

## **LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**

### **FUEL POVERTY (TARGET, DEFINITION AND STRATEGY) (SCOTLAND) BILL CALL FOR VIEWS**

#### **SUBMISSION FROM ENERGY AGENCY**

##### Summary

The Energy Agency welcomes the Fuel Poverty (Target, Definition and Strategy) Bill as part of a long-term strategy to eradicate fuel poverty and improve energy efficiency. There is a focus on all four drivers of fuel poverty (energy efficiency, income, energy price and how energy is used in the home) and we particularly welcome the commitment to remove poor energy performance as a driver of fuel poverty.

While the focus on fuel poverty is welcome, we fear that the scope is too narrow and misses a 'once in a generation' opportunity to tackle energy efficiency as well and end the scandal of Scotland's cold, damp homes. This Bill should support the achievement of warm, affordable to heat and low carbon homes for everyone in Scotland, so no one is at risk of being in fuel poverty.

The Agency wants the Bill to: broaden its scope to include measures to promote energy efficiency; set a target to eradicate fuel poverty by 2032 and the requirements of remedial action if targets are not on track to be achieved; include an uplift for remote rural households in the fuel poverty definition; strengthen scrutiny requirements; require annual reporting to Parliament; and align finance budgets with fuel poverty targets.

Our evidence covers the following topics:

1. Information about the Energy Agency
2. Consequences of Fuel Poverty
3. Broadening the scope of the Bill
4. Fuel poverty eradication target
5. Remote rural households and the definition
6. Fuel Poverty Strategy – Reporting, Scrutiny, Resources

##### Energy Agency

The Energy Agency is an award winning charity focusing on reducing carbon emissions and alleviating fuel poverty through energy efficiency and sustainability. The Energy Agency delivers, Energy Efficiency Scotland programs in South West Scotland on behalf of Local Authorities and Scottish Government, Home Energy Scotland Program and associated contracts in south west Scotland. The Agency

also delivers a range of specialist research projects in partnership with the health sector and manages specific fuel poverty projects with external funding. 35 staff with an annual turnover of over £10M. We welcome the opportunity to submit written evidence to the Local Government and Communities Committee on the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill.

### **Consequences of Fuel Poverty**

Under the proposed definition, 24% of households in Scotland are living in fuel poverty – or nearly 600,000 households. People living in fuel poverty are at greater risk of health problems – respiratory and cardiovascular illnesses, poor infant weight gain, more frequent and severe asthmatic symptoms, and increased depression and anxiety. People who live in the coldest homes are three times more likely to die from cold related illnesses. With last year's winter deaths at an 18-year high this risk is of urgent concern. The work completed by Ayrshire and Arran in partnership with the Energy Agency has shown that in areas where wall insulation has been installed there is a reduction in hospital admissions and GP visits. These statistics are being analysed further by Public Health.

### **Research & Evaluation Project**

The Energy Agency, in partnership with NHS Ayrshire and Arran (Public Health), is conducting an evaluation project to investigate the potential benefits of Solid Wall Insulation (SWI). This is in conjunction with South Ayrshire Council, East Ayrshire Council and Dumfries and Galloway as part of their area based insulation projects.

Evidence exists that current policy interventions may be associated with the improved health of participants and the aim of the study has been to investigate these links in more detail. The findings from the first and second year of the study have now been published and have demonstrated changes in proximal outcomes (e.g. improved housing conditions, increased indoor warmth/comfort, increased pride in the home and reduced fuel bills) which have known links to longer term health impacts. Alongside anecdotal reports of improvements to existing health conditions, such as COPD and asthma, and reports of improved mood following insulation, pre- and post- health questionnaires have also indicated increases in both physical and mental health scores for those who also perceived their home to be much warmer following the insulation works.

The study also examined hospital admissions in postcodes where wall insulation upgrades had taken place. Although it is difficult to establish a direct causal link between this type of intervention and health outcomes, preliminary analysis suggests lower hospital admission rates for respiratory and cardiovascular related conditions in these areas compared with a control group of postcodes who had not yet participated in the scheme.

The study commenced in 2014 and has now become an ongoing monitoring and evaluation project involving over 350 households to date. The aim is to conduct

further data collection and statistical analysis with support from NHS Ayrshire & Arran (Public Health) as well as the University of Strathclyde and the University of Glasgow.

A brief summary of other results show:

### **Property conditions**

- 94% agreed the appearance of their home had been improved by the insulation
- 79% of residents in whole-street areas felt the neighbourhood had improved a lot
- Over half of those who previously had condensation or dampness said this had now improved

### **Fuel Costs Based on EPC Data**

- Average fuel bill savings of around £250 per year (equivalent to 23%)
- Fuel poverty rate was 45% pre-insulation and had fallen to 27% post-insulation
- The number of properties with a below average energy-efficiency rating decreased from 49% to 21%

### **Thermal Comfort**

- 78% reported that the overall temperature had increased following the insulation work
- 88% agreed that their home was able to retain the heat more effectively

A link to the full study and the health outcomes can be found [here](#).

Improving the health of Scotland's people isn't just about health services. It's also about addressing the underlying causes of poor health and wellbeing and inequalities. Vulnerable people living with multiple factors of disadvantage are those likely to be hit hardest by fuel poverty and be living in unhealthy, expensive to heat homes.

The benefits of eradicating fuel poverty are many – in addition to improved health and well-being, there are savings on energy bills, savings to the NHS of between £40-80m a year, creation of local jobs, reduced carbon emissions, improved energy security, and reduce energy supply infrastructure costs.

## **Broadening the scope of the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill**

The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill stems from a SNP manifesto commitment to a Warm Homes Bill to tackle fuel poverty and energy efficiency. This Fuel Poverty Bill is therefore only 'half' of the Warm Homes Bill commitment and fails to make the most of this legislative opportunity to deliver warm homes for all of Scotland.

The Scottish Government has stated in the Draft Fuel Poverty Strategy that it will develop "...if appropriate, a wider Energy Efficient Scotland Bill for later in this Parliament, and this would be the vehicle for any further legislative changes needed to support Energy Efficient Scotland, beyond the fuel poverty provisions contained in the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill". This could form the other 'half' of the Warm Homes Bill, and together with the Fuel Poverty Bill they would form a strong legislative framework for the new Fuel Poverty Strategy and Energy Efficient Scotland.

Failing a firm ministerial commitment to introduce an Energy Efficient Scotland Bill in this Parliament, we believe the Fuel Poverty Bill should include additional measures on energy efficiency to ensure the commitment to removing poor energy efficiency as a driver of fuel poverty – and indeed the overall fuel poverty target - can be realised. These measures would give Energy Efficient Scotland, the foundation programme of the National Infrastructure Priority on the energy efficiency of buildings, a statutory basis with targets, an independent oversight, a duty for local authorities to produce and implement Local Heat and Energy Efficiency Strategies, and supporting policies stimulating energy improvements.

### **Fuel Poverty Eradication Target**

**1. Do you agree with the Scottish Government's proposal to provide for a statutory target to reduce fuel poverty to no more than 5 per cent of Scottish Households by 2040.**

We agree there should be a statutory target which is challenging but achievable. Such a target provides a strong focus for all organisations addressing fuel poverty. A target also provides a clear end point to measure progress against and embedding it in statute provides an essential impetus.

The proposed target to reduce fuel poverty levels from 24% today to 5% by 2040 should be much more ambitious. This averages out at a reduction of only 1% a year – with a deadline that is a generation from now. We propose the following target: no one should be living in fuel poverty, as far as reasonably practicable, by 2032.

In addition, we suggest there should be a clear plan if sufficient progress towards the target does not appear to be being achieved. For example, if sufficient progress has not been made within five years of the target date, there should be a requirement to produce a fully resourced plan with detailed policies and programmes which will ensure the target will be met on time.

### **Remote rural households and the proposed definition of fuel poverty**

**2. Do you agree with the Scottish Government's proposals for a revised definition of fuel poverty? Please explain your reasons why. For example, will the new definition ensure that the Scottish Government will focus their efforts on those with the greatest need?**

We broadly support the new definition of fuel poverty and welcome the use of the Minimum Income Standard which is based on what members of the public think people need to achieve a decent living standard covering essential requirements and allowing them to participate in society. In the context of fuel poverty this means every household should be able to afford to use adequate levels of fuel to sustain a warm and dry home and a healthy dignified life. This is consistent with the 'rights-based' approach to affordable energy recommended by the Scottish Fuel Poverty Strategic Working Group.

However, we believe minimum income thresholds should be adjusted upwards for households living in remote and rural areas due to the higher costs of living and the real costs of energy. A Scottish MIS should be developed by the Scottish Government within five years, including a remote rural category that recognises higher living costs in these areas. In the interim, a provision to recognise remote rural costs of living in Scotland should be made while using the UK MIS as per suggestions in LGC/S5/18/FPB/03

### **Fuel Poverty Strategy**

**3. Do you agree with provisions in the Bill requiring the Scottish Government to publish a fuel poverty strategy? Do you also agree with the consultation requirements set out in relation to the strategy? Please explain your reasons why.**

We agree with the provisions in the Bill requiring the Scottish Government to publish a fuel poverty strategy. Enshrining the requirement to publish a fuel poverty strategy in legislation sends a clear and important signal - that the Scottish Government recognises the importance of tackling fuel poverty and their absolute intention to eradicate it.

As the Scottish Government has already recognised it is essential that the strategy is designed as a long-term strategy covering the period from 2020 to 2040. It will also be important that the strategy is reviewed regularly. While the Bill requires the Scottish Government to report to Parliament on progress every five years we believe there should also be a requirement to review and update the strategy more often, based on annual reports of all Government funded schemes across all delivery agents.

We note the Bill requires the strategy to be published within a year of Section 3's enactment. It is unclear when this will happen, so we recommend it should be within a year of Royal Assent.

### **Consultation:**

We agree with the consultation requirements set out in relation to the strategy – specifically that in the preparation of the strategy the Scottish Government must consult ‘such persons as they consider appropriate’ including ‘individuals who are living, or have lived, in fuel poverty’. Given the significant detriment that those living in fuel poverty face together with the scale of the issue in Scotland it is important to get the strategy ‘right’ – this is much more likely to happen with input from all of those with an interest in fuel poverty, housing, health and income maximisation.

### **4. A draft fuel poverty strategy was published alongside the Bill on 27 June. Do you have any views on the extent to which the measures set out in the draft Fuel Poverty Strategy for Scotland 2018 will contribute to meeting the Government's new target? Have lessons been learned from previous initiatives?**

The measures set out in the draft Fuel Poverty Strategy for Scotland 2018 will undoubtedly make a significant contribution to meeting the Scottish Government's new target. However, and as noted in our response to the Scottish Government's consultation on their draft ‘Fuel Poverty Strategy for Scotland 2018’, the draft strategy lacks ‘new policies, programmes and resources that will provide the step change required to meet fuel poverty targets’.

For example:

- The proposal in the Energy Efficient Scotland Route Map for the homes of all fuel poor households to be at EPC band C by 2030 and EPC band B by 2040.
- The intention to include agricultural tenancies under the Repairing Standard by 2027.
- The proposed policy to introduce minimum standards of energy performance in the private rented sector, and to consult on standards and incentives in the

owner-occupied sector. These standards will be critical to removing energy efficiency as a driver of fuel poverty.

- The use of building standards as a lever to drive improvements in both the new and existing building stock (for example through consequential improvements).
- A review to identify precise legal requirements to make energy upgrades in tenements easier (eg requirement for management arrangements to initiate, coordinate and implement retrofit projects).
- Dovetailing housing policies such as Empty Homes with energy performance – so when supporting bringing empty homes back into use, there is also support to make sure the energy performance of the property will not put a resident at risk of falling into fuel poverty.

By and large, we believe that lessons have been learned from previous initiatives. The ‘Fuel Poverty Strategy for Scotland 2018’ that was published alongside the Bill for example, notes a number of ways that respondents to the Scottish Governments consultation suggested that partnership engagement and advice services could be enhanced or expanded and notes that the Scottish Government will ‘consider how activity in these areas can be driven forward’. As awareness develops about the relevance to address fuel poverty increasingly local authorities and the health sector are linking housing and health and social care priorities.

#### **5. Do you have any views on the Scottish Government’s reporting requirements to the Scottish Parliament, as set out in the Bill?**

We very much welcome the fact that the Bill includes requirements for the Scottish Government to report to the Scottish Parliament every five years and that this should include:

- the steps that have been taken towards meeting the 2040 target over the previous five years with a discussion of lessons learned and how programmes have been improved based on experience;
- the progress made towards the 2040 target and all interim targets and whether or not sufficient progress is being made to meet all targets on schedule;
- the steps that Scottish Ministers propose to take over the next five years in order to meet the 2040 target.

We also believe that these requirements should be enhanced as follows:

- The strategy should include a delivery plan and the monitoring and evaluation framework, which should be based on outcomes, not activities (or measures).
- The Scottish Government should also be required to provide an annual progress report against overall and interim targets to ensure timely scrutiny and corrective action. This is similar to requirements under the Climate Change Act and the Child Poverty Act.

- Levels of fuel poverty should be published against the new Scottish fuel poverty definition and also against a common metric to enable the relative levels of fuel poverty across the different administrations of the UK to be compared. This is important because some policy measures to address fuel poverty (notably ECO) are undertaken from UK government on a cross-GB basis and without this information it would not be possible to discuss the scale of the problem across the country.
- Given the emphasis on local partnerships, there would be merit in linking to reporting on Community Planning Partnerships and Single Outcome Agreements (as per FPSWG recommendation).

### **Fuel Poverty Advisory Panel**

The Bill should establish the Fuel Poverty Advisory Panel in statute, to provide an independent advisory and scrutiny role, with a requirement to report annually to the Parliament as well as to the Minister. (This will feed into the 5 year progress reports mentioned earlier.)

### **Resources**

Increased resources – funding and capacity - will be necessary to achieve the fuel poverty targets. However, according to the Financial Memorandum, the Bill “does not, on its own, impose any new or significant additional costs on the Scottish Administration”. Instead, the Financial Memorandum focuses on the administrative costs to publish the strategy.

This is a significantly different approach than the Financial Memorandum for the Climate Change Bill which provides both the administrative costs and an estimate to the economy as a whole of meeting the targets.

The Scottish Government has indicated that the current rate of spend on fuel poverty programmes (circa £110m per year) will be adequate to meet the targets. However, the government has not produced any modelling to evidence that this will be the case, and we are therefore concerned that this ‘business as usual’ approach will not deliver at sufficient scale to ensure targets are met.

A Consumer Futures report estimated it would cost, on average, £7,800 to per property to alleviate fuel poverty. This equates to a total of £4.5bn to tackle the 24% of households now in fuel poverty – at least double the annual budget estimated by the Scottish Government. At the same time, this report found that the macroeconomic benefits of such an investment were significant in terms of jobs, boosting household incomes through fuel bill savings, increased GVA and reduced carbon emissions. The report concluded that investing in household energy efficiency creates more jobs and growth than other kinds of major Government investment or tax cuts, in addition to delivering environmental and social benefits.”

The Financial Memorandum should include an estimate of the economic costs of meeting the targets, and this estimate should also include a macroeconomic analysis to understand the full societal, environmental and health benefits.

The Bill should include a requirement for the Scottish Budget to be aligned with meeting the fuel poverty targets, and the fuel poverty strategy should be fully resourced based on research into what funding and other investment is required to achieve the targets. The strategy should also make clear how that funding will be allocated.

**Conclusion:**

We believe the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill could offer a significant opportunity to make this the last generation of people in Scotland to suffer the terrible consequences of living in cold, damp homes. To do so, the following changes are required:

- the scope must be broadened to address both fuel poverty and energy efficiency;
- the targets must be more ambitious;
- the scrutiny provisions must be strengthened;
- the delivery of the Fuel Poverty Strategy must be fully resourced and link with associated policy areas such as health.

We would welcome the opportunity to discuss our evidence with Committee members and clerks and provide additional information or comment to them on request. We would also be happy to present oral evidence to the Committee if invited.