



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government and Communities Committee

**Wednesday 28 November 2018**

**Session 5**



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**LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**

**33<sup>rd</sup> Meeting 2018, Session 5**

**CONVENER**

\*James Dornan (Glasgow Cathcart) (SNP)

**DEPUTY CONVENER**

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

**COMMITTEE MEMBERS**

\*Annabelle Ewing (Cowdenbeath) (SNP)

\*Kenneth Gibson (Cunninghame North) (SNP)

\*Graham Simpson (Central Scotland) (Con)

\*Alexander Stewart (Mid Scotland and Fife) (Con)

\*Andy Wightman (Lothian) (Green)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Ross Armstrong (Warmworks Scotland)

Chris Bateman (North Lanarkshire Council)

Paul Blacklock (Calor Gas Ltd)

Sarah Chisnall (Energy UK)

Patrick Flynn (Glasgow City Council)

Alexander Macleod (Aberdeenshire Council)

Simon Markall (Energy UK)

David Stewart (Scottish Federation of Housing Associations)

**CLERK TO THE COMMITTEE**

Peter McGrath

**LOCATION**

The James Clerk Maxwell Room (CR4)



# Scottish Parliament

## Local Government and Communities Committee

Wednesday 28 November 2018

*[The Convener opened the meeting at 09:44]*

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

**The Convener (James Dornan):** Good morning, everyone, and welcome to the 33rd meeting in 2018 of the Local Government and Communities Committee. I remind everyone present to turn off their mobile phones. As meeting papers are provided in digital format, tablets may be used by members during the meeting.

This is the second day of stage 1 evidence on the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill. We will be taking evidence on the bill from now until the end of December before reporting to Parliament on the bill early in the new year.

We will hear from two panels at today's meeting. I welcome our first panel: Patrick Flynn, head of housing and regeneration at Glasgow City Council; Chris Bateman, business planning manager at North Lanarkshire Council; David Stewart, policy lead at the Scottish Federation of Housing Associations; and Alexander Macleod, housing manager, strategy, at Aberdeenshire Council. Thank you for your submissions. We will go straight to questions.

What are your views on the main drivers of fuel poverty and the degree to which each driver contributes to overall fuel poverty rates and levels?

**David Stewart (Scottish Federation of Housing Associations):** It is important to remember that there is more than one driver of fuel poverty. In Scotland, we have tended to focus on energy efficiency because it is a devolved matter that can be addressed here. However, other important factors are income levels, the cost of fuel, behaviour—although that is not such a big factor—and whether people understand how best to use energy systems and get a better deal or the appropriate energy tariff. Although I would argue that we need to focus on and invest in improving energy efficiency standards, we should remember that that is not the only factor.

**Patrick Flynn (Glasgow City Council):** We welcome the recognition of the four drivers of fuel

poverty, three of which David Stewart mentioned. The two main ones—inflationary fuel prices and low household income—are the key to whether the fuel poverty indicators will be met in future. I represent practitioners who work in the poor energy efficiency of property sector—on external wall insulation and so on—so my evidence will be heavily weighted towards that. Nevertheless, the convener's question acknowledges that the first two factors that I mentioned are crucial to whether the indicators are delivered.

**Chris Bateman (North Lanarkshire Council):** We share those views on the drivers, but we view household income as the primary driver of fuel poverty. If you are income sufficient, you can withstand rising fuel bills and live comfortably in a draughty old home. Our focus should perhaps be more on inclusive growth, creating jobs and reducing inequality more generally.

**Alexander Macleod (Aberdeenshire Council):** The behaviour issue has emerged recently and is reflected locally in Aberdeenshire. It is important that the proposed fuel poverty strategy recognises the four different drivers and how they interact. One of the concerns for us in Aberdeenshire is that it might not be feasible to meet the energy efficiency standards in certain properties. The question then is how we get a household out of fuel poverty, which is where the other drivers come into play.

**The Convener:** The prices and income aspect takes me on to my next question. Is there wisdom in the Government setting a fuel poverty target when it has such limited powers over fuel prices and household income?

**David Stewart:** I accept that it is a challenge when the Scottish Government and Scottish Parliament have control only over energy efficiency. That said, it is still important to work to address fuel poverty. Although there will be significant costs in increasing the energy efficiency of homes, it is important to remember the benefits that can accrue from that, too.

There was a Citizens Advice Scotland study in 2014 that found that investing in energy efficiency to address fuel poverty was the most effective way for a Government to invest public funds, because there were big benefits in terms of job creation. There were economic benefits but, importantly, there were also social benefits for the people.

I take your point, but I argue that the fact that we are not in control of all the drivers does not mean that we should not try to address fuel poverty.

**The Convener:** No, but the target must surely be more difficult to set without control over prices and income. In Scotland, would it not mean that more would have to be spent to ensure that there was a level playing field, as if there was control

over prices and income? We would have to go down the energy efficiency route without being able to balance that with methods to improve income or have control over the prices.

**David Stewart:** That is a fair point. However, there are things that can be done, as we said in our submission. For example, a group of housing associations have set up their own energy supply company with the aim of providing more affordable tariffs to people on prepayment meters. In the long term, they hope not just to be energy suppliers but to generate energy or heat. I accept your point, but there are things that we can do.

**The Convener:** Undoubtedly. Thank you. Does anyone else have a comment on that?

**Chris Bateman:** We also accept the challenges, given that the Scottish Parliament does not have the full range of powers that some of its members might want. We acknowledge that it is a legitimate aim of public policy to eradicate fuel poverty and, over the next generation, our Parliament should be able to stimulate the economy and improve household incomes, which is a key factor in driving down fuel poverty rates.

**The Convener:** What are your views on the length of the target period and the Government's reason for choosing the 2040 target?

**Alexander Macleod:** It is pragmatic to set it at 2040. I know that there has been a push to bring it forward to 2032, but we have to recognise the pace of technological change and of the cost of that technological innovation coming down, which might make it impractical to deliver the target sooner, as much as we would all like fuel poverty to be eradicated earlier.

**Patrick Flynn:** I echo the sentiment that it is a practical timescale. There are a number of other timescales out there just now, which the committee will be aware of. Our job is to operationalise Scottish Government policy, so if those targets could be aligned as much as possible, that would help when we bid for funds.

Our council would like the Government to consider having statutory interim targets that are reported on every three or four years on the way to the 2040 target, which would allow for adjustments to shortfalls and for changes in the policy and statutory environments along the way. Leaving it until 2040 is too long.

**Chris Bateman:** I support both views. It makes a lot of sense to align the fuel poverty target with the energy efficient Scotland programme and "Housing Beyond 2021". There is a lot of value in integrating all the approaches to those related areas.

**The Convener:** When you said that you support both views, did you mean that the 2040 target is

too long, or that there should be interim targets in between?

**Chris Bateman:** Both my colleagues said that 2040 is probably a pragmatic timescale, albeit that perhaps additional milestones should be put in place.

**David Stewart:** I will be the odd one out. We would like the target to be set for 2032.

**The Convener:** There is always one.

**David Stewart:** Yes. That is partly because we feel that 2040 is a long time for people to be in fuel poverty, so we would like the targets to be more ambitious. Also, other colleagues have mentioned the energy efficiency standard for social housing and energy efficient Scotland. Tying in the target date with those would make sense, even if it was challenging.

**Alex Rowley (Mid Scotland and Fife) (Lab):** I will pick up on a couple of the points that you have made. First, on the idea about energy supply companies, I know that North Ayrshire Council has been doing some work on that. Do you think there is scope for local authorities and housing associations to come together and do more on that? What do you think about the fact that we keep telling people to shop around? If we consider the drivers of fuel poverty, are people who are experiencing poverty going to spend loads of time trying to shop around for electricity deals, for example? What scope is there for the public sector to be involved?

**David Stewart:** There is scope for the public sector to get involved and help. I mentioned Our Power, which was set up by a group of housing associations, but local authorities have also been looking to get involved. Anything that provides variety and different offers, and in particular anything that focuses on providing energy to people on low incomes and those with prepayment meters at the same cost, will be a good thing.

You make a very good point. People who are vulnerable and have other challenges are going to struggle to shop around. There is an opportunity for the public sector and the third sector to help with that. Citrus Energy, which is based in Ayrshire and is part of Cunninghame Housing Association, provides an energy advice and switching service that, in effect, takes the difficulty and challenge away from vulnerable people by offering to do the switching and get them the best deal. That can make a significant difference to people who are on low incomes.

**The Convener:** I clarify that you do not all need to answer every question, but feel free to answer if you want to.

**Alex Rowley:** The committee is looking at the bill but, as has been said, we in Scotland do not

have powers over all of the four key drivers. Should the committee highlight that and note where further powers are required, given that, if we are serious about tackling fuel poverty, we need to be transparent about what needs to happen? That is perhaps more of a political question for us than a question for you, but you get my drift. Would you like the committee to take that approach?

**Chris Bateman:** It is perhaps more of a political question, but it is certainly appropriate for you to recognise that there are challenges in delivering against the target. In doing that, you can raise the issues and say that we need to find additional resources to deliver against the target given that you are constrained in the powers that you have.

**Graham Simpson (Central Scotland) (Con):** Both of the council representatives said that 2040 is about right, rather than 2032. I wonder whether the reason for you saying that is that you will be required to do a lot of the work and you will need investment. Do you feel that that is the issue—that there is no money to help you out? North Lanarkshire Council says in its submission:

“The Scottish Government’s continued support will ... be required to ensure that local authorities and others can effectively eradicate fuel poverty.”

I guess that that sums it up. Is that the nub of the issue for the councils?

**Patrick Flynn:** That is a big question. In a sense, inflationary fuel prices and low household incomes are political issues that will always be with us. The other two issues—poor energy efficiency of property and behaviour—are ones on which councils can actively make changes, as a substrategy to the Government’s strategy. For example, in Glasgow, we have had over 11,000 measures on external wall insulation and other things since 2013-14, and they have saved us 500,000 tonnes of carbon emissions and saved 11,000 households something like £2 million per year in their energy bills.

10:00

What councils need, as I think my colleagues will agree, is certainty about the funding arrangements. The home energy efficiency programme for Scotland area-based schemes—HEEPS ABS—funding, for instance, has been successful in allowing us to do area-based schemes, which have been important for our city and for the Scottish index of multiple deprivation areas in particular.

In the short time that I have been involved in this area of work, we have had the universal home insulation scheme, the carbon emissions reduction target, the community energy savings programme, the energy company obligation and the affordable

warmth scheme. There have been a number of changes. As officers, we would like to de-risk the process as much as possible because of the bureaucracy of applying for these grants and the need to knit together the various grants, which come into play at different times. There are different conditions of grant and different criteria for getting each grant. We have a team who knit that together and make it work with some of our own private sector housing grant money.

For us, the 2040 target is a recognition that, if we get interim milestones and certainty about funding, we can make our local strategy work as well as we can so that we can contribute to the national strategy.

**Alexander Macleod:** My reluctance to commit to an earlier target than 2040 is to do with the availability of resources. To date, we have been fairly silent on where the resources will come from in order to meet the targets that we are hoping to achieve.

The fuel poverty strategy is fairly silent on the issue and it would be helpful if we could cost out the delivery of the target across the public and private sectors at local government and national Government level. We can then start to have that conversation about how it would be paid for and how it would be delivered at an earlier stage if that is what is deemed appropriate.

**Annabelle Ewing (Cowdenbeath) (SNP):** I have a question for David Stewart on the potentially earlier date of 2032. Given that it is accepted that this Parliament has limitations on what it can do on the key drivers of fuel prices and household income, what are the pathways to get us to the earlier 2032 target date?

In the policy memorandum, one of the issues concerns allowing time for the development of low-carbon technologies and for the price of those technologies to become more competitive. The acceleration of the target date would be likely to place a considerable burden on average domestic households across Scotland. Do you see that as something that householders across Scotland would welcome? What other pathways do you see?

**David Stewart:** The way to address fuel poverty within the remit of the Scottish Parliament is to set energy efficiency standards across tenures. I set out in our submission that, at the moment, only social housing has to meet energy efficiency standards. That has led to a considerable improvement in standards, to the extent that housing associations now have the most energy-efficient homes by tenure. That has been done largely through the investment of the housing associations’ own resources from tenants’ rents.

I take the point that it could be a challenge for some homes and we are not saying that every home would meet a certain minimum energy efficiency standard, but there is scope for homes to be improved in the owner-occupied and private rented sector.

On the one hand, it might cost householders to invest but, on the other, they will make savings through cheaper fuel bills. Energy bills are projected to rise above inflation, as they have done for the past 10 years, so that is something that needs to be addressed. I am not saying that it is not a challenge. I echo Alexander Macleod's comment that the bill and the strategy are silent on costs and where the funding would come from. There will be costs, so addressing fuel poverty requires a mixture of grants and low-interest loans, depending on people's ability to pay. However, at the same time, fuel bills are expected to go up and the Scottish Parliament has set very challenging climate change targets. We need to think about the role of housing and not just social housing, which is only a part of the housing sector.

**Kenneth Gibson (Cunninghame North) (SNP):** We have talked about the fact that the Scottish Parliament does not have devolved powers to allow it to control incomes and energy prices. To put that in perspective, in the past 15 years, we have seen incomes go up by 38 per cent in Scotland and energy prices go up 155 per cent. It is clear that that has derailed the original target that was set by the previous Scottish Executive.

I have a question that is supplementary to Annabelle Ewing's question. How do we deal with people who are owner-occupiers in tenement blocks, for example? If those people are living in poverty, some might be able to apply for grants, but others in the same block might not be able to do that. However, that does not necessarily mean that they have funds sitting in the bank to pay significant sums of money towards energy efficiency. If they are older, they might just not want to do that or to have people coming into their home, which they often find intrusive. How do you square that circle? We all want the same objective, but do David Stewart or other witnesses, including the local authority representatives, have any solutions in that regard, given that owner-occupiers are the majority of people in Scotland?

**Patrick Flynn:** We have extensive experience of dealing with mixed-tenure schemes, particularly mixed tenure up a close or in four in a block. It is a very complex issue to deal with. The area-based approach works for us. We have a team who go out and talk to folk about their individual needs and we have specialists who are in partnership with the Wise Group in an outfit called the

Glasgow home energy advice team. The face-to-face discussion with clients is extremely important.

We are finding that the funding for essential fabric repairs is a major issue in the city and it will be coming to our committee in about a year's time for discussion of the pre-1919 stock in particular. That is important because that type of stock has large windows and solid walls and it is very difficult to put measures in place that can bring it up to the standards that we are looking for.

We also have a significant proportion of non-traditional stock, which uses the HEEPS ABS scheme. As a rule of thumb, but do not hold me to this, for 11,000 interventions, we get an owner's contribution of about £3,000 and £6,500 from the HEEPS ABS, and we get money from various other bits and pieces to make up the difference. A non-traditional property—British Iron and Steel Federation houses or whatever—would cost £20,000 to £30,000 to bring up to a similar standard. The non-traditional stock, especially the owner-occupied housing stock in our city, is a specific concern.

The issue of low-income owners has been mentioned, but that is not as much of a factor as the increase in fuel prices has been. Income is an issue in Glasgow which, unfortunately, is overprovided with areas in the Scottish index of multiple deprivation most deprived 5 and 10 per cent, which gives us real concern. That is where, as per Scottish Government guidance, we focus our fabric work—our 11,000 external wall insulations focused on SIMD areas. Age can be a proxy for vulnerability; SIMD areas absolutely are a proxy for vulnerability.

For people on low incomes, an area-based scheme works well, because we have one-to-one contact with owners and can explain the benefits. Most important, on a practical level, people talk not just to the subcontractors who are dealing with them but to their neighbours. We often find that a proportion of people will buy into a scheme at a public meeting and then other people buy into it as they see what is happening—that effect seems more important than common sense would suggest that it should be. The neighbourhood aspect, whereby owners become involved in the scheme in the area, is important—in our city, anyway.

**Alexander Stewart (Mid Scotland and Fife) (Con):** The panel has talked about some of the successes that you have had with improving energy efficiency across the council housing and housing association sectors. We have seen good progress in recent times. You said that progress depends on finance and resources and that councils are struggling to manage the process and ensure that they can implement measures. If grants and financial resources are not put behind

initiatives, how can individuals tap into the system and try to improve efficiency in their properties, whatever the age and type of the property?

**Patrick Flynn:** We have one-to-one consultations with owners. I mentioned that the cost is £6,500. We have invested £95 million in 11,000-odd interventions since 2013-14, and £35 million of that came from HEEPS ABS—that was our HEEPS ABS budget over that period. We have benefited from that money and used it as seed corn, so that we could add other measures and produce what I think is a successful programme.

We have eight years' worth of programme left that we can identify, but it is unclear how we will take that forward, because the dispensation will change. We are discussing the matter with Scottish Government officials.

**Alexander Stewart:** You face a challenge in trying to square that circle and manage the process for the future, because you have to think about the short and medium term. Do you think that the 2040 target might not be achievable in your area?

**Patrick Flynn:** The programme will have to change, given the indications that we are getting at the moment. There might be a reliance on equity loans, and our experience of equity loans is not good. Owners, and especially private landlords, tend not to get involved when an equity loan is the vehicle for getting measures put in. We are communicating that experience to Scottish Government officials, who are running a HEEPS equity loan fund just now. I suggest that, unless there are grants, our proposed programme will not happen.

**Alexander Stewart:** It will not materialise unless there is funding and resource behind it to make it progress.

**Patrick Flynn:** I do not think so.

**Kenneth Gibson:** Notwithstanding the issues to do with income and energy price that we talked about, the Scottish Government is planning, through the bill, to reduce the number of households in fuel poverty by 23,000 a year. David Stewart would like the target date to be changed to 2032, which would mean that that figure would need to be 38,000 households a year. We have talked a lot about resources, but do we have the workforce with the skills to deliver that? It is not just about money. Do we have people available who could step up to do that? We know that there will be issues with European Union workers, so people who currently work on the programmes might go into jobs that others do at present.

How do you feel about the resources? Are there any proposals for a step change in training, so that we have more people to do the work?

10:15

**David Stewart:** That is a really good point. We have discussed the issue more generally in talking about new-build affordable housing and the ambitious target of 50,000 homes. There is an issue that the construction workforce in Scotland and the United Kingdom is ageing and, as you point out, there are concerns about Brexit. It is an issue, but I do not know whether there are plans in place to address it. For new build, work is being done to promote the idea of off-site construction to encourage more people or a different group of people into the workforce. The issue has to be borne in mind, because energy efficiency retrofit is labour intensive, so we need to have the workforce to carry out the work.

**Andy Wightman (Lothian) (Green):** The new definition of fuel poverty is more complicated than the old one and is designed to provide a more accurate assessment of the number of people living in fuel poverty. At the same time, the draft strategy outlines the kind of measures that will be put in place to reduce those numbers. North Lanarkshire Council's written submission states:

"Clear mechanisms will ... need to be developed to ensure we can effectively identify fuel poor households under the more complex new definition."

The draft fuel poverty strategy talks about developing a fuel poverty assessment tool that is designed to take account of the proposed definition and enable more accurate targeting of funding. Given that the new definition will be used to assess the situation on a national scale from aggregate statistics, how well aligned can it possibly be with an assessment tool that identifies which households need assistance? Is that possible?

**Chris Bateman:** Perhaps not, but we are clear that we need to better identify the households that we should target for advice and assistance, and we need a way of doing that. Under the new definition, if we want to identify someone who is in fuel poverty, we will need to know the energy performance of their home; the energy costs that they should be incurring to maintain a satisfactory heating regime based on their current tariff; their household composition, including demographics and health or vulnerability status; their household income; and their housing and childcare costs.

In most cases, we have access to energy performance certificate data, but we do not have a baseline of energy costs that households should be incurring. We might have information on household composition, but that is collected by our council tax services and, for data protection reasons, it cannot be shared with us. We do not have any usable data on health or vulnerability, we do not have reliable income data at household level and we do not know households' housing or

childcare costs. We may obtain that information if a household approaches us directly for assistance, but we will not eradicate fuel poverty and lift hundreds of thousands of people out of fuel poverty by 2040 by taking a reactive and piecemeal approach.

I appreciate that the measure is about aggregated data from the house condition survey but, on the ground, we need some way of being able to target advice, support and interventions at the households that need those. Without that, we will not be able to do it.

**Andy Wightman:** How do you do it just now?

**Chris Bateman:** We do not have targeted advice and information services. Across the board, the approach to household behaviour is insufficient. We do not engage with households that are fuel poor as well as we could or should do to eradicate fuel poverty. With HEEPS ABS, we are the same as Glasgow in that we use the Scottish Government guidance to target the SIMD areas. However, that is a very blunt measure and tool. Within an SIMD area, there will be plenty of households that have sufficient household income to be well out of fuel poverty. We think that we would need more and better-quality information to take an incisive approach rather than the blunt approach that we take at the moment, and which it seems that we will continue to take in the future.

**Alexander Macleod:** To add to Chris Bateman's point, at the moment we use proxies such as income, but the correlation between income and fuel poverty was shown to be quite weak in the evidence review that the Scottish Government published. We need to get a much better grasp of the data question than we have at the moment. There are limitations to the Scottish household survey. An opportunity exists to better integrate and better link the data sources that we hold, not just in local authorities but across the public and private sectors. There is data that can be accessed through national databases and smart meters. There is a lot of data out there that we are probably not tapping into at the moment. We are not quite able to do that yet, but in time—we should certainly be able to do so well ahead of 2040—we hope to be in a position to better target the people we need to support with our investment. We are not in that position at the moment.

**Andy Wightman:** At the moment, you are using proxies. Do you think that the relationship between the current definition and those proxies is closer than the relationship between the proposed definition and the likely proxies? In other words, will it be more difficult to target support under the new definition than it is to target support under the current definition?

**Alexander Macleod:** I think that the new definition is a helpful step forward and that it will allow closer targeting of where we need to invest.

**Andy Wightman:** But you are saying that, in practical terms, it does not do that, because you do not have the data that you need.

**Alexander Macleod:** We are still some distance away from where we need to be, but the new definition is a helpful step forward, albeit a small one.

**Graham Simpson:** I have a follow-up question for Chris Bateman, who I think said that North Lanarkshire Council does not have an energy advice service. Is that correct?

**Chris Bateman:** We have services that support people. I am not an expert in this area, but I know that we have an energy advice service of some description. However, we would argue that it is not sufficient. We have an aspiration to do better than we are doing at the moment. I think that my colleagues would share the view that, if we are to carry out such work effectively, we probably need additional resources.

**Graham Simpson:** That is obviously a choice for the council. Some members of the committee visited Dundee, where there is an extensive service that seems to operate well. What is the position in other council areas?

**Chris Bateman:** I would like to follow up on what I said by mentioning that we link in with home energy Scotland, which we refer on to when we have issues or concerns or when we want to provide advice. We do not take the more intensive approach that Dundee City Council takes, but if we are serious about meeting the target, we will need to consider how we get better at providing advice.

**Graham Simpson:** Okay. I do not want to box you into a corner—you might get into trouble with your council leader.

What is the position in the other councils?

**Patrick Flynn:** Like other councils, Glasgow City Council uses home energy Scotland, which I am sure is used in the Lanarkshires. We also have G.HEAT, which is a partnership with the Wise Group. That is reactive, but it offers one-to-one energy advice for owner-occupiers across the council area. The Wheatley Group has its own energy advice team for the 45,000 Wheatley Group residents in the city. We have a number of services that plug in. We also have a partnership with Citrus Energy, which was mentioned earlier. At the moment, it provides switching advice for businesses, but it will go on to provide such advice for domestic customers.

**Alexander Macleod:** We provide funding to Scarf to provide that service, which works well.

That is something that we measure in the context of the fuel poverty outcomes from our local housing strategy.

**Alex Rowley:** I come back to the issue of having the data that enables you to do better targeting. Are you saying that the technologies are not available at the moment, or is it the case that the data is available but there are barriers to using it? Is that something that the Scottish Government or local authorities should be thinking about in relation to their ability to target? It is one thing to say that the data will be available by 2040, but for those of us who believe that the target needs to be brought forward to 2032, is that a major block? If so, how do we unblock it?

**Alexander Macleod:** Some of the data is out there, but some will not be available. A lot of the issues are to do with the permissions around it and whether people have information-sharing practices in place. Typically, many people do not have such practices in place at the moment, or they have perceptions around data protection that we need to get around. Some of the data is available, but the issue is really about starting the conversation with the partners about how we can share it better.

There are some gaps, particularly in rural areas. Without the information that can be gathered only through an approach that involves one-to-one visits, we will not be able to account for what is spent on fuel. We can work on that.

**The Convener:** Chris Bateman talked about the problems with data sharing, too. If we could get those problems solved, would that save you a lot of the on the ground door-to-door work?

**Chris Bateman:** It would enable us to do that. We do not want to go to 150,000 houses to identify who might or might not be in fuel poverty. David Stewart's submission talked about how building trust was key. We are not going to build trust by having someone with a clipboard appear at people's doors to ask them how much they earn. It is really important to get the data sharing sorted out.

**Kenneth Gibson:** What are your views on the decision not to include a minimum income standard mark-up for remote rural and island households and for households in which people have disabilities or long-term illnesses?

**David Stewart:** Although we support the move to the new definition, in so far as it takes account of people's incomes after housing costs, we feel that it is a mistake not to adopt the rural minimum income standard. When we run events on fuel poverty or speak to members, we generally get the impression that fuel poverty is at its greatest extent and at its deepest level in rural off-gas areas, because people there have higher living

costs and pay higher fuel costs, which is a particular issue in the Highlands and Islands, where there is, in effect, an extra transmission cost for electricity, which is the main heating fuel in the area.

We support the new definition, but we would like the rural minimum income standard to be adopted.

**Kenneth Gibson:** I have two islands in my constituency: Cumbrae and Arran, with 6,000 constituents. Should all islands be included in relation to the adoption of the rural minimum income standard, or should there be caveats? How would you define "remote rural"? One person's remote rural might not be someone else's, and we might not want to use an arbitrary definition.

**David Stewart:** There is probably an argument for including all islands, because I imagine that they all have higher living costs. I suppose that there might be a difference with regard to whether the inhabitants of various islands have access to the gas grid, because that results in a major difference in heating costs.

With regard to definitions of rural areas, I think that the Scottish Government uses a definition that includes various gradations. If we are looking to adopt something that includes consideration of rurality, we could consider the different categories of definition and the Parliament could then decide which ones should be included. I think that there are five or six different categories, with "remote rural" being the most remote category.

**Kenneth Gibson:** The question is where the cut-off should be. The UK definition of rural, for example, is an area with fewer than 10,000 households, which represents a pretty big town in Scotland, whereas the Scottish Government's figure is 3,000 households. Do we make the cut-off at 100, 200, 500 or 1,000 houses?

Does anyone else have any views on that? Aberdeenshire is quite rural, Mr Macleod.

10:30

**Alexander Macleod:** Yes, it is, and we certainly support the rural minimum income standard. We echo what David Stewart said in that regard. There is an opportunity to define what rural is in a fuel poverty context, because it might not align with the sixfold classification that the Government uses to define remote rural areas. I know that the committee had quite a wide-ranging discussion on the issue last week. We certainly support the research that has been carried out on the issue.

**Kenneth Gibson:** One could argue that someone who is off the gas grid in a rural area should be included.

The UK and Scottish Governments have committed to moving to non-fossil fuels over the next two decades. At this stage, those fuels are more expensive than fossil fuels. How do you address that? We want people to stop using fossil fuels in order to address climate change issues, but the alternatives are much more expensive. How do we deal with that conundrum?

**David Stewart:** That is a huge challenge. I referred to the issue in our submission. Housing associations and council landlords face a significant challenge with regard to the proposals for the energy efficiency standards for social housing that will run from 2020 to 2032. They are looking at that move to low-carbon heating, and the consultation document estimated that it would cost an average of £6,000 per property but that the benefit to the bill payer would be only £160 per year. That is a huge challenge, as I said. It could be that technologies such as smart meters or a smart grid will bring the costs down, along with the introduction of low-carbon heat through district heating systems.

I am not giving you a straightforward answer; I can only say that it is a big challenge. That is partly why, in our submission, we call for housing associations to have equal access to the Scottish Government's area-based schemes. At the moment, there is a danger that rents will have to be used to invest significantly to meet those standards, even though the bill savings will not be as reflective of the investment as they would have been previously.

**Patrick Flynn:** In your initial question, you mentioned health issues as well as the rural aspect.

**Kenneth Gibson:** Yes; I mentioned people with disabilities and long-term illnesses.

**Patrick Flynn:** Our council supports broadening the enhanced heating regime to capture households in which an occupant's health condition would benefit from higher temperatures, regardless of age.

There are representatives of Energy UK on your next panel, and we are contributing to the Energy UK consultation on vulnerable consumers. The advice from that might be useful, certainly for our city, in terms of how we get to those vulnerable consumers, which was an issue that was mentioned earlier. That is slightly different from the rural cost issue, but it is an important issue for urban areas.

**Graham Simpson:** The issue of vulnerable consumers leads to a line of questioning that I wanted to follow. The submission from Glasgow City Council talks about the change in the vulnerability age threshold moving from 60 to 75. It says that that would not work well in Glasgow,

because the average life expectancy in Glasgow is much lower than it is elsewhere, which means that a lot of people could lose out. Should the committee be considering that issue? We can start with Glasgow City Council, but I am interested to hear everyone's views.

**Patrick Flynn:** I think that we were quite open in our submission about the fact that we are concerned about that issue. An estimated 39 per cent of older households in Glasgow are in fuel poverty, according to the "Scottish House Condition Survey: 2015". The change from 60 to 75 is an issue for Glasgow because, in 15 of the 56 neighbourhoods that the council has split Glasgow into for various operational reasons, the men have a life expectancy of less than 70.

Again, the issue comes back to index of multiple deprivation areas. When we look at concentrations of deprivation, we see that the age issue comes out in that. In the current dispensation, HEEPS ABS and other grants are related to SIMD areas. In Glasgow, that is a very useful proxy that enables us to get to vulnerable people and to get the concentrations of building work that we need in order to do the energy efficiency works efficiently, rather than such work being dispersed, which raises the danger of cold calling for individuals. We have area-based schemes through which we are capturing older people. In particular, we are capturing vulnerable older people who are owner-occupiers in index of multiple deprivation areas in the city.

**David Stewart:** On one hand, I can see the logic of moving the age for Scotland as a whole, given that people are living longer, but I think that Patrick Flynn made some important points—we cannot apply that across Scotland or even across 10 years of housing.

That takes us back to the earlier conversation about whether the new definition makes it more difficult to identify who should be targeted and whether we need to look at data-sharing protocols. Certainly, if there is a move to targeting only people who are over 75, we need to find other ways of identifying other people who, for reasons of health inequalities, are not enjoying good health or have much lower life expectancies.

**Graham Simpson:** In some parts of Glasgow, life expectancy is an average of 66 years for men, which is quite staggering. I guess that you are saying that we need a bit of flexibility here.

**Patrick Flynn:** That is exactly what the city needs. If older people who are over 60 do not qualify for the enhanced heating regime, that will have a detrimental effect on the health of older households in the city. The council feels that very strongly.

**The Convener:** Have you made the case for special dispensation for Glasgow or for certain households to the Government?

**Patrick Flynn:** As part of the consultation, we regularly talk to Government officials. We are asking for a retention of the current conditions—the current level of 60 years—especially in SIMD areas.

**The Convener:** That leaves us with the fact that people live longer in other parts of Scotland. Therefore, there would have to be an element of localisation through the SIMD areas.

**Patrick Flynn:** There would have to be localisation and, as David Stewart said, a further look would need to be taken at the issue of vulnerability and what impact that has. Age is one of the proxies, but there are others, such as health conditions. The issue is how we capture that.

**Kenneth Gibson:** My granny lived till she was 92, but my grandfather lived to the age of 41. That is the issue with life expectancies. There are huge variations between people living in the same house. There are such variations even in an SIMD area. I am not convinced by the move to an age limit of 75, which seems a huge jump from the current level of 60. Some households will benefit for much longer than others regardless, wherever we set the limit.

**The Convener:** It is a complex issue.

**Kenneth Gibson:** The question is how we capture the largest number of people.

**The Convener:** That is work that the committee will be doing.

**Annabelle Ewing:** I want to look at a slightly different issue—that of the proposed reporting requirements that are set forth in the bill. As regards the timing and frequency of such reports, the current proposal is for a five-year approach. What are your views on that?

**Alexander Macleod:** We would welcome more frequent reporting periods and the reports being tied into milestones such as the social housing sector meeting the energy efficiency standard for social housing by 2020. We might want to look across Scotland at the extent to which that has been met and to review any action that we might need to take. Every five years is probably a wee bit on the high side; we would prefer something a bit more frequent, as that would also allow us to keep abreast of technological change.

**Annabelle Ewing:** What period would you suggest?

**Alexander Macleod:** A two to three year range might be more appropriate.

**David Stewart:** We suggested annual reporting in our response, but we would certainly want it to be more frequent than every five years. Social landlords report annually to the Scottish Housing Regulator on their progress on the energy efficiency standard for social housing. That allows consideration of how much the cost has been, what funding is available, whether the target is going to be met and, if not, whether changes are needed in policy or funding. Even if reporting is not annual, five years is too long, in my view.

**Annabelle Ewing:** If it is not annual, would you support Alexander Macleod's suggestion of two to three years?

**David Stewart:** Yes.

**Chris Bateman:** We would share that view. Twice in a parliamentary session would probably be sufficient.

**Annabelle Ewing:** Okay.

**Patrick Flynn:** We would suggest three years, especially if that was married to ending annuality for grants and loan schemes. That would enable us to marry the grant funding to the reporting period.

**Annabelle Ewing:** An annual requirement might prove to be counterproductive, because sufficient time has to pass in order to allow reporting on what is happening. A lot of things would be happening, so, logistically, it might be a wee bit unrealistic to expect an annual report.

**David Stewart:** Possibly, although, as I said, social landlords do that on the EESSH.

**Annabelle Ewing:** But this would be a Scotland-wide report on a number of issues.

In terms of the substance of the report, I think it was CAS that suggested that the report should look at the progress on each of the four drivers of fuel poverty that we talked about at the outset of the session. What are your views on that, taking into account what has been said about the significant limitations on the power of this Parliament with regard to energy costs and household income? Any substantive report that focused on those two drivers of fuel poverty would presumably have to recognise the fact that the power does not really lie here, but it could usefully assess the impact of not having that power. What are your thoughts on taking that approach to the substance of the report?

**David Stewart:** It would make sense to report on all four drivers, even allowing for the fact that they are not all within the Parliament's control. It seems sensible to measure all four; otherwise, there is a danger that, in focusing on one or two, we would not get the wider picture.

**Chris Bateman:** It would make sense to do that, given that there are interrelationships between each of the factors.

**Patrick Flynn:** Absolutely. There are four drivers and each should be measured. There are difficulties—with behaviour, for instance, which is a cultural thing—but given the work that a number of councils and others are doing to change that behaviour, we would welcome an input to show the work that we are doing.

**Alexander Macleod:** Yes, we need to look at it in the round.

**Andy Wightman:** I will start with an observation on the driver of household income. We are talking about net household income, for the purposes of assessing fuel poverty. The things that drive that are housing costs, childcare and council tax, which are all within our control, so we have some control over people's net incomes.

I will follow up on Annabelle Ewing's line of questioning on targets. What is the panel's view? At the moment, the bill just makes provision that the minister shall lay a report—hold a review—every five years. There is no proposal for any scrutiny. The Child Poverty (Scotland) Act 2017 has a Poverty and Inequality Commission and climate change legislation has the Committee on Climate Change—that legislation provides for independent scrutiny. Do you think that we need some kind of scrutiny mechanism or independent reporting mechanism that would build on the duties on ministers to report?

10:45

**David Stewart:** I support the idea of scrutiny, perhaps in line with what happens with the child poverty legislation. Fuel poverty is a big issue, and it would make sense to give it that level of scrutiny.

**Andy Wightman:** Do you have any ideas about how that might work? If you have any further ideas, you can write to us.

**David Stewart:** Okay.

**Andy Wightman:** When we say "scrutiny", the Parliament will obviously scrutinise the report every five years; there will probably be a debate and a statement, and a committee may well choose to have a look at why targets are being met or not. What I am asking is whether the bill should be strengthened in that regard, to make that scrutiny statutory or to have statutory independent monitoring. That is the key question.

**David Stewart:** I think that it should be statutory. The periods of review in the climate change legislation have been useful. Targets are set, and that approach has allowed consideration of what is a reasonable target for decarbonising

heating in housing. I would support a similar level of scrutiny.

**Andy Wightman:** It has been suggested that an independent oversight body should be appointed. Does that suggestion have merit, or is it going too far? It could be like the Committee on Climate Change or the Poverty and Inequality Commission.

**The Convener:** Are there any strong views?

**Chris Bateman:** That is not something that we have considered, so we have not come to an informed view on it.

**Andy Wightman:** That is fine; thank you.

**Kenneth Gibson:** One of the four parameters is behavioural change; there has to be significant change over the next two decades. Do panellists have any idea of what the change has been over the past two decades and how much behaviour needs to change over the next two?

**David Stewart:** I have a couple of points on that. All of us—the Scottish Parliament, local authorities, housing associations and others—must get across the importance of energy efficiency, fuel prices and behaviour. It is surprising how few people switch energy suppliers, given the possible savings. Something needs to be done, such as a big public information campaign, to emphasise the importance of behaviour and of investing in energy efficiency where possible, to make savings and to address climate change.

Reflecting on what other panellists have said, for people who are vulnerable, I cannot overemphasise the need for quality face-to-face energy advice. Good services are provided nationally by internet or phone, but for people who are vulnerable or have other issues going on in their lives, there can be a benefit in face-to-face advice. However, there is then the question of how to ensure equal access across Scotland and how to fund it. At the moment, it exists in pockets; it works very well in some places and some of those initiatives have been mentioned.

**Kenneth Gibson:** What I am trying to find out is, if behavioural change is one of the four key drivers, how much of it is needed to impact on fuel poverty. If, for example, there were no changes other than behavioural change, would that alone reduce fuel poverty by 5, 10 or 20 per cent? How much of a component is it? How much are we relying on individuals to change their behaviour and to take themselves out of fuel poverty? We will obviously have other measures, but how much are we relying on people to make that change?

**Chris Bateman:** Household behaviour is not particularly taken account of, because the satisfactory heating regime is a blunt measure.

Whether people use energy and how they use their heating controls is a separate matter. Although behaviour is a driver of fuel poverty in the real world, it is not recognised in the definition.

**Graham Simpson:** We have a draft strategy that I hope you have all had a look at. There has been criticism that it lacks detail on policies and programmes, and that it focuses too much on just energy efficiency. What are your views on that?

**David Stewart:** Probably because energy efficiency is a devolved power for Scotland and because it is more tangible to see how many homes have been improved through measures taken, there has been a tendency before the current strategy and bill—and there is a danger of this continuing—to focus too much on energy efficiency.

To link that to the question about behaviour, I say that we do not want to have a situation in which although homes have technology retrofitted and heating systems are changed, householders lose the benefit of that investment because they receive insufficient advice. Energy advice and helping people with behaviour change or switching have to be a part of the strategy; it cannot just focus on energy efficiency, although that is important.

**Alexander Macleod:** We welcome the vision and direction that is set out in the strategy, which is accessible and easy to read, so it should appeal to wider audiences. I touched on it being fairly silent on resources, and there is more that could be done on data. It is a bit light on how it links into local authority activity and there is no reference to local housing strategies, yet all 32 local authorities have housing strategies and strategic approaches in place to tackle fuel poverty. We need to build on and include that activity, so that fuel poverty is seen as both a local and national priority.

**Patrick Flynn:** We are keen to understand the delivery plan, cost profile and funding sources for the strategy. As my colleague explained, we want our strategies to contribute to the national strategy. We would want to put our own fuel poverty strategy in place through our housing strategy and, in the future, our LHEES—local heat and energy efficiency strategy.

**Chris Bateman:** I share the views of my colleagues. Our view was that it is an interim strategy until the bill is enacted, so it is a wee bit light on detail for that reason. Like colleagues, we will respond to whatever is in the national strategy, even if it is a bit light on detail and linkages with local authority actions.

**Alex Rowley:** I want to move on to the financial memorandum and the fact that Chris Bateman said that he supported the 2040 target on the basis of the lack of resources for a 2032 target.

Organisations such as Energy Action Scotland have argued that we will have to double the existing budget, yet the financial memorandum is fairly light on that. What are your views?

**David Stewart:** We thought that it would be more helpful for the bill to set not only fuel poverty targets but minimum energy efficiency standards and, ideally, for the bill or subsequent documents to contain costings and estimates for how that would be paid for. The bill is light on that.

**Chris Bateman:** The financial memorandum states:

“An ‘indicative overall cost’ for meeting the targets should be similar to the costs of delivering current programmes.”

It is difficult to have an informed view on that when the energy strategy says that we will rely on as-yet-undeveloped technologies to do that.

Eradicating fuel poverty has been a target for the Parliament more or less throughout its existence, but we are still in a situation in which a quarter of our population is fuel poor. It is therefore fairly clear that using existing resources and doing more of the same will not be sufficient.

**Patrick Flynn:** We would reiterate what has been said. However, our concern is the challenge that exists, particularly in private housing, in relation to essential repairs, non-traditional stock, owners’ low incomes and the complexity of mixed-tenure projects, coupled with the need for a bit more detail on cost.

**Alexander Macleod:** I add that the social housing sector has invested significantly in meeting EESSH by 2020. Such costs need to be considered in the longer term, as we look towards 2032 for EESSH 2, and the potential impact that that investment will have on tenants’ rents. The investment is having the unintended consequence of rents going up in order to pay for the works, and fuel poverty has not been addressed.

**Alex Rowley:** How difficult is that? I know something about it from personal experience. I have highlighted in Parliament a number of times a case in which I visited a house while I was out campaigning in Paisley. The lady there told me about the difference in her heating bills, which had gone from something like 25 per cent of her income to less than 5 per cent. When she lived in a damp house, her child had regularly had chest problems and been in hospital.

We know about the absolute benefits of energy efficiency measures, but how difficult is it to assess and estimate the costs and the benefits both to the individual and to the country, in terms of jobs, skills and training?

**David Stewart:** That might be a complex task. Earlier, I referred to a report that Citizens Advice Scotland published in 2014, which was written by Cambridge Econometrics. In broad terms, it said that if we were to look at ways of investing Government spending, energy efficiency measures targeted at fuel poverty would be one of the most effective, for the reasons that you have just set out.

**Annabelle Ewing:** Reference was made to energy efficiency measures in the bill. I note that last week, the Minister for Energy, Connectivity and the Islands, Paul Wheelhouse, made a statement to Parliament in which he advised that next year, he and the Minister for Local Government, Housing and Planning would begin work on a suite of legislative provisions with regard to the delivery of the energy efficient Scotland programme. Just as a technical clarification, that seems to be a mix of primary and secondary legislation.

With regard to the issue that was raised on the financial memorandum and the figures that could be included in it, as I mentioned in an earlier question, and picking up on a point in the policy memorandum, much activity will include the future development of low-carbon technologies, but we do not yet have them. We do not know what the price will be but, as with any technology, over time, that price will tend to come down. Given that that is the reality of the situation, what could be in the financial memorandum about such non-existent technologies? How would we cost those? I do not follow how the financial memorandum could include such items, which will play an important role, when we do not know what they are or what they will cost. That is an unknown, so, with the best will in the world, how can the financial memorandum take it into account?

**David Stewart:** I accept that it is a challenge to do that, and that new technologies will develop. I am not sure that that is a reason not to try to estimate the impact of energy efficiency or what the costs might be. Going back to the question on monitoring arrangements for other legislation, the independent scrutiny process for the climate change legislation looks at potential forthcoming technologies and costs.

I do not think that you would be able to arrive at an exact figure, because figures would change over time as technology emerged. However, I do not accept that that is a reason for not trying to assess what the overall cost would be and thinking about what different funding sources there might be, whether grants, low-interest loans, equity release or other forms of finance.

11:00

**Alexander Macleod:** There is an opportunity to cost it now with the information that we have, with the caveat that we hope that costs would come down in time. We can at least start to identify the different tools and mechanisms that David Stewart referred to that we would need in order to deliver.

**Andy Wightman:** Last week, Glasgow City Council published a report for one of its committees that looks at the indicative costs of bringing a lot of pre-1919 tenement property up to scratch, and it talked about a figure of up to £3 billion. Mr Flynn is shaking his head. Perhaps you can clarify what that report did or did not say first, then I will ask my question.

**Patrick Flynn:** We sent the report to one of our policy committees to inform it of work in a year's time to look at the strategy for our pre-1919 tenements. There was no costing around it, because we hope to deal with that in a year's time. As the committee will know, the buildings concerned are 140-odd years old and we have 70,000 tenement flats in the city. Some of the tenements were built to a very high quality at the time, but others were not—they have rubble walls and whatever. It would be very unusual if we did not have to look at the fabric of that particular build type, and we will do that over the next year. We have drones flying about the city at the moment looking at the roofs of 500 of the properties and we hope to come back in a year's time with some more exact information that will allow our policy committee to decide how we will go forward.

**Andy Wightman:** Just for the record, where did that number come from?

**Patrick Flynn:** It did not come from the council.

**Andy Wightman:** Did it come from the media or politicians?

**Patrick Flynn:** I saw the figure of £2.9 billion, but I have no idea where it came from.

**Andy Wightman:** Okay. It is useful to get that on the record.

On my fundamental question, it is obviously going to cost a lot of money to bring old stock, particularly tenement stock, in Scotland's cities—mainly in Glasgow and, to a lesser extent, in Edinburgh—up to modern standards. Some of the buildings are dangerous and uninhabitable. What is the scale of the challenge in relation to fuel poverty and energy efficiency in those buildings compared to the wider challenge of ensuring that they are structurally sound and wind and watertight?

**Patrick Flynn:** I think that there are three aspects. First, those buildings can be very fuel inefficient because of the nature of the

construction, in particular the very large windows. In addition, there are often vulnerable folk in those tenement closes, so we have to deal with that as well. Further, if we are doing energy efficiency works in that type of building, we also have to look at the general fabric of the building. For example, if we are doing external wall insulation, we often have to change the eaves so that they marry up. We try to take a holistic approach, so we have a private sector housing grant. We are one of the few councils that still have such a thing. We often have to add to the HEEPS ABS money, for instance, to allow an overall improvement to a building. There is no point in putting external wall insulation into a building if it has structural issues, so we deal with the whole building. That will be an issue going forward for old types of building and for non-traditional stock in the city. That stock has the same kind of issues in terms of dealing with the fabric, but it is often done at higher cost than that for traditional stock.

In about a year's time, therefore, we hope to have a report that will allow our policy committee to look at the issue in a bit more detail.

**Graham Simpson:** I read that council report, which certainly did not contain the figure of £2.9 billion, which I suspect came from an overenthusiastic journalist just adding things up. However, the report contained some alarming figures. For example, it said that some blocks could cost up to half a million pounds to repair.

You helpfully mentioned that we have a cross-party working group on maintenance of tenement scheme property, which includes outside stakeholders—Mr Stewart sits on it. I am just plugging the group, to be frank, convener: we will publish a draft report in January and we are keen to hear from any council that wants to feed into that, if you have not been involved already.

**The Convener:** Free advertising in the Scottish Parliament.

I have a final question. What does the panel think of the Scottish Government's rationale for having a 5 per cent target, rather than a 0 per cent target?

**David Stewart:** Ideally, we would want a target to eradicate fuel poverty, but given that people's circumstances change—they move home and so on—that is difficult. I do not know whether 5 per cent is the right target; I think that the previous proposal, which was 10 per cent, was too high. However, 0 per cent might be unrealistic in practical terms.

**Alexander Macleod:** The measure is sensible, but we should have retained some focus on people in extreme fuel poverty in all this, because that is the population at which we should target our resources. There is a danger of the

unintended consequence of focusing the majority of investment on people who are at the margins of fuel poverty, to meet the target, as opposed to focusing on people in greater need. We should set a target on extreme fuel poverty in the bill.

**Chris Bateman:** We agree that 5 per cent, rather than 0 per cent, gives us a bit more flexibility, but we are a bit unclear as to where the 5 per cent came from—other than being a nice, round number. We might be consigning too many people to fuel poverty, because 5 per cent sounds better than 2 or 3 per cent.

**Patrick Flynn:** Officers need targets to work towards, and 5 per cent seems practical. Our key consideration is the vulnerable consumer. I echo my colleague Alexander Macleod, from Aberdeenshire Council, in that regard. We must address that issue.

**The Convener:** I am not sure that 5 per cent is a limit, Mr Bateman, and that if people get to 5 per cent they will decide not to do any more work.

**Chris Bateman:** As Patrick Flynn said, we need targets; the work needs to be target driven.

**The Convener:** Okay. I thank you all for coming today and contributing to our scrutiny of the bill.

11:07

*Meeting suspended.*

11:12

*On resuming—*

**The Convener:** I welcome our second panel. Paul Blacklock is the head of strategy and corporate affairs at Calor Gas, Ross Armstrong is the managing director of Warmworks Scotland, Simon Markall is the head of public affairs and engagement at Energy UK, and Sarah Chisnall is the public affairs adviser for Scotland at Energy UK.

It would be helpful to hear the witnesses' views on the main drivers of fuel poverty and the degree to which each driver contributes to overall fuel poverty rates and levels.

**Paul Blacklock (Calor Gas Ltd):** I can give no accurate percentage for what each driver contributes. What Calor is concerned about is that in all the fuel poverty strategies that we have seen—not just in Scotland, but down in Westminster, too—there has been a lot of focus on the fuel and energy efficiency aspect and not enough focus on the poverty side of things. We can go only so far towards tackling fuel poverty by dealing with energy efficiency.

**The Convener:** That is an interesting comment.

**Simon Markall (Energy UK):** I agree somewhat with what Paul Blacklock said. However, energy efficiency is a key part of helping to bring down fuel poverty. It is one aspect of the issue: there are many. If I may be cheesy, convener, I will say that the cheapest energy is the energy that we do not use. Fuel and energy efficiency measures can help to ensure that people do not use so much energy.

**Ross Armstrong (Warmworks Scotland):** I echo that. Of the policy instruments and solutions that are available to tackle fuel poverty, energy efficiency is a longer-term instrument. Policy instruments on income and fuel prices can be short term, although they can be quite effective, whereas treating a home and making it as energy efficient as possible is a measure that can make the house fuel-poverty proofed over the long term. Such things are never an either/or. All the drivers are important and they all have to be addressed, but it is important to emphasise that energy efficiency is always the most sustainable and long-term element of the policy strategy.

11:15

**The Convener:** The Scottish Government has limited powers in respect of fuel pricing and household incomes. Given that the Scottish Government has one arm tied behind its back, is it wise for it to set a fuel poverty target?

**Ross Armstrong:** The target is an important element of the strategy. A statutory target is important because it binds a longer-term commitment to the policy area. Politics is often a transient business: the policy priorities of an Administration can change as things such as the macroeconomic climate change. However, a statutory target that binds the Government to committing to addressing fuel poverty over the longer term is a welcome and essential part of the strategy.

**Simon Markall:** I echo that. Energy UK supports the broad goals of the bill. The bill would help to focus minds and give momentum to making sure that we meet the 5 per cent target that is set out in it. There are many aspects on which the strategy and plan that will come with the bill will need to focus, including where the money will come from to finance meeting the 5 per cent target. The 5 per cent target is good, and we broadly support it, but in order to meet it, a clear plan and strategy on how the Government will deliver it are needed.

**The Convener:** Before Mr Blacklock responds, I have another matter to put to him. I think that you said that income is the biggest driver—

**Paul Blacklock:** No, I did not say that it is the biggest driver: I said that past work paid

insufficient attention to it. You can improve a house by making it energy efficient, but the householder might not be able to afford to heat it. There is a balance to be struck.

The Scottish Government can do things in respect of benefits. There was certainly discussion two or three years ago about simple things such as changing when the winter fuel payment is made to people who are off grid. At the moment, the payment is made in December, because it is assumed that that is when people get their bill. That is not when people who live in the country get their first energy bill: they fill their oil tanks, liquid petroleum gas tanks and coal bunkers in the summer. I think that a commitment was made to consider bringing forward the payment for people who live off grid.

I would echo comments that were made in last week's evidence session on the warm homes discount. That flat-rate discount is paid to all households, but everyone accepts that energy costs more in the country, so there is surely a rationale for flexing the discount to recognise that fact.

**The Convener:** Do you agree with the wisdom of setting a fuel poverty target?

**Paul Blacklock:** Absolutely.

**The Convener:** What are your views on the length of the target period—it runs from 2019 to 2040—and the Government's reason for choosing that longer target period?

**Paul Blacklock:** Normally, you would pick a target date that you know you have the resources to achieve. I know that there has been a lot of discussion about setting an earlier date. That would require more resources. It comes down to how much money is available, how high a priority the target is for the Government, and how much resource the Government can, or should, put towards it.

**The Convener:** Do you support the target period?

**Paul Blacklock:** Emotionally, 2040 seems a long way out, but given that there was a statutory target to eliminate fuel poverty by 2016 and we got nowhere near it, I can understand the nervousness about being brave again.

**The Convener:** The phrase "brave again" sounds like a "Yes Minister" response. [*Laughter.*]

**Ross Armstrong:** I agree with much of what Paul Blacklock said. It is important to be realistic, but it is also important to be ambitious and to set a target that makes it clear that there is a commitment to do it the right way.

The date is almost a secondary consideration. If I was writing a business plan up to 2040, the date

would be one element, but the important elements on which people would focus would be the resources and the means of achieving the target in the timeframe. It is fine to choose a date—whether it is 2032 or 2040—but the issue is whether there is a properly resourced plan to get there by that date. The date is important; showing that you have the means to achieve your target through a fully resourced business plan is equally important.

The energy efficient Scotland programme sits alongside the bill, of course. It is being developed with dates, targets and milestones. It is important that the two go hand in hand and that there is co-ordination as the two road maps unfold.

**Simon Markall:** Energy UK would certainly support bringing forward the target. We have not given a specific date, although I know that the Scottish fuel poverty advisory panel suggested 2032. I echo Mr Armstrong's points about ensuring that there is a clear plan for meeting the target. There should also be meaningful regular milestones up to 2032. An earlier date could concentrate minds: it would mean that people would start to think about it sooner and find quicker ways to deliver it.

**The Convener:** You are saying that the date should be brought forward and that there should be milestones. What would happen if the milestones were to show that 2040 was a more realistic target than 2032?

**Simon Markall:** Many bodies are trying to fight and reduce fuel poverty, and they will have to come together. I know that the bill talks about the energy companies working with local authorities, the Scottish Government and charities. There are innovations coming that will help in reaching the target, as well. It is a big challenge: the plan is ambitious, and a target date of 2032 would make it a bit more ambitious. However, an earlier target would concentrate minds.

**The Convener:** Okay. Where do you stand on the Government's rationale for a 5 per cent target rather than a zero per cent target? Is that a sensible position?

**Ross Armstrong:** It is interesting that the previous target was couched in the words

"so far as reasonably practicable".

That was a more logical approach. As far as I am aware, 5 per cent is an arbitrary number. Four per cent, 7 per cent and 10 per cent are also arbitrary numbers. The words

"so far as reasonably practicable"

recognise that fuel poverty is a difficult thing to pin down. People move in and out of it, often from day to day, as their circumstances change. Even if 5 per cent were to be reached by the 2040 target

date, the following day the figure might need to be 5.5 per cent or 6 per cent, because an increase in fuel prices might be announced that would push another 5,000 people into fuel poverty.

It was more helpful that the previous target was to eradicate fuel poverty

"so far as reasonably practicable",

which is kind of to say that the target was zero per cent, but not really. That approach recognises the innate complexities of landing a helicopter on a 2p piece. It says that we will do our best to do so

"so far as reasonably practicable".

The 5 per cent figure is almost a substitute for that. Aiming for eradication is a bolder statement of ambitious policy. Couching that in language—

**The Convener:** That is what the then Scottish Executive did, and it could probably have said that we achieved that

"so far as reasonably practicable",

which meant that it had made no ground whatever.

You heard the council officers say that it is important for people to have targets to work towards. I do not know the Government's thinking on the matter, but is it possible it set a target partly because it is something for people to work towards?

**Ross Armstrong:** Yes, and I agree that the target should be in place. However, to say that the ambition is to eradicate fuel poverty would be a bolder statement than saying that we will try to get to 5 per cent.

**Simon Markall:** The point that the councils made is important. It is really important to have targets so that an attempt is made to meet them. If the Scottish Government had the really ambitious target to eradicate all fuel poverty, it would have to be very clear about how it would deliver that and how it would be financed.

**The Convener:** We also heard that we cannot really get to zero because of individual circumstances. People can move or lose their job before they get benefits, for example.

**Andy Wightman:** The dictionary definition of "eradicate" is "put an end to". A disease can be eradicated. Something cannot be eradicated as far as is practically possible; it is either eradicated or not eradicated. It is a black-and-white word. Given that it is accepted that there will always be a bit of fuel poverty, should we eradicate the word "eradication" from the bill? [*Laughter.*] It is a serious point. The bill would be

"an Act of the Scottish Parliament to set a target relating to the eradication of fuel poverty",

and it goes on to set a target for reducing it.

**The Convener:** We will eradicate 95 per cent of fuel poverty.

**Annabelle Ewing:** You cannot be half pregnant. [*Laughter.*]

**Andy Wightman:** We will maybe leave that for further debate.

Ross Armstrong's point about the phrase "so far as reasonably practicable"

is important. Do you think that, in association with a target of, say, 5 per cent, there should be something in the bill to make it clear that that is a moving target? Would milestones help?

**Ross Armstrong:** Yes, milestones would help. Between now and 2040, the macroeconomic picture will change substantially. We are all aware of factors that will in some way influence the macroeconomic position for the next 22 years—between now and the target date—so recognition needs to be built in that the target will, to an extent, be a moveable feast.

A point was made last week about parliamentary scrutiny of progress. If such scrutiny were to be tied to milestones, that would help to ensure that targets were properly tracked.

**Andy Wightman:** We will look at that in a moment. Thank you.

**Annabelle Ewing:** In looking at the two issues together, I note that, as I said earlier, this Parliament does not control all the levers. I presume that the targets that are set in the bill—the date and the threshold—reflect the key fact that we, unlike Westminster, do not have all the powers that we need to control the issue 100 per cent. The language in the bill reflects that reality, does it not?

**Ross Armstrong:** I agree that the Scottish Parliament does not have control of all the levers and that the 5 per cent target has perhaps been drafted with that in mind. I just have the sense that it is possible to be a bit more ambitious. If the words that I used earlier—

"so far as reasonably practicable"—

were included, the bill would take account of the matter that you have raised and people would be able to say that, using their best endeavours, and with the levers that are available to the Parliament and the Government, every effort had been made to get to zero. I guess that you would need to include that get-out clause to cover the fact that the Scottish Government does not have access to all the levers that drive fuel poverty. It is a question of what form it would take.

**Kenneth Gibson:** On the ambition to reduce fuel poverty to 5 per cent, you heard at the tail end of the previous evidence session that tackling fuel

poverty on the margins helps to get the figures down. We should be tackling first the people who are in deep-seated fuel poverty, but that does not necessarily make the figures look particularly good. How do we address that?

Should all 32 local authorities have a 5 per cent target? In Glasgow, reducing fuel poverty is a much more momentous task—for reasons that we heard earlier—than it is in neighbouring East Renfrewshire, which is much more prosperous. How can we ensure that we address the problem equitably across Scotland? I will move on to rural areas in a moment.

Does anyone want to answer that question? Mr Markall, you were very animated when you were in the gallery earlier. You were nodding. I think that you had a lot to say, so would you like to kick off?

**The Convener:** That shows the dangers of audience participation. [*Laughter.*]

**Simon Markall:** Many things drive extreme poverty. You could eliminate fuel poverty, but people would still be in extreme poverty. Fuel poverty is one of many aspects to people's lives.

Energy companies have different views and approaches. Many of them undertake individual programmes. One that I heard from the other day—Utilita Energy—is undertaking work with Citizens Advice Scotland. It is working with councils to get customers in to talk to them about energy efficiency and about how they can reduce energy inefficiency. Actually, 92 to 95 per cent of Utilita's customers are on smart prepayment meters.

11:30

If we look into the future, we will be living in a very different energy world by the time we reach the target date, regardless of whether it is brought forward to 2032 or stays at 2040. We will have innovations and new technologies. The smart metering programme will have finished and we will have smart meters in every property in Great Britain.

Smart metering is a completely new way of delivering energy services to customers. I will give you an example from Utilita. During the "beast from the east" weather, Utilita found that about 25,000 of its customers self-disconnected, so it credited their accounts to make sure that they could afford energy and could put their lights on. That is a completely different new way of providing services to customers—often the most vulnerable customers—to make sure that they can continue to keep their lights on and continue to heat their properties. There are various approaches that different councils can take, but energy companies are also taking new approaches.

**Kenneth Gibson:** That was a really good answer to a question I didn't ask. You should probably be sitting on the committee rather than on the panel.

I am trying to find out how to ensure that we deal with this equitably across the country, for the reasons that I suggested. Some local authorities are much more prosperous than others and some have a bigger problem than others. How do we address that directly?

**Ross Armstrong:** Warmworks runs the warmer homes Scotland programme, which is the Scottish Government's national fuel poverty programme. It covers the whole of Scotland and it is demand led. Today, our programme might get half a dozen referrals in Shetland, 20 referrals in Stranraer and 20 referrals in Eyemouth. I do not know where the referrals will come in from. The programme is, in effect, geography blind—it follows need.

It is important for the Government to ensure that, as part of the fuel poverty strategy, national instruments are properly set up and incentivised to target areas where need exists.

Our contract with the Government has been set up in a specific way to ensure that we go where need presents itself. Just under a fifth of all the work that we do is in the Highlands and Islands, for example, in areas that will have some of the worst levels of fuel poverty. That means that, in population terms, our work is disproportionately skewed towards those areas where the need for warmth—and for affordable warmth—is clearly greater.

I am not necessarily saying that we have cracked it, but I think that more of our activity on a national level takes place where need is greater. The Government should learn the lesson of the past three years of our programme, which is that you can clearly direct help to where it is needed most if your contract, your key performance indicators, and all the targets that you have to hit and report on monthly are properly set up to tackle the areas where need is greatest.

There is no value in a national scheme that only involves changing gas boilers in the central belt of Scotland. A national scheme has to go where need presents itself nationally. If the Government gets the policy levers right, it is possible to target help to areas where need is greatest.

**Kenneth Gibson:** So the answer is to work in partnership with local authorities but to focus resources on where need is greatest.

The other issue is how we deal with the very difficult, hard-to-heat properties, which are the ones that have plagued us for years. I was an MSP in the 1999 to 2003 session of Parliament and we were discussing the issue then; nearly 20

years later, we are still discussing it. How do we ensure that those properties are prioritised when we have a target-driven system that is based on the number of households in fuel poverty being reduced as opposed to, for example, specific categories of household?

**Ross Armstrong:** It is important that the range of measures and improvements in our toolbag is broad enough to serve the harder-to-treat properties. There is no point in just switching out gas boilers in non-gas areas. We have to go with technologies such as external wall insulation, internal wall insulation, air-source heat pumps and ground-source heat pumps. Some of the new measures that the Government has introduced in our programme will help us to tackle those pockets of harder-to-treat properties, but greater investment per property is needed; there is always that trade-off. We can probably apply the technologies that we need to apply, but if we have a limited budget, that will mean that we do fewer homes overall; that is for ministers to decide.

**Sarah Chisnall (Energy UK):** On the point about how to best target help, there is a massive amount of data out there that is owned or used by different organisations. Obviously, local authorities have a massive amount of data at their disposal, as do social housing organisations. There are also the powers under the Digital Economy Act 2017, and the Scottish Government has a big digital directorate that is considering how to make better use of that information, although obviously that is within the terms of the new data protection legislation. Better sharing of data will be critical if we are to have proper targeting.

As Kenneth Gibson said, it is not just about how many people fall into the category; it is also about the type of property. As Simon Markall alluded to, smart metering can provide a huge amount of information about people's needs on a daily basis. I know that he has an example about Gladys not getting up and boiling her kettle, but I do not want to steal it and will let him talk about that. However, if we made better use of that data and of the powers under the 2017 act rather than just looking at the geography, we could certainly target better and decide where to apply measures first.

**Kenneth Gibson:** I see some of those points in your written evidence.

Convener, I am happy to ask my questions about rural areas later and let other members in for now.

**The Convener:** Yes. We will move on to Alexander Stewart.

**Alexander Stewart:** You have all talked about the ambition and about the ability to achieve it. With the earlier panel, we heard that some councils will struggle to achieve that ambition in

the long term, although they have an opportunity to achieve the short and medium-term ambitions. What should they be doing differently? Is it just down to funding? The previous witnesses indicated that the grants and resources available are a major player in the process, but are there ways in which we should be working collectively and in partnership to manage the situation in areas where it is more difficult to achieve the ambition?

**Ross Armstrong:** Our programme is the national one and, obviously, the local area-based programmes work slightly differently in different local authorities. We have to recognise the limitations of local authority delivery—I say that with a full understanding of the value of local authority delivery and what it can bring, but local authorities have many priorities and the butter is spread quite thinly across the bread. We have to recognise that, with local authority delivery, some councils will be better resourced and more focused and will have individuals within them who are committed to the policy area, whereas other councils will have a number of other priorities and will not necessarily have the ability to give the same resources and focus to this policy area. That is not quite an answer to the question about what councils can do differently; it is a contextual point about local authority delivery generally having its limitations.

On the point about local or national delivery, that is never an either/or discussion; it is always an “and”—we need local delivery and national delivery. The question should perhaps be about how we can join the two up to ensure that we get economies of scale.

**Alexander Stewart:** If we do not achieve that, there will be a huge disparity between parts of Scotland. Some parts of Scotland will be focused on the issue and will meet the target, but others will fall well short, which will have an impact on our ability to achieve the timescale that we are trying to achieve in the long term.

**Ross Armstrong:** I agree.

**Alex Rowley:** From our previous evidence session, it seems that a lot of different grants and funding sources are available. Can something be done to make the funding easier to access and more transparent, or is the way things are set up okay?

**Ross Armstrong:** Sorry, but I will dive in again, because that is an area that is close to our hearts. As the national scheme, we are funded by central Government on an annual basis with a contract that runs for seven years. Access to the national scheme is relatively straightforward and is through home energy Scotland. With local authority grants and applications for area-based schemes, those

are set out, but it is left to local authorities to decide how to administer them from then on.

It is for the local authorities to say what more could be done to make the area-based scheme delivery more accessible. Certainly, the national scheme is a bit more straightforward, because our budget is confirmed annually by the Scottish Government and then we have 12 months to service the demand and spend the budget.

**Andy Wightman:** I was interested in Sarah Chisnall’s earlier point about data. It was also raised by a previous panel of witnesses. The new definition is quite complicated and I do not think that there is any way it could be used directly to target support. The idea of being able to identify which households fall into that definition individually is a bit challenging. What kinds of data are you talking about? How easy will it be to integrate that data better, and within what timescale? I am asking for a realistic assessment here because, in many areas of public policy, people say that we should just use and share data but, for a variety of reasons, that never happens.

**Sarah Chisnall:** I am not a data expert but, from talking to people who are in the digital directorate, I know how big a process it is to get through the myriad different data sets that different organisations, particularly public organisations, access. The Government has numerous different sets of data. It then has different agencies that report to the Government and the Scottish Parliament that are using a completely different set of data. Integration is therefore probably years off.

I would like to allow Simon Markall to answer as well, particularly on smart metering, because that takes to a completely different level the information that can give you a picture of how somebody uses energy daily. It will be a challenge to see how we can start to match that with information that public agencies already hold on different households.

**Andy Wightman:** Just before Simon Markall comes in, I note that you said “years off”. Which bits of data are not years off? Where could we reasonably make some progress within two or three years?

**Simon Markall:** Sarah Chisnall talked about the UK Digital Economy Act 2017. There are important and useful regulations under that act that allow energy companies and the Government to share data on vulnerable customers. Who those were was based on benefits claimants and people like that. One of the biggest problems with fuel poverty is identifying the most vulnerable using the system that we have. In future, smart metering will give us that data. We talked to companies that are being set up and innovations that are being created on

the back of smart metering. A number of companies can now say that they are using smart meters to target social care better, or to know how to get somebody to warm a house for someone coming out of hospital.

Energy companies are also looking at the data that they get from their smart meters and one gave the example of Gladys and her home help. You can wake up in the morning, look at your iPad or tablet and see the 10 people you have to go and see that morning. You can see that Gladys has boiled her kettle, so she is up and about and absolutely fine and you do not need to go and see her. Bob has not boiled his kettle, he is not moving around, his net energy is not on and he is normally up by 9 o'clock, so you know you need to go and see him straight away. Joan, however, has boiled her kettle 20 times in the past hour. She is either really thirsty or she has early onset Alzheimer's.

That is how we can start using these meters. This is the future of energy. The future of smart metering will allow us to look at energy, and how we provide health services and social care and all the other things about which we do not have the data at the moment.

**Andy Wightman:** A smart meter can tell a remote person when someone has boiled a kettle—a specific appliance?

**Simon Markall:** Yes. A smart meter can also tell you how many people are in the room, if you want it to. There are data protection issues that you would have to take into account.

**The Convener:** You should have left out that last bit.

**Simon Markall:** Another example is tenants in social housing, who can often be elderly, and with dementia, and you obviously want to keep them in their house or assisted living home. We were told one story about a man who would turn on his toaster but who often choked when chewing on toast, so every time he turned on his toaster, they would go in and turn it off.

It will revolutionise the way we use energy.

**Andy Wightman:** How do you tell when someone has switched a kettle on? A kettle is plugged into a three-pin socket and it could be plugged into any socket in the house. How do you know that it is a kettle?

**Simon Markall:** A spike will go up in the energy used.

**Andy Wightman:** Ah! So it is just about the energy used. It could be something else, or are you saying that a spike has got a particular signature associated with the appliance?

**Simon Markall:** You will be able to tell. I do not know whether anyone has got a smart meter but if

you have and you boil your kettle, your smart meter will go "Ting!" and the spike will shoot up.

**Andy Wightman:** I am aware of that. Those are interesting stories, but let us get back to fuel poverty. I do not know where smart meters are in terms of roll-out, implementation and the rest of it; perhaps you can tell us. How realistic is it to assume that the data captured by smart meters can make a significant contribution to targeting support on fuel poverty?

11:45

**Simon Markall:** It is quite significant.

**Andy Wightman:** Within what kind of timescale?

**Simon Markall:** We are already seeing it now, but the roll-out of the smart metering programme will finish in 2020—companies are committed to delivering that—so we hope that it will be sometime between now and 2020.

**Andy Wightman:** Do you have any case studies or research findings that show the extent to which smart meters can give us good-quality information on who is in fuel poverty?

**Simon Markall:** I can certainly see whether we can find that data for you.

**Andy Wightman:** That would be useful. Some examples would be very helpful for the committee, because we will be looking at implementation. That is not specifically in the bill, but the reason why we have asked people for their views on the strategy is that we believe that targets have to be associated with the pathway to reaching them.

**Annabelle Ewing:** I have a quick supplementary on that. It was a very interesting conversation, and alarming in the sense of the reach of the smart meter, but there are obviously a lot of uses that could benefit vulnerable people. Sarah Chisnall alluded to the other side of the coin, which is data protection. Where do those two issues meet at the moment? It is obvious that there is potential, but there will be restraints on the use and sharing of data. Where is that debate currently?

**Simon Markall:** Any sharing of data from smart meters would be based on current data protection legislation.

**Annabelle Ewing:** Would that affect the potential good that you have talked about and negate the potential use of the data to a significant extent?

**Simon Markall:** No, not necessarily. The user can decide what information they want to share with their energy company or others.

**Sarah Chisnall:** It will be about how consent works. People will be made fully aware of what they are signing up to and how other people will be able to use their smart meter. People can make that decision when they have it fitted. Some of that is already being used by housing association providers and in social care settings but, as Simon Markall said, with the roll-out and the obligation that companies have to do that by 2020, we are nearing the point at which every household should have access to a smart meter. That will completely change what we can use and how we can use it. Consent will be a very important part of that.

**Graham Simpson:** We asked you all for your views on the revised definition of fuel poverty. There is clearly a lot to talk about on that, but the Warmworks submission says that

“fuel poverty proofing’ homes at risk is ... more valuable than allowing assistance to be delivered purely on the basis of a ‘snapshot in time’”.

Can you explain what you mean by that? The submission also refers to the use of proxies. That was mentioned earlier, but it was never really explained what it means, for the benefit of anyone who is watching.

**Ross Armstrong:** The point about a snapshot in time is interesting. The definition of fuel poverty, which has already been referenced, is a complex one, and rightly so, because it is a complex issue. However, the fact of its complexity means that it is a statistical construct. A bunch of very capable academics have come up with the definition, and we understand that journey and why the definition is important. However, on the doorstep and for people in fuel poverty, the definition is meaningless, because they are cold and they cannot afford to be warm. That is the primary policy driver.

Time and money are precious resources and they are limited. We have to get to 2040—or 2032 or whatever time we decide on—and we only have a limited amount of time and money to get there. We recognise that the definition is important, but spending more time and resources on trying to perfectly target precisely and only those homes that meet the requirements of that statistical construct on the day that we knocked on the door is not good policy.

The better policy approach is to fuel poverty proof households, as far as reasonably practicable, and get them to a point at which a householder can withstand losing their job or having their benefits reduced, or losing a family member through bereavement, or fuel prices changing. All those impacts, which will change a person’s fuel poverty status under the guise of that statistical construct, can be, if not completely insulated against—forgive the pun—then withstood to a degree if we take the house to the

greatest possible level of energy efficiency that can be achieved in a reasonable way, if we check that the household receives all the benefits to which it is entitled, and if we check that the household is on the best available tariff and give it the support that it needs to navigate the energy market and get to the most competitive tariff.

Those are the steps that can be taken to protect households against some of the factors that can change in their lives. One thing that we know about households in fuel poverty is that they often have chaotic lifestyles—that is the reality—and are very sensitive to changes in fuel prices or their personal economic circumstances.

The point that we were making in our submission was that the definition is a statistical construct, which represents a snapshot in time. We might have taken all those steps to fuel poverty proof a household that was spending 9 per cent of its income on fuel rather than 10 per cent and was therefore not fuel poor at that moment, under the old definition. However, would it have been bad policy to fuel poverty proof that household? Absolutely not. The point is that the definition is important, but in this context it is a complex statistical construct, and what matters to a householder who is cold and cannot afford to be warm is what we deliver to change that person’s life in a meaningful way and fuel poverty proof the household.

**Paul Blacklock:** I have been quiet, because I have been waiting for the rural aspect to come up—

**The Convener:** It is coming up.

**Paul Blacklock:** And you have real experts here.

We did not have a lot to say about the definition, other than that it is right that fuel poverty is more closely defined. However, I share Mr Wightman’s concerns about data, because we need to be confident that we are defining fuel poverty in such a way that it is measurable and we have access to the data in a reasonable timeframe. From what we have seen of the data on fuel poverty in the rural context, that is an issue. We have been trying to establish how many measures have been delivered in rural off-gas-grid areas, and we have had to make freedom of information requests—not of the Scottish Government; we were seeking information from the Office of Gas and Electricity Markets. We tried to get inside delivery in the HEEPS area-based schemes, but the data is just not there to show what has been delivered in rural, off-grid areas, as opposed to urban areas. Data is an issue, in relation to not just targeting but measuring performance and the impact that measures are having.

**Simon Markall:** We would encourage the Scottish Government, when it looks at the definition, to make it as simple as possible to identify fuel-poor people. That will have the knock-on effect of making it as simple as possible to target them with the right help, through the Scottish energy efficiency programme, the UK warm homes discount and so on.

It might also be worth looking at the minimum income standard that is used in the bill and considering whether a Scottish minimum income standard should be developed. The UK minimum income standard involves looking at the average across the whole of the UK. A Scottish minimum income standard could take account of some of the unique geography, landscapes and properties that there are up here in Scotland. I think that, next week, the committee will hear from the expert who developed the minimum income standard, and I am sure that he will have ideas about how that might be done.

**Graham Simpson:** That takes us neatly to the rural aspect, about which Mr Gibson will have a lot to say later. This is your opportunity to kick things off.

**Paul Blacklock:** In relation to?

**The Convener:** I suggest that it would make more sense to deal with all the questions about the rural aspect at once, when we come to Kenny Gibson's questions.

**Graham Simpson:** Well, the Scottish minimum income standard has been mentioned—

**The Convener:** Yes, but Kenny Gibson can bring that in when we come to his questions. I am not trying to cut you off; I just want to deal with all the rural issues together. We will come on to the subject later.

**Kenneth Gibson:** I am very zen today, convener. I am feeling patient.

**The Convener:** That is a new look for you. *[Laughter.]*

**Annabelle Ewing:** My questions are on the provisions on reporting. The current proposal is for a five-year reporting period. Do the panel members have views on the frequency of the reporting requirement?

**Paul Blacklock:** It seems to be not enough. If the target is 2040, there would be four or five reports in the space of 20 years. Given that, from what we heard from the earlier panel, some of the data is available annually, there is an opportunity to measure performance a bit more regularly. You could get to the five-year point and find out that you were nowhere near the target. You would be far better off if you captured that earlier in the

process, so that you could steer the ship towards the target.

**Annabelle Ewing:** What period would you propose, if not five years?

**Paul Blacklock:** A shorter one.

**The Convener:** You should be a politician.

**Simon Markall:** I am not going to be able to give you a specific period other than the five-year one. It is really important to make sure that we have meaningful and regular health checks on how the target is being delivered. We do not have an opinion on whether that should be every five years or every three years, but we need to make sure that it is being delivered and that there is a focus to ensure that the people who most need help are getting it. If we target the most vulnerable people in the first year, that is great.

Each report needs to look at what has been done in the previous period, whether that is five years or three years, and at what will be done in the future. That is how you focus on what new technologies and innovations have come in during the period between each report. You can keep tweaking the strategy and focusing on the next period.

**Annabelle Ewing:** As I mentioned in the earlier evidence session, CAS suggested that the report should include progress on the four drivers of fuel poverty, which are energy prices, household income, energy efficiency and consumer behaviour. Do you agree with CAS about that, notwithstanding the key issue that the power over two of those drivers does not lie with the Scottish Parliament? A report can take us so far, but if we do not control the levers of power, we are a wee bit hamstrung as to what we can do. Do you have any thoughts on the substance of the report?

**Simon Markall:** That seems to be sensible. If those are the drivers of fuel poverty, each of the health checks will be about how you achieve the fuel poverty strategy, even though you do not have the powers on energy prices.

**Ross Armstrong:** There is an important point about balance. It would be easy to say that annual reporting is key and that regular reports at each of the milestones that get down into the detail are really important. However, if we spend more time on reviewing, reporting, monitoring and following up on and closing recommendations, that can take away from our ability to get on with delivery.

I absolutely agree that it is important to have the right reporting and monitoring framework, and the fuel poverty advisory panel is full of high-quality industry experts who, rightly, will have an important role to play in holding Government accountable. However, I sound a little note of caution that we should not necessarily go too far

down the road of devising lots of onerous reporting regimes that detract from the time and money that we have available to get on with delivery.

**Paul Blacklock:** The fact that you cannot control something does not mean that you should not measure it. You should still have visibility of the relative impacts of different drivers, so you need to measure them, even though you cannot target them.

**Andy Wightman:** Following up on the reporting question, the bill makes provision that ministers shall lay the reports every five years until 2040, which is a useful thing to do. However, we have other legislation, such as the Child Poverty Act 2010 and the Climate Change (Scotland) Act 2009, that include independent scrutiny and advice. You mentioned the fuel poverty advisory panel. What scope is there to strengthen the reporting and scrutiny provisions in the bill to ensure that the lessons that we learn from progress made are provided in an effective and impartial way?

**Ross Armstrong:** You have referenced a couple of good examples of legislation for which independent experts and panels hold Governments to account and have mechanisms to monitor progress. The fuel poverty advisory panel should be looked at as an ideal instrument to make that accountability happen; in the context of the reporting framework, it could play a similar role to the one that is exercised in relation to the examples that you mentioned.

12:00

**Andy Wightman:** Just to be clear, in none of those cases is the Government held directly to account—that is the job of Parliament. However, independent scrutiny and reporting are provided, so that the job of everybody—your organisations, Parliament, local authorities and delivery partners—is made that little bit easier.

Do the other members of the panel have any views on that question?

**Simon Markall:** I echo what Ross Armstrong has said. That approach seems sensible. Energy UK's chief executive, Lawrence Slade, sits on the Scottish Government's fuel poverty advisory panel. He does not pull his punches when he wants to tell Governments where he thinks that they could do better or when they should focus on different things. I think that that approach sounds fine.

**Paul Blacklock:** If, as parliamentarians, you feel that such independent oversight would give you more power and an objective view, the issue is then about finding an appropriate body. By the

sound of it, there is one, but whether that body is able to perform the role is matter of resource.

**Andy Wightman:** Sure.

I have a brief question about something that is often neglected. Every bill has commencement provisions that say when the bill will come into force. The commencement provisions of the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill are laid out in section 13. Section 14 says what the short title of the new act will be. The commencement provisions in section 13 say:

“This section and section 14 come into force on the day after Royal Assent.”

Everything else will come into force when the Government decides that it should come into force. Do you think that we should look to have statutory provisions about when the different provisions in the bill come into force, or should we leave that to ministers?

**Paul Blacklock:** I would say that that is a question for you guys. However, if there is an end date, whether it is 2032 or 2040, I would have thought that you would want to have the confidence of knowing that things would be put in place with sufficient speed that you had some chance of hitting those targets.

**Andy Wightman:** We will take that on.

**The Convener:** Graham Simpson wants to come back in on a couple of issues.

**Graham Simpson:** I have a question that I asked the previous panel, about the criticism that the draft strategy lacks details. What are your comments on that?

**Simon Markall:** As I said before, we think that energy efficiency is absolutely key to how we can tackle and get on top of fuel poverty. I am pleased that the strategy majors on energy efficiency, but there is one thing that I would like to see. Scotland has a real opportunity: on top of the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and the fuel poverty strategy, we have the route map for energy efficiency and a possible energy efficiency bill next year, the Planning (Scotland) Bill and the Climate Change (Emissions Reduction Targets) (Scotland) Bill. All those strategies and pieces of legislation provide an opportunity for Scotland to get this right and to look at energy holistically. Each one of those bits can support the others in delivering their aims. That is where the strategy could be strengthened.

If fuel poverty is tackled, energy efficiency can be increased and people can live in warmer homes and be healthier and happier. In addition, that can contribute to reductions in CO<sub>2</sub> emissions and a reduction in climate change. That is where the fuel poverty strategy and some of the other

strategies lack a coherent holistic approach. Given that the fuel poverty strategy is a draft strategy, there is an opportunity for it to be the first to link with the route map for energy efficiency, which could in turn link with the energy efficiency bill and the climate change bill, which is in its early stages. That way, Scotland could crack the issue of taking a holistic view of energy. That would be amazing, and the energy sector would support it.

**Graham Simpson:** Do you think that that linkage is lacking at the moment?

**Simon Markall:** Yes. The draft strategy has bits on energy efficiency and it touches on decarbonisation of heat, which is really good, as that is a massive challenge for climate change, but there needs to be linkage between all our different strategies, because they can support one another. We have talked about the fuel poverty target on its own; it will not be delivered on its own by the bill. All the other aspects of energy efficiency, planning and climate change will help to deliver the 5 per cent target.

**Ross Armstrong:** That touches on my earlier point: the date—whether 2040 or 2032—is fine, and the strategy itself is fine as a framework for action; it is the next step that is the difficult one. A business plan must set out how things will be resourced. The strategy and the target are part of the framework for action—that is fine—but the next question is, if that is the strategy and those are the goals, the target dates and the milestones, how will that be resourced?

At last week's evidence session, Energy Action Scotland said that around £200 million a year needed to be invested in energy efficiency activity in Scotland. Various third sector organisations have put together a number of figures. At some stage, the strategy and the target—what we want to do—must be supported by information on how we propose to get there and how we propose to resource it. That is the difficult question. Nobody would disagree with the goals and the means of getting there that have been outlined. The meat will come when we get to how the strategy is to be resourced.

**Graham Simpson:** So you are looking for a more detailed business plan.

**Ross Armstrong:** That would be the best and most logical next step.

**Graham Simpson:** When should that come?

**Ross Armstrong:** That is for Government and ministers to decide.

**Graham Simpson:** I am asking you. What do you think?

**Ross Armstrong:** As managing agent of a Government programme, I have to be careful in

answering that question. Ministers have all sorts of competing priorities. There are some bold targets, a laudable strategy and a strategic intention that will be set out in legislation. I am sure that parliamentarians will say to ministers that they support the strategy but that they want to see how we will get there.

**Graham Simpson:** I think that you have saved your job.

**Ross Armstrong:** Just.

**The Convener:** We will have the minister in front of us, so we will have the opportunity to ask him those questions.

**Paul Blacklock:** We fundamentally disagree with the Energy UK position. We have seen too many examples where fuel poverty targets have been conflated with renewables targets, carbon targets and energy efficiency targets. The worst example was in relation to the green deal, which, as we can probably all remember, was not greatly successful. The UK Government decided to give it a leg up and came up with the green deal home improvement fund, which, in effect, was a grant scheme to encourage people to take out green deals. As part of that, if a customer was going to use a green deal to buy a new boiler, they could get £300 off the cost, except if they were on heating oil or liquefied petroleum gas.

When we went to see an official from the Department of Energy and Climate Change, as it was at the time, we asked why that was the case. The official said that he did not want anything to get in the way of achieving the renewables target. We said, "Hang on a minute—everyone recognises that fuel poverty is much deeper in the countryside, but you are now excluding people who live there from certain elements of a Government scheme, because you want them to help you to achieve the renewables target, using technology that will cost them three to four times as much as putting in a boiler." He said, "It is such a good deal. Why wouldn't anyone take it up?" History tells us that it was not that good a deal.

There should be an absolute focus on fuel poverty. Three or four months ago, I took part in a round-table discussion on fuel poverty at a think tank. On a scale of 1 to 10, with fuel poverty being 1 and carbon reduction being 10, everyone was asked where the emphasis should be in a fuel poverty strategy. The answer was 1.1. There was one person who said that we needed to address carbon as well. Other people said, "Yes—but". That person went on to say that some exciting work had been done on deep retrofit by Nottingham City Council, but someone from Nottingham City Council was there, and she said, "Yes, we've done a lot of work, but it's quite expensive at £70,000 a house." When money is

spent to get someone's house up to a level at which they can keep it warm, they might not start saving energy from a carbon point of view. They might start to use more energy, because they are in a position to keep the house warm. We would prefer there to be a purer focus on achieving fuel poverty objectives, rather than trying to cover three, four or five different areas.

I do not want to jump in before the questions about rural areas are asked, but because of the woeful lack of delivery on energy efficiency in rural areas, we would like to have seen in the strategy the mandating of a fair proportion of work being done in rural areas, which has not been done to date.

We have done some work on what has been delivered through the energy company obligation scheme in Scotland. In terms of LPG and oil houses, which probably account for 70 per cent of the properties in off-grid areas, 11,000 measures have been delivered since 2013, which is about 0.5 per cent of the measures that have been delivered in Scotland under ECO. Given that 10 to 12 per cent of houses are in off-grid rural areas, there has been a chronic lack of delivery on energy efficiency. That is for understandable reasons, such as the cost of delivery.

Again, there is a tension, because as soon as you go into the countryside, it costs more money to do things. When you start to look at resourcing local authorities—I think that there will be a discussion later on about whether there should be a different minimum income standard for rural areas—you find that delivering things in rural areas costs more money. That needs to be reflected in things such as the area-based schemes. We also need to see better data, so that we can monitor and measure delivery in those areas. We are struggling to see how much is being done in rural areas.

Scotland now has the opportunity to put some of that right. It should not all be about the countryside, but it is the countryside's turn to have the same level of support that has been provided in urban areas.

**The Convener:** As a Glasgow politician, it grieves me to agree with you.

**Paul Blacklock:** I know. *[Laughter.]*

**Sarah Chisnall:** I am now worried that what I say might really annoy the previous—

**Paul Blacklock:** No, it will not. *[Laughter.]*

**Sarah Chisnall:** Simon Markall mentioned looking at things holistically. That is critical; we cannot deal with the issues separately. It is good that we have a fuel poverty bill that looks at that principle and puts it first and foremost in some areas, but the fact remains that the climate change

plan, the Climate Change (Emissions Reduction Targets) (Scotland) Bill and Scotland's energy efficiency programme all talk about fuel poverty targets. We cannot look at fuel poverty targets without looking at energy efficiency targets, neither can we pretend that there is not the Climate Change (Emissions Reduction Targets) (Scotland) Bill to consider. Scotland has set itself incredibly tough targets in that, too.

The first thing that Simon Markall said is that using less energy is the best way to get people out of fuel poverty. This is about making sure that homes are equipped to do that at the same time as we look at how we might seriously reduce emissions.

The committee has been considering the Planning (Scotland) Bill. For my sins, I have had to follow that bill quite closely, too. Without a planning system that enables renewable energy, it will become more and more difficult to decarbonise heat. It is essential that politicians and the Government look at how all those things link together.

**The Convener:** I am a bit disappointed that you did not like our performance on the Planning (Scotland) Bill. Do you want to come back in, Graham?

**Graham Simpson:** No. I am loth to ask about rural issues, convener.

**The Convener:** Good—that is what I like to hear. *[Laughter.]* At this point, I will bring in Kenny Gibson.

**Kenneth Gibson:** I was just going to put my feet up and have a spliff—

**The Convener:** The zen Kenneth Gibson.

**Kenneth Gibson:** —because Mr Blacklock appears to have answered what I was going to ask.

I was going to quote the word “woeful” from your evidence—it is a great word—but you have already mentioned it. You have talked passionately about bias towards urban areas. What mechanisms can we introduce to ensure that that bias, if it exists, does not continue? I ask that you give specific consideration to a minimum income standard and how we could define that. Your recommendation is to

“Amend the Fuel Poverty Bill to include a ‘remote rural’ settlement definition with in the Rural/Urban Classification to better target energy efficiency schemes.”

Will you put a wee bit of meat on those bones? I am also keen to hear what other witnesses have to say.

**Paul Blacklock:** We have been banging on about that since the beginning of the decade. I

cannot remember all the acronyms—there are so many flipping acronyms in this area. One was CESP, or the community energy saving programme, which was supposed to deliver energy savings at community level. For that programme, a postcode had to hit minimum levels in indices of multiple deprivation. That was virtually impossible in rural areas because, typically, fuel poverty in rural areas is embedded in the wider population and does not show up in the IMD numbers. I do not think that we saw any off-grid CES programmes.

12:15

When we looked at the carbon emissions reduction target—CERT—which was the ECO's predecessor, we saw that there was virtually no delivery in rural areas because, unfortunately, it was cheaper to hit estates in Glasgow, Aberdeen and Dundee, where 500 to 1,000 houses that were all built at the same time needed a cavity or a loft to be done. It is far easier to target and hit such homes than it is to root around in the countryside trying to find embedded fuel poverty. I fully accept that that is more difficult, but it needs to happen.

We campaigned for at least some sort of rural areas obligation. Westminster came up with the idea of a rural sub-obligation. I think that it was mentioned in the earlier evidence session that, for the ECO, rural settlements were defined as settlements of up to 10,000 people. That size of town is an on-grid market town, so the obligated suppliers were largely able to hit their rural sub-obligations by not going anywhere near rural off-grid areas.

In the HEEPS scheme, Scotland adopted the lower population of 3,000. There has been a transfer of power: Scotland now has more powers over the ECO and the rules on it. We call on the Government to apply the same measure, or to go even more remote, in targeting within the rules of the scheme.

**Kenneth Gibson:** I will jump in there. Obviously, we can argue about the definition of "remote" in terms of population. Should off-grid places be defined as remote, rather than it being about the number of households? Otherwise, we could end up with a situation in which some remote communities are on grid and classed as remote and some are not.

**Paul Blacklock:** It gets difficult as soon as we get to considering really remote places. The Scottish Government has an eightfold urban/rural classification, the bottom three classes of which—classes 6, 7 and 8—are rural with different levels of population. We need a definition. From our point of view, that would be a good starting point.

**Kenneth Gibson:** Hold on a second. Let me get this right. You are saying that a good starting point would be that a minimum income standard should be differentiated for people who are off grid. Would you be happy with that?

**Paul Blacklock:** I was not talking about a minimum income standard. When we look at delivery of energy efficiency schemes—there is a big focus on energy efficiency in the fuel poverty strategy—we see that there is something that the Scottish Government can do in targeting effort to ensure that a fair proportion of it happens in rural off-grid areas.

**Kenneth Gibson:** I would say rural and island areas. I have 6,000 island constituents, and I want to ensure that they are included.

**Paul Blacklock:** Obviously, I include the islands. I have seen lots of comments about island proofing. There is the question whether the same rural proofing of the bill has been considered and whether it should be put in, as well, to ensure that all aspects are covered.

**Kenneth Gibson:** Mr Markall said earlier that there should maybe be a Scottish definition of a minimum income standard. Obviously, there are huge variances within Scotland, as we have heard. Would it be better to have an urban and rural/remote or rural/islands split? Would that be a more efficient approach, or should Scotland just be looked at in the round?

**Simon Markall:** We have called for Scotland to have its own minimum income standard because it has unique landscape and geography, for example, in the Highlands and Islands.

**Kenneth Gibson:** Those areas are totally different from Glasgow and Edinburgh.

**Simon Markall:** Yes, they are very different. The point is that the approach should take account of Scotland's landscapes and make-up, which are different from the rest of the UK. If the choice was made to have both Scottish urban and Scottish rural minimum income standards, we would have no problem with that. The point is to try to ensure that the bill is able to target people in the most fuel-poor areas, and the most fuel-poor people. The best way to do that would be to have a Scotland-specific minimum income standard. If members and the Scottish Government were to choose a rural standard and an urban standard, that would be fine. However, the principle is that we need to ensure that we make it easy to identify people in fuel poverty.

**Kenneth Gibson:** Yes. In your evidence, you have called for the standard to be bespoke.

Ms Chisnall, what is your view on the issue? Your submission says that

“Many of these households are off-gas properties that rely on fuel deliveries, whose costs reflect national average gas prices rather than local grid prices for Scotland.”

I take it, therefore, that your position is very similar to that of Mr Markall.

Incidentally, I should say that I disagree with Mr Blacklock, but I agree with you that there needs to be a holistic combination of legislation. I am pretty sure that the Scottish Government wants to blend the legislation so that it dots every i and crosses every t, and works with rather than against itself.

Could you respond on the matter of the MIS? Do you have anything to add to what Mr Markall has said?

**Sarah Chisnall:** Energy UK speaks on behalf of a wide membership. The question of the definition came up in a wide-ranging discussion with our members. The overall feeling was that it would certainly need to be bespoke for Scotland. A number of members were also probably in favour of making a differentiation between urban and rural areas. We might have to go back to members on that and ask whether it would be an issue for them. Certainly, the view was that it was not enough simply to assume that the UK measurement would suffice or would properly reflect things in Scotland. I have lived off grid, so I know that the costs are different. I remember absolutely dreading the Calor Gas bill coming in. I am now on the grid, and it is so much cheaper.

It will be important that time is taken, that the right balance is struck and that we factor in the complex bits of the bill that people will end up with.

**Kenneth Gibson:** Warmworks’s evidence says a lot about how the matter relates to the Digital Economy Act 2017 and MIS.

**Ross Armstrong:** I am not sure that that was in our evidence; it might have been in Energy UK’s.

**Kenneth Gibson:** I apologise.

**Ross Armstrong:** That is all right. I was trying to remember whether that was in our submission.

**Kenneth Gibson:** I had the submissions mixed up.

**Ross Armstrong:** From our point of view, there is an important point about market-driven versus Government-controlled mechanisms to deliver energy efficiency. When Mr Blacklock refers to the “woeful” track record on energy efficiency in rural areas in Scotland, he is probably referring primarily to the ECO; the numbers that were quoted were on that. The ECO is a market-driven instrument, which means that suppliers will find the cheapest and most cost-effective way to deliver the target because, of course, that is what a market does.

As I mentioned earlier, ours is a Government-controlled programme, which means that we do what the Government asks us to do, within our contract and the delivery framework that it sets. The framework that the Government set for the warmer homes Scotland scheme is very clearly incentivised to tackle rural areas and to deliver the same level of performance that we deliver in urban areas. I said that, when population sizes are compared, a disproportionate amount of our activity takes place in rural areas. The Government could build on that: if it were to set the right parameters and we had control of programmes and delivery, we could focus activity on the rural areas where the fuel poverty challenges are greater. We work very closely with Calor and others on delivering in such areas.

**Kenneth Gibson:** I have one last question, convener. Thank you for your indulgence.

If the bill is enacted, should the number 1 priority for the Scottish Government be remote rural and island communities, and perhaps vulnerable people in urban areas? We have talked about people with disabilities and long-term illnesses. Should they be the priority rather than there being an exercise in reducing numbers? What should be the priorities to make progress? Would such a combination be right? What could be done to fine tune it?

**Ross Armstrong:** First and foremost, programmes have to be properly resourced so that they can do at scale all the things that they need to do. Within that, it is right that the Government identifies priorities, such as that the focus should be on rural or off-grid areas because fuel poverty is greater there. It is important that the Government gives itself the ability to design national programmes in that way, if that is what it chooses as its priority. It must retain the power to ensure that delivery reflects its policy priorities.

**Kenneth Gibson:** I am trying to say that such areas should be the priority, rather than, for example, reducing the number of households in fuel poverty by X thousand per year. The programme should focus on quality rather than quantity, which means that it should target the most vulnerable, hard to reach and difficult households. As we mentioned earlier, it is easier just to go for those who are on the margins of fuel poverty than it is to deal head on with difficult situations in which people have been bypassed over the past 15 or 20 years.

**Paul Blacklock:** I completely agree. When the UK Government produced its fuel poverty strategy back in 2015, it admitted that there had been a policy failure in this area. It also recognised the tension between wanting to help the highest number of people possible and wanting to help the hardest to reach people. Helping the hardest to

reach people costs more, so you end up helping fewer people. If you help the highest number of people, you end up not addressing the most difficult situations.

We have, after probably 20 years of energy efficiency programmes, come to the point at which—I apologise to Glasgow—it is the countryside's turn to have a fairer proportion of the support, which we see when we look at the direction of travel.

Kenneth Gibson spoke about the need for holistic policy. The Government has just consulted on the energy efficient Scotland programme. Within that consultation, it looked at the idea of regulating the housing market using energy performance certificates.

The countryside has not had much help in improving the energy efficiency of properties through Government programmes. Also, energy performance certificates do not work so well in the countryside because they do not measure energy efficiency—they measure pound notes. That means that, if you were to airlift a house out of the centre of Edinburgh and put it in the middle of a field somewhere, the EPC score would go down purely because it would be using different fuel. The level of energy efficiency of the house in kilowatts per square metre would be the same, but its score would go down.

In the proposals on regulating the housing market there is a lot of discussion about minimum EPC scores. I think that in the previous evidence session one of the panel members was talking about a cost of £20,000 to £25,000 to get a property up to level D.

The Scottish Government has done brilliant work on regulation of energy efficiency in private sector homes—REEPS—modelling. When it considered regulation of energy efficiency in the private sector, the Government got a specialist consultant to model 350 different housing types in Scotland and look at the cost implications of getting all those types up through the levels. It found that it would not be unusual to have a cost of £20,000 or £22,000 to get an off-grid house up to level D.

The other point to note is that there is no linear progression up through levels D, C, B to A. The progression curve is almost like a hockey stick as you go up those levels. When you get to level D or C, the person in the house is no longer in fuel poverty. That is when the climate change carbon requirements might kick in. However, that household would have been lifted out of fuel poverty.

**Kenneth Gibson:** Mr Armstrong has been shaking his head quite a lot through Mr Blacklock's evidence.

**Ross Armstrong:** I think that the language about it being “the countryside's turn”—the idea that it is an either/or discussion—is not helpful. If we are here to talk about setting an ambition for 2040, we have to do everything possible, and there are almost 700,000 households to get to.

I absolutely agree that within the framework can be created priorities and areas of focus. However, if that is done at the expense of another demographic or another part of Scotland, which would be the natural result of going down the route of saying, “Well, it's your turn now,” not everything would get done. That is not the best way to create policy.

**Kenneth Gibson:** We need priorities within each local authority area; we are just—

**The Convener:** To be fair, I do not think that Mr Blacklock meant that my constituents should not get any support—

**Ross Armstrong:** No—but that could be a natural consequence of framing the discussion in an either/or context.

**The Convener:** I agree, but I do not think that that is what Paul Blacklock meant. I would like to think that it was not.

**Paul Blacklock:** No, it was not.

**Simon Markall:** Issues arise because of financing. Where will we find the money to do the work? At the moment, energy customers' bills are extremely regressive because fuel-poor people are picking up the cost of fuel poverty measures: people can be in fuel poverty and unable to afford to pay their bill, but are paying for fuel poverty measures. We really need to look at financing, which will be a key part of the strategy. How do we make sure that we cover costs through central taxation and central funding or whatever? The argument is about whose problems will be tackled first. It comes down to this question: where is the money going to come from?

My fear is that whenever we have strategies and new ideas around tackling fuel poverty, we just put the cost on to customers' bills. We have seen with the warm home discount scheme and the ECO that costs are added to customers' bills. We need to find a new way.

12:30

**Graham Simpson:** If we accept—maybe you do not—that there should be some rural proofing, what needs to change in the bill in order to deliver that?

**Paul Blacklock:** The other witnesses are, quite rightly, looking at me on that question. The issue is the definition of rural, but the Scottish Government already has something that it can work with on

that. However, it is not about doing everything in the countryside; Glasgow will still get its fair share, for example. Now is the time to start delivering some of those measures in the countryside.

Some stuff in the past has been bordering on the outrageous. For example, we had an affordable warmth element to the ECO, which meant that if someone was on qualifying benefits and their boiler broke down, they qualified for a free repair and, if the boiler could not be repaired, they qualified for a free boiler installation. However, that was not the case for someone on oil or LPG, because a lot of people who were obligated had it in their gift to decide what measures they would deliver. We had customers contacting us who had contacted the advice line for support, but—

**Graham Simpson:** Sorry to jump in, but my question is specifically about what is in the bill. There are only six pages to it, so if you were making a recommendation on the bill—we will have to do that in our stage 1 report—what would it be?

**Paul Blacklock:** I would work on the basis of what has been attempted with the ECO in terms of a rural sub-obligation at a given level with a proper definition of rural. It would then be up to people to decide what represents a fair proportion. Is it 10 per cent or 20 per cent? I think that 11 per cent or 12 per cent of houses in Scotland are rural off-grid, so that might be a starting point.

**Ross Armstrong:** The discussion has already started around the rural minimum income standard, which was referred to earlier. That is going to be the meat of the discussion and it is important to land in the right place there. The colleagues who gave evidence to the committee last week—Dion Alexander and others—have a lot more experience in this area than I do. Listening to the evidence that is coming from those groups and individuals, I think that they will give the committee the basis of a recommendation for the bill.

**Simon Markall:** There should be a Scottish minimum income standard, and rurality should be part of that.

**Alex Rowley:** In our previous evidence session, the representatives of councils and housing associations talked about the difference in energy efficiency ratings between the public sector and the private sector in terms of private rents and social rent. There is a criticism that the draft strategy is too light on programmes and policy to look at and tackle all the different areas. How difficult is it, therefore, to be able to have a robust and meaningful analysis of the cost of reaching that 5 per cent by 2040? Without a cost for that and without those programmes, how meaningful are the targets?

**Ross Armstrong:** I agree with Mr Rowley that the targets have to be costed and resourced. Several organisations have made estimates around that already, such as Energy Action Scotland and what was Consumer Focus and is now Consumer Futures. Citizens Advice Scotland has also looked at what programmes cost, what energy efficiency improvement measures will cost and the likely packages that households might need to take them out of fuel poverty or protect them from going into fuel poverty. That work is out there and it is important to draw on it. I agree that without identifying cost and necessary resources, the strategy and ambition are only a fraction of the story.

**Simon Markall:** I go back to my point about financing. The strategy needs to be clear on what is the biggest elephant in the room: how much this is going to cost and where the money is going to come from. It cannot come from customers' bills.

**Alex Rowley:** Taking that a step further, others would argue—we discussed this in the previous evidence session as well—that the benefits are enormous for both the individuals concerned, who live in the houses, and the wider economy. How difficult is it to estimate those benefits and set them out?

**Simon Markall:** I listened to that question earlier and I am glad that you have put it to me. I have been trying to find figures on the benefits of energy efficiency and the wider impact on the economy. I need to go away and check, but I think that a study has been done in Dunedin in New Zealand to look at the matter over the past 10 years. It would be useful to look at that, because Dunedin has some similarities to Edinburgh. I will find a copy of the report and send it to you if it includes that.

We need someone to sit down and do an economic study of the benefits of energy efficiency to the wider economy. As I have said in talking about smart metering and the benefits for the health service and social policy, the benefits could be massive. It could be a game changer in reducing customers' bills overall, given the obligations that are put on them. About £140 a year is added due to obligations that energy companies have to add on their customers' bills. Reducing that and overall bills will be key to getting people out of fuel poverty.

**Ross Armstrong:** Part of the challenge is that the benefits of investing in energy efficiency are so broad. We have run warmer homes Scotland for the past three and a half years and we have created about 300 new jobs and about 100 new apprenticeships. I can tell you about some of the benefits at that level of that one programme, but you would also need engagement and information from the health sector. If we have helped 14,000

households in the past three years, how many people have not been readmitted to hospital because we have made their homes warmer? How many people did not need as many social care visits? You would need information from a lot of other sectors and parts of Government, because the benefits are so broad. We have not even got on to things such as educational attainment and social exclusion. With some of the things that are impacted when we improve energy efficiency, it is challenging to quantify the benefits, because they are very broad.

**Alex Rowley:** As we heard earlier, the 2016 target was not met. Have any of you looked at the experience of that previous target? What were the failures? Was there a failure to have a proper strategy? Was there a failure to finance it properly? Why did it fail?

**Sarah Chisnall:** I do not know why it failed, but I would have thought that technological changes will take away some of the doubt. That statement and the target came from the Housing (Scotland) Act 2001, I think, and a statement was made in 2002 giving the 2016 target, but I have no idea where it came from.

There have been massive changes in how we can monitor energy use and in renewable energy, but the bottom line will still be how we make sure that we can fund the work going forward. I do not know whether enough funding was put aside for that. In the past few years, sums of money have been discussed in connection with the Scottish Government's energy strategy and the energy efficient Scotland programme. I think that £500 million was announced a couple of years ago as part of the energy strategy, but I do not know where that sits or whether any workings have been done on how much of that pot might be directed towards the energy efficiency element of the bill. The Government department will need to come back on whether there is any new money or whether it is relying on money that has already been announced in the current session of Parliament.

**Kenneth Gibson:** To be fair to the previous Labour and Liberal Scottish Executive, I do not think that it predicted that energy prices would go up by 155 per cent and incomes by only 38 per cent. I suggest that that is why the previous target failed. The only way to look at the extent to which the measures that were introduced have succeeded would be to ask how many people would have been taken out of poverty if fuel prices had gone up by only 38 per cent. We could then see whether the strategy was successful, but we would have to do a wee bit of number crunching. However, it was really just a case of prices going up far more than incomes, leaving a gap.

**Simon Markall:** Yes. Unfortunately, we are looking at prices going up again in the next year.

**Alex Rowley:** So this target is going to fail.

**The Convener:** The last comment highlights the difficulties that the Government has, given that it has absolutely no control over oil prices.

Thank you very much for your time and your answers. Your evidence has been very useful to the committee, and it will all be fed into our consideration of the bill.

I will suspend the meeting to allow the witnesses to leave the table.

12:40

*Meeting suspended.*

12:41

*On resuming—*

## **Subordinate Legislation**

### **Charities Accounts (Scotland) Amendment Regulations 2018 (SSI 2018/344)**

**The Convener:** The next item of business is consideration of a Scottish statutory instrument. I refer members to paper 3. The regulations were laid under the negative procedure, which means that they will come into force unless the Parliament agrees to a motion to annul them. No motion to annul has been lodged and the Delegated Powers and Law Reform Committee has not drawn the regulations to Parliament's attention on any of its reporting grounds.

Do members have any comments on the regulations?

**Members:** No.

**The Convener:** In that case, does the committee agree that it does not wish to make any recommendation in relation to the regulations?

**Members** *indicated agreement.*

**The Convener:** That concludes the public part of today's meeting.

12:42

*Meeting continued in private until 12:50.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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