. The reduction in housing benefit for people who have received jobseekers allowance for more than one year will mean that in Glasgow, which I represent, housing benefit will be cut by up to £10 per week in about 2,500 households. If the 2,500 figure was aggregated across Scotland, do you know how many such households would have children in them?

Nicola Sturgeon: I cannot answer that. As you will appreciate, we are working to assess the impact of benefit changes that are in some respects not always final. Unless one of my officials tells me otherwise, I do not think that we can answer the question now. However, work is in progress to drill down as far as possible into the impact of the changes.

Bob Doris: The figure that I cited for Glasgow jumped out at me. Does that reform by the UK Government cause you concern?

Nicola Sturgeon: It is fair to say that most of the housing benefit reforms cause me concern because of their impact on the most vulnerable

and people with low incomes. The exception is perhaps the proposal to cap housing benefit rates, as not many properties for which housing benefit is received in Scotland would breach a cap. The change that I mentioned to Patricia Ferguson causes me concern. I know that we are talking about children today, but the increase from 25 to 35 in the age threshold for receiving housing benefit for living alone will have a big impact in Scotland.

I clarified what I meant about not opposing everything that will be done. We all agree that people who can work should work, that work should be made to pay and incentivised and that the benefits system should not be a hiding place for people who just do not want to work. However, the devil is in the detail. From what we have seen of much of the detail, the reforms might or might not achieve some of the overarching ambition, but the danger is that many genuinely vulnerable people will be penalised in the process.

Bob Doris: When the committee considered child poverty in the past, we recommended that the UK and Scottish Governments should work together to look more creatively at the tax and benefits system. That was our nudge to the Scottish Government to make suggestions more proactively to the UK Government about what could be done better. Kinship care payments were one motivation for the suggestion, as they are clawed back by the UK Exchequer.

I appreciate that there has been a flurry of benefit reforms that we would consider regressive, but has the Scottish Government contacted the UK Government about how changes could be made that would be progressive as opposed to regressive?

Nicola Sturgeon: We raise such issues with the DWP regularly. Although it does not relate specifically to the point that Bob Doris raises, we are arguing strongly for the devolution of responsibility for Jobcentre Plus, which would allow us to integrate the employability agenda much better. We are responsible for matters such as health and skills that influence people's ability to enter the job market, so more devolution would lead to better integration.

I take the view—with which I think that Bob Doris agrees, although not everybody around the table agrees with it—that if the Parliament had power over tax and benefits, we could design a system that was much more suited to our needs than the system that we have now is, although that is a slightly bigger debate.

We will raise issues as appropriate with the DWP, but we need to stay focused on where we can have the most influence. As I said to the

convener, influencing the DWP is challenging. We work hard on that.

Bob Doris: I agree about devolving tax and benefits. I was trying to strike a consensus in the committee, but I obviously failed—

Nicola Sturgeon: You are obviously much more consensual than I am.

Bob Doris: I am known for my consensuality.

I referred to external forces from the UK Government, to which we are reactive rather than proactive. However, we have influence over internal forces. John Wilson and others have mentioned the idea of a statutory duty on local authorities in relation to child poverty. I will look at the matter another way.

If we were to put “child poverty strategy” at the top of a blank page of paper for every local authority and write down every single outcome indicator and outcome that relates to tackling child poverty, we would hope to have—in a dry fashion, of course—some form of child poverty strategy at a local level. I agree that there should be flexibility locally, that the matter should be a local responsibility and that there should not be a statutory duty placed on local authorities. However, if three, four, five or six years down the line some local authorities still just have the heading and a blank sheet of paper, would you consider placing a statutory duty on them?

Nicola Sturgeon: That is a very good try at getting me to go further than I went in response to previous questions. The phrase that I used was that these things are never set in stone. The objective is tackling child poverty. This is an end-versus-means argument: we should deploy the means that allow us to best achieve the end.

I take the view that our relationship with local government, encompassing the single outcome agreement approach, is the right one, because it gets the balance right between setting national policy objectives and allowing local priorities to be set to meet local needs. I repeat what I said previously: the single outcome agreement is an evolving process, so it will continue to strengthen and to be further embedded.

If you were to do the mapping exercise that you outline—the Government previously published an overview report on the first round of single outcome agreement reports and I believe that the same will be done for this one—you would get a clear sense of what is being done to tackle child poverty in each locality across the country. Committee members may say that such and such a partnership should be doing more in this area or that area, which is perfectly legitimate, but you would get a sense of what is being done. I hope that five or six years down the line, we have an

even stronger sense of what is happening. We keep all these matters under review because, as I said, the key objective is to meet the targets, albeit that they are very challenging, so we need to ensure that we are equipping ourselves properly.

Bob Doris: I am also optimistic, but I finish off by saying that I see single outcome agreements as a window of opportunity for local authorities to step up to the plate. Of course, if they fail in their responsibilities, the introduction of a statutory duty will perhaps be necessary, but we still have to wait and see how the single outcome agreements bed in. I thank you for your answers to my questions.

Alasdair Morgan (South of Scotland) (SNP): Cabinet secretary, it is pretty obvious that there is a tension in this policy area between long term and short term—you referred to that yourself. You have said that this strategy is a big part of the Scottish Government’s action to break the poverty cycle, which is, as you said, generational. From that perspective, we have to look at at least 20 years—I think that that is right—although to some extent the situation is forced on us by the powers that we have.

Is there a danger that the current statistics, or even intermediate targets, become a distraction from pursuing that long-term aim? You said that the benefit changes meant that you might have to skew your policies. I presume that that means skewing them from long term to short term. Specifically, when you are poverty proofing the budget, to what extent do you look at the longer-term effect on poverty indicators rather than at what the indicators will be this year or next year as a result of the budget?

Nicola Sturgeon: We look very much at the longer term, but not to the exclusion of the shorter or more medium term; a lot of what we are doing in this area is long term.

One example of work that I am very involved in is around what we call the family-nurse partnership approach, which we are currently trialling in Edinburgh and are about to trial in Dundee. It is about providing very intensive one-on-one nursing support to young women who get pregnant as teenagers to ensure that they develop their parenting skills and that the child, both before birth and for the couple of years after birth, is getting the right support and that the mother and, indeed, the father, are being supported back into education, training or employment if that is what they want to do. That is one example of an approach that I believe instinctively will work, but it will be some time, probably a life cycle, before we have the hard evidence to demonstrate that it has worked. That is one example of the many different approaches that we are taking that are fixed on the long term.

I acknowledge the premise behind your question: given the long-term nature of the challenge, should we distract ourselves with short-term targets? My view is that we have no choice but to consider both types of target. Although we know that we must focus on the long term if we want to have a real impact, none of us can decide that the kids who are living in poverty today—right now—can just be forgotten about. Our approach must be for both the long and the short term. We must keep the balance right, whether in our budgeting process and in other strategic approaches, or in our shorter-term policies.

I am not arguing that our approach has been 100 per cent correct, but I hope that the work that we have done so far, and the child poverty strategy, will strike a balance between what we can do in the here and now—which is limited because of our powers—and what we will have to do in the long term to make the biggest difference over a generation or more.

Alex Johnstone (North East Scotland) (Con): Cabinet secretary, you obviously set great store by your relationship with local government; but did I detect that you were perhaps slightly more dismissive about your relationship with Whitehall?

Nicola Sturgeon: No, not at all. However, I am not giving the committee any exclusives, and I am not expecting any front-page stories tomorrow, when I say that I am a nationalist and I believe that we should have all of those powers ourselves.

Alex Johnstone: I think that we understand each other on that one.

Nicola Sturgeon: Yes—so that is my starting point.

As a minister, I have taken the approach—and all my colleagues have taken the same approach—that we must work with what we have just now as well as arguing for what we want in the future. We have always tried to have a constructive relationship with ministerial counterparts. In the main, we have managed that. As will always be the case—whether here, or between here and Whitehall—it is the disagreements that capture the headlines. However, the disagreements are actually rare, and they should be seen in the context of the constructive work that we do.

By and large, we had good relationships with the previous UK Government. I am going way off topic here, but I developed fantastic relationships with two successive Labour health secretaries when, for example, we were jointly tackling pandemic flu. I also have a good relationship with the current UK health secretary on similar issues.

The relationship with the DWP has been more challenging—the committee is aware of that and I

make no bones about it. However, we are working hard at the relationship, and we have assurances from the new ministers in the DWP that they will work hard at it as well. We will continue to try to develop as good a relationship as we can.

Alex Johnstone: Honestly, I was not trying to wind you up; I was just trying to set off in a different direction.

You mentioned Iain Duncan Smith, and you will be aware that within my party—the Conservative party—Iain Duncan Smith has been responsible for some radical, and perhaps even revolutionary, thinking. Conservatives see it that way. Have you found anything of interest, or any common ground, in your discussions with Iain Duncan Smith—anything that you may be able to work on jointly in the longer term?

Nicola Sturgeon: Radical and revolutionary for a Conservative is probably different from radical and revolutionary for the rest of us.

I think that I have alluded to this point already: I do not know many people who would disagree with the big picture of what Iain Duncan Smith has set himself the target of doing. The benefits system in this country has developed over decades, and it is incredibly difficult. Any of us who have dealt with constituents on these issues know how difficult and complicated it can be. We know how disincentives to work are built into the system, and that the whole system is riddled with such problems. I think that we can work towards trying to simplify and streamline the system, so that we have a system in which it actually pays to work. However, if we believe—as I do—that some specific details of how the policy objective is being implemented, and some of the cuts in benefits spending now and in the immediate future as part of the deficit reduction programme, will impact disproportionately on vulnerable people, we have a duty to say so.

It is not only the Scottish Government that thinks that. I have already quoted organisations such as the IFS, which says that, overall, benefit changes coupled with cuts in spending on public services are regressive. We will argue our case on such matters but, of course, we will try to find common ground and will try to work together as far as we can. We have already had fruitful discussions on employability and on the possibility of further devolution related to Jobcentre Plus, which I have already spoken about.

The meeting that I had with Iain Duncan Smith was very cordial. It was an initial meeting, but it was cordial and we agreed that we would try to develop relationships as well as we could.

11:00

Alex Johnstone: I feel that I need to explain the concept of radical and revolutionary within the Conservative party.

Nicola Sturgeon: I think we are all scared by that.

Alex Johnstone: What I meant was that Iain Duncan Smith has taken a line, which was perhaps not the one that Conservatives have taken in the past. He has gone into areas of deprivation and child poverty and looked for policy opportunities to deal specifically with those problems. He has not been universally supported within the Conservative party itself, which has put him out on a limb to some extent.

Is there enough common ground for you to feel that it is appropriate for you to influence the overall argument in such a way as to strengthen the hand of a man who has—

Nicola Sturgeon: When the Tories were still in opposition, Iain Duncan Smith—credit to him—went into parts of Glasgow that Conservatives had never dared to go to before. He talked a lot of sense about some of the issues that had to be tackled. I did not always agree with some of his policy conclusions or prescriptions but, nonetheless, he was willing to talk about issues and go to places that, as you say, had been forbidden territory for Tories.

Now that he is in government, we will have to judge whether the longer-term welfare reforms—we do not yet have all the details of the universal credit and the welfare reforms that will be in the welfare reform bill—live up to those objectives and, more immediately, whether the benefit changes that have been announced contribute to or undermine efforts to deal with the very issues that Iain Duncan Smith was talking about when he was in opposition. On the longer-term stuff, the jury is more out at this stage, because we do not have all the details. On the shorter-term measures, we have independent opinion that says that, overall, they are regressive. Therefore, on that early assessment, there is perhaps a bit of a gulf between some of the rhetoric before the election and the action after it.

Those would be issues for Iain Duncan Smith to defend himself on if he was before the committee. I am not here to speak for him. I do not doubt his sincerity in wanting to tackle the issues, but we have to assess measures based on whether we think that they are likely to do so.

Mary Mulligan: Given the report on this issue that the committee produced, I do not think that we could finish this morning's evidence session without mentioning child care. Last week the Scottish Government published the report, "Early

Years Framework: Progress So Far". Within that, there seemed to be a suggestion that the progress that you had expected on child care had not been made. If you have had time to think about this, can you tell us whether particular obstacles have been identified and what the Scottish Government intends to do about them?

Nicola Sturgeon: I will bring in Jim Stephen in a second as he works particularly in this area. It is fair to say that Adam Ingram, who is the minister responsible, is looking at a range of options for accelerating progress on child care. We have had some considerable successes, such as in increasing the number of child-care hours available, which was one of the commitments that the Government made. This is not an excuse—I am not trying to pass the buck—but a lot of how access to child care is funded through the tax credits system is reserved. That is a frustration for us in relation to what we are able to do.

The general economic climate and public spending climate have been barriers to progress. However, we have made progress and the question now is how we accelerate it. That is the question that Adam Ingram and colleagues are looking at. Access to affordable, good-quality child care is fundamental to the employability agenda.

Some of the benefit changes—whether we agree with them or not—will have an impact on demand for child care, particularly the changes around mothers' move from income support to jobseekers allowance after their child reaches the age of 5. Those will all have impacts on the demand for child care, so it is the right time to look at what more we need to do to up the pace of change.

Jim Stephen (Scottish Government Directorate for Children and Families): Child care is very much a live issue for us. We had a meeting recently with leaders from the voluntary sector, the private sector, the public sector and the child care sector, and Jobcentre Plus. A consensus came out of that meeting that, in general, the balance of supply and demand in child care is roughly okay. Parenting across Scotland did a survey that suggested that most parents who are within the child care system are generally content with the service that they get. The other issue on which there is consensus—this is the big issue for us—is that it is the people who are off the radar and will be affected worst by benefit changes who will be pushed into work. Building trust and relationships with such families is the big issue that we need to tackle in child care. We have ideas around social enterprise models and are looking at ways in which we could empower communities to develop their own solutions to child care issues.

John Wilson: Cabinet secretary, you referred to the Institute for Fiscal Studies. I am certainly grateful to the IFS for its work on benefit changes in relation to child poverty. What is your view on the IFS forecast that indicates that the policies of the current coalition Administration in Westminster for 2013-14 mean that we may end up in 2020-21 with 20.9 per cent in absolute poverty and 20.5 per cent in relative poverty, given that we are talking about reducing the figures in those areas? What is the prospect if those predictions turn out to be true?

Nicola Sturgeon: That probably takes us back to where we started with your first question. The IFS projections suggest that, in its opinion, the numbers of children in relative poverty across the UK will fall by about 300,000 between 2008-9 and 2010-11 and will increase by around 100,000 between 2010-11 and 2012-13 and by around 200,000 between 2012-13 and 2013-14. That brings into sharp focus the scale of the challenge that I spoke about in answer to your first question about whether the targets were achievable. The current policy regime at UK level around the issues that we have been discussing does not make the challenge easier.

What does that say for us as the Scottish Government? First, we need to do everything that we can, limited though that may be, to influence policy decisions at the UK level and we need to ensure that we are doing absolutely everything within the powers that we have. Secondly, at a Scottish level we must—to use Patricia Ferguson's terminology—skew our policies to mitigate those effects as much as possible. I would say that there is a third necessity. I am following Bob Doris's consensual approach, so I will not labour this point. However, the third necessity is to argue for our having the powers that would give us more levers over the issues that will have the biggest impact on child poverty.

The scale of the challenge is evident and I do not think that any of us would deny for a second that it is a big challenge. Is it one that we should be absolutely committed to meeting? Absolutely. It is not acceptable morally, practically or in any sense that, in a country as rich as ours, so many kids live in poverty. While that is the case, all of us should be prepared to do everything that we can to reverse it.

The Convener: I thank the cabinet secretary and her officials for their attendance and the evidence that they have provided. I suspend the meeting until the next panel of witnesses is in place.

11:09

Meeting suspended.

11:11

On resuming—

Fuel Poverty

The Convener: Item 2 is evidence on fuel poverty, which is another issue that the committee has an on-going commitment to monitor as part of its work programme. I welcome the first panel of witnesses, who are all from the Office of the Gas and Electricity Markets. Charles Gallacher is director of Scotland, Wales and the regions; David Pimm is group finance director; and Maxine Frerk is a partner in the sustainable development division. In the interests of saving time, can we go straight to questions?

Charles Gallacher (Office of the Gas and Electricity Markets): Absolutely.

Jim Tolson: Good morning, ladies and gents. What effect do you believe that the recently announced hike in fuel prices in Scotland will have on fuel poverty in the coming years?

Charles Gallacher: It would be an understatement to say that we are concerned about the price rises; we are clearly seriously concerned about them. The price hikes before Christmas came on the back of the rise in the wholesale price, which had been going down for quite a time before then, and meant that there were substantial increases in consumers' bills. We saw from our monitoring of the market that there was also a substantial increase in the retail companies' margins to 47 per cent.

It is probably worth noting upfront that Ofgem does not regulate the retail price, as it is a commercial market and the companies set their own price. However, I am sure that members are aware that we have announced a review of the retail market, which is a substantial and serious piece of work. We are doing that on the back of another large piece of work that we did in 2008, which meant that we can now require the companies under licence to provide us with very detailed accounting information. That allows us to look into the granularity of their accounts and issues such as profits.

We are in the middle of that review, which is a huge piece of work. We have promised that we will announce the results at the end of March. If we detect that there has been any misbehaviour by the companies, we will act if we have the powers to do so; if we do not have the powers to act, we will seek further powers from the Government.

Jim Tolson: I appreciate that response.

You touched on the issue that I will address in my follow-up question, which is partly about the companies' margins. If a company has big cost

issues that have big implications for investment, we can understand that there might be a need for a slight above-inflation increase. However, as we are all well aware, the increases are significantly above inflation. Indeed, we are also well aware that the companies' margins have increased. In the context of fuel poverty in particular, it seems to many people that the companies are profiting from the ills of those in our economy who can least afford to deal with the problem.

You referred to Ofgem's powers. What powers should Ofgem have in addition to its existing powers to ensure that it can be more proactive in tackling the companies?

Charles Gallacher: We have said that there are several possible results from the retail market review. We may find that the companies have a clean bill of health, that there is nothing to worry about and that, as you suggested, the rises are justified. We may find that we can deal with the matter under our existing powers; if not, we will approach Government for further powers to deal with it. In the end, it is possible that we will refer the market to the Competition Commission. We have substantial powers.

11:15

Alex Johnstone: Just to follow up on that, the deregulation of the energy market and the introduction of competition appeared to be an enormous success until about 2002. Since then, we have gradually progressed to a position whereby some of us question whether competition is succeeding or whether we have true competition. Are you prepared to give an opinion on whether competition is continuing to work as successfully as it did initially and whether there is a need to consider regulation in order to get back to competitive pricing?

David Pimm (Office of the Gas and Electricity Markets): I am happy to comment on that. We still have some of the lowest prices in Europe, so one could contend that competition has served us well. However, we are minded to ask whether there are areas where more intervention is indeed required, as you suggest. It would be wrong to jump to a conclusion today, pending the outcome of the retail market review.

RIIO—revenues, innovation, incentives and outputs—is a new approach that we are adopting to the regulation of the monopoly sector, which is the lines and pipes part of the industry. The intention behind it is to provide incentives for more precise behaviours by the distribution network companies. You could see that as somewhat interventionist in a sense, because it seeks to drive particular behaviours in that sector. It would not be inconsistent to conclude that perhaps

similar outcomes are required in the retail sector—again, pending the outcome of the retail market review.

Mary Mulligan: Good morning. Ofgem clearly has a responsibility to look at the needs of vulnerable customers. How effective do you think that you are being in that regard at the moment?

Maxine Frerk (Office of the Gas and Electricity Markets): We do an awful lot of work around vulnerable customers, particularly in areas such as debt and disconnection. We have undertaken a number of reviews with companies in which we look at their best practice and monitor their statistics. For example, the number of disconnections over the past 10 years has fallen from 25,000 per year to 5,000 per year, and the figure has been particularly low in Scotland. The last figures that I saw showed that there were only six disconnections in Scotland, which were of the electricity supply.

We work with companies to help them think about how to alleviate the worst impacts of fuel poverty. We are also looking at an area that is of concern to us, which is how companies take account of customers' ability to pay when they get into debt and must make repayments. We issued a set of principles that companies ought to take into account in setting repayment rates. We are now following up on that to ensure that they take account of those principles. We do quite a lot of work with the companies to promote best practice in a lot of areas.

David Pimm: I am happy to add to that. Clearly, the work that we do for all consumers should benefit vulnerable consumers. It is probably worth referencing the retail probe that we conducted about 18 months or two years ago, which involved certain measures that were designed for the market as a whole, some of which bore directly on the vulnerable consumer.

For example, we outlawed unjustified price differentials. There were unjustified price differentials on prepayment meters and off-gas grid. Of course, those two areas particularly impacted on the vulnerable consumer, especially in Scotland. We have taken some measures that appear to have been successful in addressing those issues. However, the retail market review will indicate whether there are other issues in how the market works.

It is probably also worth saying that we have established a sustainable development division, of which Maxine Frerk is part and which is intended to give a focus both to our environmental duties and to our duties in respect of vulnerable consumers. We have institutionalised, if you like, all the policies that we are looking at by asking the challenging question, "How does this policy impact

on the vulnerable consumer and is it going to be regressive?"

Mary Mulligan: Maxine Frerk referred to the progress made on disconnections. Are you able to tackle such issues now, or are there powers that could help you further?

Maxine Frerk: We have the powers that we need. Through regulation, we can introduce new licence obligations on companies. We did that following the retail probe and in relation to some aspects of disconnection. We can also influence companies through naming and shaming—by publishing reports on their progress—and through our contributions to wider debates, in which we can work with Government and try to influence its thinking.

We have formal regulatory powers and are able to take enforcement action if companies do not comply. We can impose significant penalties—as we have done in relation to misselling, which is an issue of great concern to vulnerable customers.

Mary Mulligan: Disconnections are what make the headlines, but it frequently seems that beneath the headlines are people who simply turn off their heat because they are in debt and know that they are in danger of getting further into debt. Many vulnerable people are in financial difficulties but are on high rates. Can we get information to such people to ensure that they are not turning off the heat and are on better rates?

Maxine Frerk: A lot of help and information is available. All the suppliers now have to offer a range of social tariffs, discounts and rebates. One of the things that we do is monitor what they provide in that respect, to ensure that they are meeting the commitments that they have given to Government and are taking issues forward into a mandated social tariff. A lot of help is available through targeting the carbon emissions reduction target scheme at priority group customers who can get free help with insulation.

A big challenge is to ensure that customers are aware of the help that is available. To meet that challenge, we have worked with citizens advice bureaux, and now with Citizens Advice Scotland. We promote training for advisers within the bureaux—and, more widely, for other people who offer money advice—to help them get the message across about the help that is available. It remains a challenge.

In the past, we have provided reference lists for MSPs and others, so that they knew what help was available and were able to advise their constituents.

Mary Mulligan: So, the moral of the story is that we do not want cuts in those services, because they are the services that are helping people.

Maxine Frerk: At the minute, funding for the social tariffs is provided by the suppliers rather than by central Government. That may continue.

David Pimm: Maxine Frerk referred to the CERT scheme because one can tackle the concerns of vulnerable consumers through insulation or energy-saving measures, as well as through addressing the cost of energy. The CERT scheme has a major impact and is designed to target priority groups in particular, so that they can achieve better insulation of their homes.

We have been working with the Scotland CERT study group, which I think is led by Alex Neil, to ensure that Scotland gets its fair share of CERT money. Mechanisms such as the energy assistance package have been effective; the package addresses precisely the point that Mary Mulligan was making, which was about how we ensure that people are aware of what is available.

We want to draw people in. In the first year of the CERT scheme, Scotland had 6.5 per cent of the value of the measures for insulation in particular. One could therefore argue that the scheme was perhaps underrepresented in Scotland. However, in year 2, the figure has gone up to 8.9 per cent. Given that the population of Scotland is 8 per cent of the population of the UK, there has been progress, which is good to see. That progress could be attributed to the way in which the scheme is drawing people in.

Mary Mulligan: Am I right in saying that CERT measures will change because of the green deal?

David Pimm: The CERT scheme is due to run until December 2012, when the green deal will apply across the piece. ECO—the energy company obligation—is expected to be the successor to CERT. We do not yet know the details of that.

Mary Mulligan: That is always the frustration—when you start to make things happen, the system changes again. Thank you for your answers.

Bob Doris: My question is linked to Mary Mulligan's point about disconnections. In the past, much has been made of the ability of smart meters, once they have been rolled out, to address the issue. Rather than cutting off a vulnerable customer, you may limit the energy supply to the household to certain times of the day or certain amounts each day. The previous panel gave evidence on child poverty. With smart meters, we could ensure that households with children continued to get a core electricity supply, so that primary care issues were addressed. The reference to disconnections made me think about the opportunities that smart meters offer in relation to vulnerable customers. It would be helpful to the committee to find out what point we have reached with the roll-out of smart meters.

Maxine Frerk: Ofgem has been working with Government on the overall plan to support the roll-out of smart meters. Back in July, we published a prospectus that set out all the detail of how that will happen, apart from the key dates. It is beginning to happen now, with some suppliers rolling out smart meters on a voluntary basis. Towards the end of March, there will be further announcements about timescales and the way in which the roll-out will work.

In the meantime, Ofgem has been thinking hard about the particular issues around disconnection from smart meters. We are due to issue a consultation in the next few days about both the opportunities that smart meters provide to allow different forms of disconnection so that, as you mentioned, a minimum level of power can be maintained at all times, and how to ensure that customers are protected against remote disconnection. Some additional protections may need to be put in place to ensure that customers are not disconnected inappropriately.

Bob Doris: Can we anticipate that every household in the country will have a smart meter in five or 10 years' time? Is that not a huge task?

Maxine Frerk: The aspiration was that all households should have one by 2020. The current UK Government is looking to accelerate the programme, but it is a huge task. Progress will start to be evident in five years, but it will probably take until nearly 2020 for the full roll-out to be completed.

Bob Doris: So it may be worth while for our successor committee to look at and to keep tabs on progress in the area, as part of its fuel poverty remit. Your comments have been helpful.

Alasdair Morgan: Although rural areas often have low-income populations, the size of those areas means that such populations are not sufficiently low income to show up in national statistics—there are isolated pockets. The fuels that are available for space heating are electricity—which is never a great option, I suspect—central heating oil and tank gas; natural gas is not available. I suspect that the proportion of detached houses is larger in rural areas; there is certainly a large number of solid-wall houses, which are more expensive to insulate.

In addition to those problems, competition is diminished by the lack of natural gas, while the central heating oil market is subject to huge spikes in price. Although different suppliers may appear to be available in rural areas, we find that they are all part of the same firm, which even owns the price comparison website. I know that the Office of Fair Trading has launched an investigation into the issue but, having seen some previous OFT investigations, I am not holding my breath. What

will your input into the investigation be? What relationship do you have with the OFT in this area?

Charles Gallacher: Maxine Frerk mentioned the energy supply market probe that we launched two years ago, which was a major investigation. As part of the probe, we carried out an in-depth study of rural off-gas-grid customers, in particular. We found that those customers faced unfair price differentials and successfully clawed back on their behalf £500 million, spread across the whole country, in prices over the period.

The home heating oil issue has been raised with us regularly over the years. We do not regulate the home heating oil market. I think that a parliamentary question was asked on the matter during the past few weeks and the answer was that the matter will not be regulated, because there is no monopoly. It is clear that there are issues, if the OFT is looking into the matter. The OFT might ask us for advice on regulation, but that is as far as the relationship would go.

11:30

Maxine Frerk: The OFT talked to us before it announced its review and we agreed that there are issues that might touch on our role. However, for the most part, the issue is very much for the OFT to lead on.

Charles Gallacher: Our chief executive gave evidence in Westminster a few weeks ago—that is always a dangerous thing to do. He was asked whether Ofgem would regulate the market, if it were asked to do so, and his answer was yes. That would require legislation, of course.

Alasdair Morgan: Let us take that a stage further. In relation to a different area, you said that if you needed more powers you would ask the Government for them. Why do you not just ask for power to regulate the heating oil market? It is clear that there is a monopoly, a duopoly or an oligopoly—there is a situation that means that people have nowhere else to go for their fuel and must pay a high price.

Charles Gallacher: Whether there is a monopoly is a matter that would require to be investigated. We have not looked at the area at all. As far as I am aware, until now we have not been directly asked to regulate the market. That would be a matter for Government.

Alasdair Morgan: In your previous investigation you clearly identified a problem, because you clawed back money. Why do you not say to the Government that you think that you should have powers in the area?

Charles Gallacher: The problems were solely to do with the electricity and gas markets, not the central heating oil market.

Alasdair Morgan: Okay, but do you agree that there is a problem in the area? If you do, are you prepared to ask for powers, rather than wait for Government to come to you?

Charles Gallacher: That is a good question. It is not something that we have done before, to be frank. We have never asked to regulate another sector. That does not completely rule out the possibility, and the noises that our chief executive made at the Energy and Climate Change Committee in Westminster suggest that we would be prepared to regulate the sector if we were given the powers.

David Pimm: The matter is not something that I have heard being discussed, other than when the question was asked at Westminster. That does not mean that it should not be discussed. I hear Alasdair Morgan's point, and it is an interesting question.

It occurs to me—I am coming to the issue fresh—that the oil industry is a much wider industry, and in relation to fuel oil there is potentially interplay with many other uses for a similar product. Therefore, one would not be dealing solely with home heating, which I think is the concern in this context. There would potentially be an impact in other areas, so we would hit a challenge. We would have to ask whether we should regulate the wider oil market or just the narrower market, and whether it is possible to differentiate between the two. I simply do not know the answer to those questions.

Alasdair Morgan: I suspect that there are many different uses of electricity, too. Never mind. I will move on.

A reason why heating oil is such a problem is that no natural gas is available in many rural areas. Where I live in Galloway there is a gas pipeline about 100yd from the front door, but the gas suppliers will not put in the necessary infrastructure to serve small villages, even when a village has a relatively substantial number of inhabitants. Do you have any control over that issue? The opportunity to use gas would create much more competition.

Maxine Frerk: To try to address the problems that you have been talking about, for a number of years we have had an incentive scheme to encourage the gas transporters to extend the gas network. Scotia Gas Networks has added 4,000 homes to its network as a result of the scheme. However, that is probably a drop in the ocean—

Alasdair Morgan: How successful has the scheme been? Does the figure of 4,000 homes relate to Scotland?

Maxine Frerk: The figure is for Scotia, but I do not know—

Charles Gallacher: It is a figure for Great Britain.

Alasdair Morgan: So 4,000 consumers have been added across the whole of the United Kingdom.

Maxine Frerk: In the context of the RIIO approach, which David Pimm talked about, we are considering whether gas is the fuel of the future, given the renewables agenda, and we are thinking about offering broader incentives to companies to consider other measures, including renewable technologies for off-gas-grid customers. The advantage of such an approach is that it can happen even further away from the gas pipelines. Currently, all that we can hope to do is extend the gas pipelines for a short distance. We want to look more broadly at how we can encourage the gas and electricity companies to do more for rural communities as part of their incentive schemes under RIIO.

Alasdair Morgan: With a bit of quick arithmetic, it strikes me that that number represents fewer than 10 households per UK parliamentary constituency. It does not even register, does it?

David Pimm: It would be wrong to say that that was the only outcome statistic that we have to hand. We have sought to structure gas distribution in a way that encourages that extension but, clearly, there is a long way to go.

Alasdair Morgan: There is 100 per cent of the way to go.

David Pimm: Scotia has plans for another 2,500, but it is still a drop in the ocean. We seek to put in incentives for extension, where it is reasonable to do so.

It is probably worth referencing the UK Government renewable heat incentive programme, which is due to be up and running in the summer. That will incentivise renewable heat options—that is, it will provide them with cash support. Those options are another alternative for those consumers.

Alasdair Morgan: I suspect that the problem is that people who are in deep or extreme fuel poverty do not have the balance, so an incentive will not help them.

Maxine Frerk: Some companies, such as Eaga, are working with social housing providers in particular to find ways of financing such schemes up front. They take part of the incentive to provide

the up-front financing. There are ways that it can work, but we recognise that it is a challenge.

John Wilson: Although the debate that Alasdair Morgan raised is interesting, I would like to get into it at some other time. It is interesting to consider not only the number of households that do not have a natural gas supply but the costs that they face when they apply to be connected, which are prohibitive. At a later date, I will discuss that with Ofgem in relation to the area where I live.

Maxine Frerk said that company disconnections had previously been 25,000 a year, but the latest figure is 5,000 a year. Does that take account of self-disconnections? I am aware that people who are on power cards have a tendency to self-disconnect. I mean that they either do not have money to put on the power card or they have used the reserve in the meter. Does Ofgem monitor the number of times that people have no power coming into their homes?

Maxine Frerk: The figures that I quoted do not include self-disconnection. We are aware that it is a real problem for customers who are on prepayment meters. Consumer Focus recently did a good study that tried to quantify and understand the issue. We recognise that it is a significant problem.

When we talk to the companies about best practice, we encourage them to monitor the extent of self-disconnection; it is within their gift to do that. With smart meters, there is the potential to ensure that the arrangement is much more flexible so that customers do not ultimately get disconnected if they run out of supply.

John Wilson: I thank you for your response, but the issue is whether the companies with which you are dealing would want to monitor the level of self-disconnection, and how Ofgem would ensure that the monitoring took place.

You referred to the introduction of smart meters. As I understand it, a wide range of technologies could be incorporated into the smart-meter regime. I am not sure whether the UK Government has decided on the standard model that will be installed in each household. As my colleague Bob Doris indicated, we could get a smart meter that allows the energy company to disconnect the energy supply from a central base as well as monitor the power input to the individual household.

Has Ofgem had any discussions with the UK Government about an industry-standard smart meter? Will it be possible for the smart meters that are installed to be upgraded, and could the technology that is used be future proofed? As I understand it, the meters are to be installed over a 10-year period. The technology might change dramatically over those 10 years, so some

customers might be at a disadvantage with regard to the smart-meter technology in their households.

Maxine Frerk: That is an important part of the work that we have been doing with the Government since last year. We have been trying to confirm the functional specification for the meters—what they will have to be technically capable of doing. One requirement is that they must be able to be remotely upgraded with new software to allow new features to be added—to make them future proof, as John Wilson said. The meters will have the capability to handle different levels of load, to disconnect remotely and to reconnect remotely and to offer prepayment automatically, rather than people having to use a separate meter for prepayment.

Ofgem is considering what rules need to be in place to protect customers and ensure that they get the best benefit from their meters. In the consultation that we will be putting out shortly, we are considering rules for emergency credit and friendly disconnect periods, and we are assessing whether more should be done in that regard.

Charles Gallacher: We are concerned about the functionality of prepayment meters in respect of recalibration when prices go up. Members will remember the issues that arose the winter before last, when lots of people got into debt without even knowing that they were in debt because engineers had not been able to gain access to their houses to recalibrate meters. We hope that part of the functionality of smart metering will be that recalibration can be done remotely, so that that problem would disappear—along with estimated bills.

John Wilson: There are a number of interesting debates around smart meters. One of my concerns is about the ability of energy companies to disconnect remotely. There are also the questions why and when they would reduce the input of energy into a particular household, who makes the decision and whether that decision can be made without prior consultation of the family in the house. I therefore have concerns about the possible uses of smart meters by energy companies. I hope that Ofgem will draw up guidelines for energy companies that will make it clear that no disconnection or reduction in the power supply to households should take place without prior consultation of the households.

David Pimm: I should add that there is a longer-term issue. There is a minimum technical specification in the prospectus, which will develop over time. There is also an important short-term issue, and it is precisely the one that you raise. It is to that end that we are about to issue the consultation to which Maxine Frerk referred. We know it as a “spring package” in our language, so it is due to come out shortly. It will consult on the

protections that are required now, as some meters are going in early and there is therefore the potential for remote disconnection now. We will be consulting on Ofgem making regulations to restrict that, to ensure that consumers have at least the same level of protection as they have today. It is a reasonable-endavour requirement on energy companies to understand the vulnerability of consumers before disconnection takes place. The danger is that, because disconnection is remote, that might not happen if we do not put such regulations in place. That is what we intend to do, however.

John Wilson: I look forward to those regulations being put in place to safeguard customers.

We have evidence from the Scottish house condition survey for 2009 that makes stark reading when we consider the percentage figures. According to the 1996 figures, 35.6 per cent of households were then living in fuel poverty in Scotland. In 2002, that had fallen to 13.4 per cent. In 2009, the figure had risen back to 30.9 per cent. I further note that

“8.6% of households were classified as being in ‘extreme fuel poverty’”

in 1996. That figure went up to 10.3 per cent in 2009.

As has been said, energy companies are not advising customers that the meter systems incorporate the recent price rises, which took place just before the severe weather. Given when the prices went up, and being the cynic that I am, I suggest that maybe the energy companies have better weather-forecasting systems than the BBC and the Met Office. Does Ofgem envisage the figures for fuel poverty and extreme fuel poverty reducing over the coming period or will we see further increases in those figures over the coming months and years?

11:45

Charles Gallacher: The harsh answer is that we think that there will be increases, for a number of reasons. First, the wholesale price looks as if it is tracking upwards, and the other issue that is coming along, which has had a lot of media coverage, is the amount that will have to be spent over the next 10 or 15 years to upgrade infrastructure. The current figure for that is £200 billion, £32 billion of which is for pipes and wires, and the rest is for replacement power stations. That will all filter into consumers’ bills and will clearly cause an increase.

Maxine Frerk: Fuel poverty has three drivers: the quality of the housing stock, incomes and prices. Charles Gallacher has talked about prices, but Ofgem has no control over the quality of the

housing stock and incomes. However, our forecasts about what will happen within the areas that we are concerned with suggest that it is not going to be a rosy picture.

John Wilson: The current increases will obviously affect houses in fuel poverty and extreme fuel poverty. Like the previous Scottish Executive, the current Scottish Government is spending record amounts of money on measures to insulate properties and make them more energy efficient. The response that I just received from Ofgem is that energy costs are likely to rise for customers. As I understand it, one of Ofgem’s objectives in the regulatory framework is to protect vulnerable customers, so how are we protecting them if the figures for those in fuel poverty and extreme fuel poverty are continuing to increase? What has happened to Ofgem’s role of trying to regulate and ensure that those customers are protected? The answer that I had from Mr Gallacher was that all customers can expect increases. What happens to the most vulnerable people in our society when those increases take place? How do we tackle fuel poverty in Scotland in the 21st century and resolve the problem?

The Convener: In a sentence, please.

David Pimm: It would be fair to say that Ofgem does not have all the levers to deal with fuel poverty. We have responsibilities to consumers, particularly the vulnerable ones, in relation to the effective operation of the market. A £200 billion investment is required to keep the lights on over the next 10 to 15 years. If we couple that with the likely increase in demand for energy globally that will increase the wholesale price of energy, which is about 50 per cent of the bill, our harsh assessment is that bills are likely to rise by between 13 and 26 per cent. In that context, it is clearly the right thing—we applaud the Scottish and UK Governments’ initiatives in this regard—to seek to address insulation, renewable heat and any other measures that can reduce energy consumption. However, it would be wrong to shy away from the fact that it is a tough problem when prices are going up in the way that has been described. The committee is rightly dealing with a very tricky issue.

Maxine Frerk: The other measure that the UK Government is putting in place to tackle the problem of price increases is the warm homes discount, which we hope will begin this April. It is a mandated social tariff, and the current thinking is that it will be available to all pensioners of 70 and over on pension credit, which was the case for a previous scheme.

That type of discount is funded by all other customers, so there is a difficult decision to make about how much of that redistribution of costs other customers should bear. We view that very

much as being a decision for the Government, but we have worked with it by drawing on our experience of monitoring the voluntary schemes that suppliers have had in place to date. Prices generally are rising: the question is how we cap them for those who are most vulnerable, which can be addressed through the warm homes discount scheme.

John Wilson: I will not go into the issue of the rise in profits, convener.

The Convener: No. We need to move on now.

Patricia Ferguson: Good morning—it is still morning, but only just. Given the economic downturn, are you seeing a difference in the type of client groups that approach you for assistance, advice or help?

Maxine Frerk: We do not have a front-line role in advising customers; that is currently the responsibility of Consumer Direct and Consumer Focus, and will probably be taken on in the future by the citizens advice bureaux and Citizens Advice Scotland. Our feedback on those groups is much more indirect, as it comes from talking to suppliers. There is a message that people who have not historically had problems with debt are suddenly finding that they are struggling to pay. Debt is becoming a much bigger concern for many groups. Citizens Advice Scotland reports that people who are struggling with energy-bill debts are one of its biggest growth areas in terms of who walks through its doors. We continue to focus on working with the suppliers on their approaches to managing customers who are struggling to pay, but we do not deal directly with customers.

Patricia Ferguson: Do you see from the information that you get from suppliers that there has been a change in either the volume or the type of clients who are coming forward with problems?

Charles Gallacher: I want to add something. Maxine Frerk mentioned the energy best deal programme, which is a training programme for CABx and CAS money advisers that helps them to get through the morass of complicated energy issues.

We have been working with Consumer Focus Scotland and CAS. In the latest phase of that work, around 64,000 households—that is a Great Britain figure—have walked through CABx doors and been through the process. Anecdotally, CAS has told us recently that it has noticed a change, in that there are more single young people having problems with debt than was the case in the past.

Patricia Ferguson: That is very interesting. I am conscious that the Scottish fuel poverty forum made a number of recommendations in its 2008 report that were directed at your organisation.

Those included things such as the need to ensure that fuel cards are not priced excessively. What progress has been made in trying to resolve the issues that the report raised?

Maxine Frerk: We put in a formal response that the forum included when it reported back. We have picked up and examined many of the issues, although that is not to say that we have found a final solution to them all. They include issues such as the differentials for prepayment customers, which—as Charles Gallacher said—was an issue that we picked up anyway in our probe. We have now put in place new regulations to limit those differentials.

David Pimm: There are a number of recommendations, as Patricia Ferguson rightly points out, although some of them were aimed more at the UK Government than at Ofgem.

One recommendation that was aimed at us was that we measure the CERT installations in Scotland separately. We picked that up, and we have the data for insulation measures in Scotland, as I mentioned earlier. We are now able to track insulation, which is by far the largest part of the carbon reduction scheme. However, we cannot do that in respect of things such as low-energy light bulbs, because we do not know whether, or where, they will be installed.

Patricia Ferguson: There was quite a list of recommendations; I will not go through them all. Our next evidence session includes representatives of the fuel poverty forum, so it might be interesting for us to follow up by asking them whether they think that those areas have been addressed. I thank you for your answers anyway.

The Convener: I think that that concludes the questions, although I have a final general one. You mentioned balance and how we protect the most vulnerable people by a redistribution of costs and prices: someone pays more and someone else pays less. However, we looked at child poverty in an earlier meeting and we have categorised it. I get confused with all the categories—there is absolute poverty, relative poverty, material deprivation, persistent poverty and so on. Are we going to have to categorise people in fuel poverty so that we target those who are in the greatest possible need, and then focus the significant amounts of money from Government, the industry and whatever at the right people? Are you confident that those who are in the greatest need are being supported appropriately or is the support being spread too thin?

David Pimm: There is certainly an attempt to do that. CERT has a priority group and 40 per cent of its measures are required to be focused on that

group. The community energy saving programme is for a high priority group and the social tariffs that the companies are required to contribute are for priority groups. Prioritisation tends to relate to vulnerable people—the elderly, the disabled and so on.

Maxine Frerk: That group is not necessarily a good indicator of fuel poverty. The group is still very broad—it would be too much to offer significantly discounted tariffs to 40 per cent of the market, so the help would need to be targeted better. However, the real problem is that finding those who are in fuel poverty is hard because it depends on the condition of their housing, their income, their lifestyle and how much energy they need to use depending on whether they are at home and how many children they have. The proxy measures are poor indicators. Once you start significant redistribution using tariffs, if that is where the Government is going to go, that difficulty will need to be addressed. If the redistribution is too broad, the cost to other consumers, who might well include people who are in fuel poverty but are not on the relevant benefits, will go up to cover that cost. It is a challenge.

The Convener: We might explore that with the second panel. Thank you for your attendance. We appreciate it, and we appreciate the evidence that you have provided.

11:57

Meeting suspended.

12:00

On resuming—

The Convener: In our second panel, I welcome the Rev Graham Blount, chair of the Scottish fuel poverty forum, and Alizeh Hussain, the social policy and parliamentary officer of Citizens Advice Scotland. With your permission, I will go directly to questions.

Alex Johnstone: I will get in early. How effective has the energy assistance package been since its introduction?

The Rev Graham Blount (Scottish Fuel Poverty Forum): As you know, the energy assistance package was essentially a recommendation that the forum made to the Scottish Government in 2008, which was substantially accepted and implemented from April 2009. Last summer, the forum reported on the package's first year of operation. At that point, we said that we believed that it had substantially done what we expected and hoped it would do. It had implemented a more holistic approach to tackling fuel poverty in Scotland by looking at the three

causes that the committee has heard about today. There had been one or two teething difficulties with implementation, but they had been dealt with progressively. We were content with the figures for the various measures at the different stages. We were disappointed at the lack of wider public interest in the achievements at stages 1 and 2 of the package; the focus had been almost exclusively on stage 4. Nonetheless, we felt that stage 4—the installation of central heating systems for people who needed them with the definition extended beyond pensioners to include families—had gone reasonably well.

I have to qualify that slightly in that, as the committee was made aware by the minister, some of the key figures for stage 4 of the package that were in our report that was published last July were based on erroneous information given by Scottish Gas to the Government at that time. The Government was finally able to reconcile all the figures and publish them at the end of last year. They are slightly lower than we thought but, nonetheless, we are reasonably content with the first year of operation.

We proposed one or two changes to the eligibility criteria at stage 4 to include houses with a slightly better standard assessment procedure rating than was originally intended to open up the package to more families than were originally within its scope and to clear out a wee difficulty whereby people who had measures taken under stage 3 were cut off from stage 4. That was a procedural issue that we dealt with.

More recently, we have made a recommendation to the Government about people with disabilities and people with terminal illnesses. We have been in discussion with Macmillan Cancer Support and the Scottish Disability Equality Forum about that. We made a recommendation and I understand that new regulations will be laid before Parliament this week to cover that further extension.

Beyond the first year, I have to say that the Scottish fuel poverty forum has a considerable frustration. The forum met on 11 January, which was our first opportunity to look at figures for the financial year that started in April 2010. We had a very incomplete set of figures and a lack of any usable figures for stage 4. I received the figures in slightly more complete form at the end of last week. I understand that they have now been published on the Energy Saving Trust's website and are publicly available. They show the achievements of the energy assistance package up to the end of December.

The forum is frustrated, because our key task is monitoring the implementation of the programme. We have been unable to make any serious attempt at that due to a lack of figures coming to

us in the current year. Having now got some figures, we are beginning to get our teeth into them, but we are only two months away from the end of the financial year.

Alizeh Hussain (Citizens Advice Scotland): Citizens Advice Scotland called for and welcomed the energy assistance package. Citizens Advice Direct, which provides assistance at stage 2 of the package, has informed us that, between April 2010 and yesterday, it crossed the £1 million client financial gain mark just from the energy assistance package in relation to the uptake of benefits. That is potential gain. Citizens Advice Direct follows up with clients after six weeks of providing advice on what benefits they can apply for. It has seen a significant increase in benefit take-up since the energy assistance package was introduced.

We are in favour of increasing the number of people in different groups who are helped by the package because, as the previous panel said, we have seen an increase in the number of single adults in fuel poverty. We would like more such people to be incorporated into the energy assistance package.

One of the things that we have seen in evidence from more than 260,000 clients in Scotland in 2009-10 is that a range of issues interact with fuel poverty, including benefits, employment, debt and utilities in general. Fuel poverty does not stand on its own. All those other factors add to it or make it a main cause of concern for a household.

We would like to see more interaction between the different Governments and the fuel suppliers to ensure that they are helping people on the ground. I understand that the two Governments have different remits, but it is about the people who are in fuel poverty.

Alex Johnstone: Thank you for those two comprehensive answers—I can tick off most of the questions that I was going to ask. To what extent are the Scottish Government's policies, principally the energy assistance package, succeeding in alleviating fuel poverty at a time when the figures are increasing rather than decreasing? Are you making ground in that context?

The Rev Graham Blount: It is complex to measure. The forum specifically asked the Government for more detailed information about how many people are being lifted out of fuel poverty by the energy assistance package. Obviously, that is quite expensive information to collect, and one does not want somebody to be denied measures because we are busy measuring. There is a bit of a dilemma there.

Although I do not carry them in my head, there are figures for the substantial difference that has been made to people's fuel bills, either by increasing benefits, helping their ability to pay the

bills and moving them on to social tariffs, or by reducing the bills through insulation and the installation of heating systems. We believe that the holistic approach of the package is the most effective way to use the available money. Given the limitations and the worrying horizon of even greater limitations on the money available, we believe that we are targeting the money on the best proxies that we have for people in fuel poverty, and it has been to refine them that we have made one or two tweaks to the eligibility criteria. We believe that the current system is very close to as good as we are going to get for targeting the money at the people who are most likely to be in need and fuel poverty. We believe that, broadly speaking, the money is being spent in the most effective way.

We said from the beginning that, even at present spending levels, the energy assistance package would not get us to the 2016 target for the eradication of fuel poverty. The figures issued at the end of last year by the Scottish house condition survey on the scale of fuel poverty are alarming. As I heard someone say just a few minutes ago, the fact that more than 10 per cent of the population of Scotland is in extreme fuel poverty is perhaps the most worrying figure of all.

Every year since we set the target for eradication of fuel poverty, the figures have got worse. Despite the best efforts of Governments in Westminster and here, the figures continue to get worse. We need to find a way of turning that round.

To be fair to the energy assistance package, I note that the house condition survey that reported at the end of last year was based on interviews through 2009, so only a tiny number of the households could have been affected by the introduction of the energy assistance package. Perhaps next year we will see the effect of the package reflected more fully. However, I do not expect there to have been a dramatic turnaround in the figures. If fuel prices continue to go the way they are going, the poverty figures will continue too.

Alizeh Hussain: We called for the energy assistance package, and we support it wholeheartedly. However, as I mentioned, there are quite a few factors that affect fuel poverty, and the energy assistance package on its own cannot lift people out of fuel poverty. Debt is one of the biggest issues—of the 12,000 cases that we dealt with last year in which clients had issues with fuel suppliers, 4,000 involved fuel debt. Those cases instigate fuel poverty to some extent. Self-disconnection was mentioned by the last panel, and issues such as that cannot be taken up by the energy assistance package. There is more work to be done, but the energy assistance package is

effective and Citizens Advice Scotland welcomes the holistic approach.

Mary Mulligan: Good afternoon. The Scottish house condition survey tells us:

“Households without central heating are almost twice as likely to be in extreme fuel poverty”.

I suspect that that is why we frequently see a concentration on central heating, although I must say at the outset that I appreciate the benefits in tackling fuel poverty that have been gained through stages 1 and 2 in particular.

Let me move on to what the Rev Graham Blount said about the figures and the increasing numbers of people in fuel poverty. When you looked at the proposed budget figures and saw the substantial cut in the energy assistance package, what were your thoughts?

The Rev Graham Blount: I suppose that the answer is fairly obvious. We originally called for a step change in investment; we did not expect the step change to be in the wrong direction. We appreciate the financial constraints under which Government is operating both here and in London, but we were deeply disappointed by what I understand to be a cut of more than 25 per cent in the budget for the energy assistance package and home insulation scheme. That is based on the figures that we have been given by the minister. Obviously, that cut means that substantially fewer people will be helped under the schemes. It means that people will remain in fuel poverty. It will take us further away from the statutory target for the eradication of fuel poverty by 2016. On the forum's instructions, I have written to the minister saying that to him.

12:15

Alizeh Hussain: I agree with Graham Blount. CAS sits on the fuel poverty forum and we have mentioned our concerns about the budget cuts. They are understandable but will definitely hinder the process of eradicating fuel poverty by 2016.

Mary Mulligan: We were all surprised at such a substantial reduction in funding. However, let us move on from being negative about it and consider where we can take the matter.

Graham Blount mentioned the HIS programme and we spoke with the previous panel of witnesses about the CERT programme. It is sometimes said that there are so many programmes that it is difficult for people to know what is applicable to them and how to get the most assistance possible. Would it be an option to pull some of those programmes together so that people can access more comprehensively the assistance to which they are entitled that will help them out of fuel

poverty, or is it better to have a variety of programmes that address different issues?

Alizeh Hussain: Citizens Advice Scotland and I personally think that having one integrated programme would definitely be of benefit. The energy assistance package provides quite a few different initiatives in one package, including the benefits check, social tariffs and home insulation. However, it would be extremely important to have a more integrated package, especially one that the fuel poverty forum can have an overview of to ensure that we achieve the targets.

We can have different packages, but we do not want them to do the same thing or overlap. Especially now, when budgets are limited, we do not want duplication. We would like a package that really targets fuel poverty and helps people where they need help.

The Rev Graham Blount: The forum certainly believes in a strategic approach. Whether that means having everything in the one package is a moot point, especially when some matters are the responsibility of the Westminster Government, some are for the energy companies and others are for the Scottish Government. We have repeatedly sought to get the different initiatives working together. That is partly about clarity at the consumer end. Whether there is one package or 20, the important thing is that the consumer can see clearly what is available and, therefore, what might be useful for their household.

Consumer clarity and getting the different schemes working together are our priority. We were keen to get the energy assistance package working along with the CERT scheme. As you heard, we got a substantial way down that road, but CERT is about to be replaced by a new energy company obligation, the details of which are as yet unclear. That new obligation will probably require further work to integrate it with what is going on in Scotland.

We are also concerned that, at the Westminster end, there seems to be an increasing tendency to move the responsibility for tackling fuel poverty from Government to the energy companies. At the end of the day, it may not seem to matter too much who is doing the work—who is running the jobs and so on—but one of the crucial questions is how the work is paid for. If, increasingly, payment comes through the energy companies and through consumers, that is regressive: energy efficiency is being improved but it is fuel-poor people who are paying for it. If the money is coming from Government, it is coming from the taxation system, which is a less regressive way of getting the same money. We are therefore concerned that an increasing cost burden will be moved on to consumers. That will have a disproportionate impact on fuel-poor consumers.

Mary Mulligan: I thank you for your answers and assure you that my question on how things should be organised was genuine. You have experience in administering the schemes, and your answers were very helpful.

John Wilson: I thank the Rev Graham Blount for his answer to the question of who is responsible for delivering the measures to try to eradicate fuel poverty—whether it should be the Government or the energy companies. You heard our earlier discussion with representatives of Ofgem. Is Ofgem doing enough to alleviate fuel poverty in Britain, and in Scotland in particular? What is the view of the Scottish fuel poverty forum on the role of Ofgem as the regulatory body?

The Rev Graham Blount: As was discussed in the previous session, we have made some recommendations. Since the publication of our report two years ago, we have had some conversations with Ofgem. I cannot say categorically that the following view is the view of the forum, but it is certainly my view. Ofgem and—I have to say—both Governments seem to have a stock answer on what they cannot do. It would be great if all the bodies concerned thought more instead about what they can do. The levers are shared. No one body will sort the problem on its own. I would like all the bodies to focus on what they can do and to maximise it.

The forum has made considerable progress with Ofgem. For example, we have gone a long way towards addressing price differentials for customers with prepayment meters. We are not quite there yet, but big steps have been taken. Also, we have substantially sorted the measurement of the different CERT spending in Scotland.

Significant progress has been made, but we would like both Governments and Ofgem to work together much more. If you ask something of Ofgem, it says that it cannot do it until the Government tells it to, but if you ask the Government, it says that it is for Ofgem. It is a very frustrating business.

John Wilson: Thank you for your answer.

Bob Doris: I wanted to ask about fuel poverty measures. Mary Mulligan has quite rightly pointed out the reduction in the budget line related to such measures, and it may be that constructive amendments will be made to the budget to suggest that additional moneys be provided and to suggest where they should come from.

Measures are being taken on fuel poverty, and I would like to consider the measures on insulation. I apologise for not having the statistics with me—I really did mean to bring them—but, apparently, it has been quite difficult to make effective the commitment to universal insulation in certain parts

of the country. If you put money into a universal insulation scheme, you first have to be sure that the person is in the house when you chap the door, and you then have to arrange a time when you can meet them to discuss what you will do to their house. You then have to get the person's agreement to the work taking place, and you then have to gain access to the property. I appreciate the benefit of universal insulation schemes, and I welcome them, but are there sometimes better ways of spending the money?

The Rev Graham Blount: The forum has welcomed any serious effort to tackle fuel poverty. However, the basic HIS and the universal HIS work quite separately, and that is a wee bit disturbing. Both schemes have generated referrals to the energy assistance package, because some people's needs in relation to heating systems are beyond the scope of the schemes. That has been positive.

We have believed from the start that targeting areas in which there is likely to be a high incidence of fuel poverty and going around knocking on doors should be part of the strategy. Nevertheless, we are concerned about the proliferation of the schemes. The forum has been given responsibility for monitoring the on-going HIS, but the universal HIS has its own implementation group. Having expressed concern, the forum is now represented on that group, but it goes its own way and we have a wee concern there.

The budget figures that I have been given relate to the areas for which we are responsible and are, therefore, for the EAP and the basic HIS. I do not have a figure for the universal scheme and do not know whether it is going to continue.

Bob Doris: That is interesting. When you were talking about what we can do rather than what we cannot do, I was trying to think of ways of maximising the benefit for the money that we spend. Perhaps that is something I need to follow through and take forward. I had heard about the issue in relation to the universal scheme.

A few weeks ago, Alex Neil announced that registered private sector landlords can bid for a subsidy to get central heating installed in some of their stock. Is that a progressive way of improving the quality of the private rented sector and tackling fuel poverty? Would you like that to continue?

The Rev Graham Blount: I am fairly certain that, in its most recent annual report, the forum highlighted the increasingly large part that the private rented sector plays in fuel poverty. We are therefore keen to see some development in that area. I am not aware of the detail of what is about to be announced, and I hesitate only because I do not know exactly what is proposed. We believe that something is needed through working with

private sector landlords to make a difference in the area, and what you suggest sounds good.

Bob Doris: Thank you for saying that. My point is that the Government is on record as saying that it needs the private rented sector to play a bigger role in meeting social housing need and, clearly, if it is to do that, we must make sure that those properties are of an appropriate quality and proofed against fuel poverty. I just wanted to put that on the record.

The Rev Graham Blount: Sorry if I misunderstood you.

The Convener: I have a general question about your relationship with the Government. Given what we have heard today, it cannot be great at this point, although I am sure that you will get on with it.

You have described a 25 per cent cut and your disappointment at the level of information that you are getting and the amount of time that you have to carry out your monitoring function. Not on the 25 per cent cut, but on the issue on which you responded to Bob Doris, you mentioned the obvious need—our case loads show it locally—for measures to be taken for people in the private rented sector. There are going to be some announcements about that, but you have not been consulted on the detail of what is proposed—there will be an announcement, rather than the Government saying, “Look, we’ve achieved this. Do you think that would be a good idea?” or whatever. The relationship is not as good as it was 18 months ago, and not necessarily because of the 25 per cent cut.

The Rev Graham Blount: The forum continues to be supported by the civil service fuel poverty team and we welcome that level of engagement. Obviously, the situation has changed in the light of the budgetary constraints and so on, and it became clear to me at our most recent meeting that there is a considerable amount of frustration within the forum.

The situation was not helped by the update on fuel poverty that the Government issued at the end of last year, which was realistic about where we are in terms of fuel poverty and what the Scottish Government cannot do to influence that. The forum had hoped for a wee bit more about what the Scottish Government, in partnership with others, can and will do to try at the very least to reverse the upward trend in the fuel poverty figures. The forum is ready to work closely with Government on that. We have had some frustration about the figures.

At least since 2008, we have been a broad stakeholder body in which the energy companies sit alongside many of the advice agencies, specialists in energy efficiency and poverty

charities. We are a broadly based group with an independent chair. The relationship of any such body with Government will have its ups and downs.

12:30

The Convener: Given the extent of the cuts, you have to cut your coat according to your cloth, which goes back to my earlier question about the definitions of fuel poverty and extreme fuel poverty. Other measures will claim sizeable chunks of the budget. What will be the impact of that? Who will lose out and who do you need to focus on to ensure that they are not hit disproportionately in difficult times?

The Rev Graham Blount: We and the Westminster Government are at the early stages of embarking on work on the definition of fuel poverty. There is always a slight suspicion that when any official body starts changing a definition, the purpose of the exercise is to massage the figures. We hope that the fact that we are taking the lead on this in Scotland will reassure people that the purpose of the exercise as far as we are concerned is to target better the work that we do in Scotland and to understand better where fuel poverty really hurts.

Any definition has its flaws around the edge, as you know. The definition of fuel poverty is that people spend more than 10 per cent of their income keeping their house reasonably warm. One of the issues is that it costs more to keep your house reasonably warm in Scotland than in England, because of climate differences. It costs more in the north of Scotland and the islands than in the central belt. Should the definition take account of that? Should there be a cut-off point? Ten per cent of a millionaire’s income might represent a hang of a lot of money to spend heating their large house, but it might not be a hardship for which the word “poverty” is appropriate. We have looked at that, but the evidence is that there are not very many people in that category, although it is a theoretical anomaly in the system.

We want to ensure that we understand the situation better and, especially in constrained financial times, that we are better able to target the money that we spend so that it goes to the people who are most in need and so that we can lift more people out of fuel poverty.

As time goes on, it gets harder. The problems that people who are off the gas grid face were raised earlier. It is much harder to take people who are off the gas grid out of fuel poverty than it is to take people who are on the gas grid but who lack central heating out of fuel poverty. In the second instance, we know what the answer is.

Some of the low-hanging fruit has already been picked and we are getting into much more difficult areas where it is more expensive to lift people out of fuel poverty. That is why we need to focus hard on the most effective ways of doing that. The forum still has confidence in the energy assistance package as being at the core of that and a good way forward, but we are very much keeping that under review.

The Convener: I assume that a variety of groups will be included in the review.

Initially, free central heating was available only to those who were 65 and over, but that has changed. We heard earlier that people who live on their own and younger people have problems in that area. Do you monitor that? The programme covers the elderly, families and people with disabilities but not those other groups.

The Rev Graham Blount: It is clearly important in developing our understanding to get the kind of evidence that Alizeh Hussain and her colleagues get and to get feedback from MSPs and the different groups that sit around the forum table. The increase in the number of single people who are in difficulty is comparatively new, but it will obviously be part of our profile, which is under constant review. Of course, broadening eligibility for stage 4 of the programme at a time when we are spending 25 per cent less on the programme means that there is a danger that there will be a delay for a lot of eligible people—that is the logical outturn of the situation. We do not have unspent money in the programme at the moment, so broadening eligibility means that people may have to wait longer. We must ensure that we are getting to the right people.

Alizeh Hussain: On the question of certain people being disproportionately affected by the cuts, we should bear in mind the welfare reform that will affect people who are in fuel poverty. It is not just the Scottish Government's cuts that will affect people in fuel poverty disproportionately; other factors, such as cuts in public sector employment, might even increase the number of people in fuel poverty. Many of our recent cases have involved people who have lost their jobs and suddenly found themselves with large amounts of debt because they had assumed that they would maintain a certain level of income. They now find, for example, that they must choose between fuel and food and other expenses.

Obviously, we do not want people to have to make such choices. However, our "Drowning in Debt" research report showed that 40 per cent of debt clients choose to self-disconnect from essential services, including heat; the figure for women is 50 per cent. I believe that the public sector employs more women than men. Quite a few factors in forthcoming legislation will

disproportionately hurt people in fuel poverty and will increase fuel poverty in general.

The Convener: I welcome that evidence for the record. We had similar evidence earlier from the cabinet secretary, but it is useful to have your evidence on the record as well.

John Wilson: The convener raised the question of the fuel poverty forum reassessing the definition of fuel poverty, and I think that he got a partial answer. I want to follow up on that. We base fuel poverty on the 10 per cent income threshold, or the 20 per cent income threshold for extreme fuel poverty. Has the forum looked at house type and condition as to whether or not people should qualify for insulation and energy grants? There is a debate about the millionaire who has a big house and spends 10 per cent of their income on heating their swimming pool. However, the reality is that a number of people in detached properties are having problems with fuel costs. A lot of those individuals are elderly people who are finding it difficult on their income to continue to meet their energy costs.

The Rev Graham Blount: I am not 100 per cent sure that I got the question. However, at the moment, eligibility for stage 4 of the energy assistance package is dependent on people who are under 75 being in receipt of benefits. As a result, people at the richest end are not eligible, which seems to us to be an entirely sensible approach to targeting. The forum has no plans to change that. Have I missed the point?

John Wilson: My question was more about whether the forum had given any consideration to property type. As Bob Doris pointed out, private landlords will be able to apply for funding to install central heating systems in private rented accommodation. However, as I understand it, the current criterion is whether an individual tenant or resident in a house—not the landlord—spends 10 per cent of their income on heating. Does that not change the situation?

The Rev Graham Blount: We are well aware of the differential impacts of fuel poverty on different property types. If we want substantially to improve the private rented sector, in which the tenancy turnover is fairly rapid, too much of a focus on the householder will not hold as an on-going criterion. Over the past 10 years, there has been a lot of effort to improve the social housing sector and bring it up to standard, and none of that has been based on differentiating between different people in that sector.

Mary Mulligan: Does the forum think that our target to eradicate fuel poverty in Scotland by 2016 is still achievable?

The Rev Graham Blount: Not without radical change. There are five years to go and no silver

bullets in our ammunition. Anything that is done now will have an impact only two or three years down the line and, given the prognosis on fuel prices, things are going to be very difficult in that respect.

Certain prioritisation issues need to be considered. As you know, the target is to eradicate fuel poverty as far as is reasonably practicable, but I really do not know to what extent reasonable practicability includes policy decisions about the spending priorities of Governments either here or elsewhere. That is a matter for political argument.

My first objective, though, is to get the figures going in the right direction and to feel that we are at least heading towards that target. After all, there is a danger that if we begin to regard the target as impossible we will stop trying to meet it. As I have said, I am keen to focus on getting the figures moving in the right direction. I am led to believe that we might have slightly better news next year, mainly because of the wee dip a year ago in year-on-year fuel prices that will feed into the Scottish house condition survey, which will report at the end of this year. As a result, the figures might look a bit better. However, given the other changes that have been announced since then, that change will be very temporary and we should not rest too much on it. Nevertheless, we have to get things going in the right direction towards 2016.

Alizeh Hussain: We would like fuel poverty to be eradicated but, in light of the factors that have been mentioned, I am not sure that I can say whether it will be. It is not really up to the Scottish Government and any one programme that might be introduced at any one time; all Governments, fuel companies and others will have to work together to make it possible.

The Convener: I thank the witnesses for their attendance and helpful evidence.

Subordinate Legislation

**Town and Country Planning
(Determination of Appeals by Appointed
Persons) (Prescribed Classes) (Scotland)
Regulations 2010 (SSI 2010/467)**

**Limitation on Right to Purchase (Form of
Notice) (Scotland) Regulations 2010 (SSI
2010/468)**

**Housing (Scotland) Act 2010
(Consequential Amendment) Order 2010
(SSI 2010/469)**

**Council Tax (Discounts) (Scotland)
Amendment Order 2011 (SSI 2011/5)**

12:45

The Convener: Item 3 is consideration of four Scottish statutory instruments, all of which are subject to negative procedure. Members have received an electronic copy of the instruments. No concerns have been raised and no motions to annul have been lodged. Do members agree that the committee has no recommendations to make to Parliament on the instruments?

Members *indicated agreement.*

The Convener: I thank members for their attendance, patience and participation and close the meeting.

Meeting closed at 12:45.

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