

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

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

SUBMISSION FROM SHETLAND ISLANDS COUNCIL

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.

Yes, we agree with the proposal to include a statutory target. However, we have concerns about the target due to our concerns about the proposed definition (see 2, below).

The target is ambitious, so, in order to ensure the target is achievable in Shetland, the target, definition and strategy must be island-proofed. In doing so, it will ensure that resources used are used to best effect in Shetland, and maximise the positive impact.

Section 2 makes provision for a proposed definition of fuel poverty which calculates the proportion of household income required to maintain a satisfactory level of heating and assesses the extent to which households can then maintain an “acceptable standard of living” once housing and fuel costs are deducted.

2. Do you agree with the Scottish Government’s proposals for a revised definition of fuel poverty?

We welcome the use of the Minimum Income Standard (MIS), as a responsive method for understanding need in an area. However, by failing to consider the evidence provided by the Remote Rural MIS and ignoring the advice of the Independent Panel, to make an adjustment upward for households living in remote rural areas, we do not support full implementation of the proposed definition.

To date, the response we’ve had from the Government has been that the proposed measure already includes an adjustment for remote and rural areas. The draft strategy includes further justification for not making an upward adjustment, stating that the methodology currently accounts for the differences for remote, rural and island communities. We would like to understand more about the state of the art localised model being used, as we are not currently reassured that it accurately reflects the climate in Shetland.

Due to the lack of transparency over this issue, we’re providing a summary of our submission to the Government, in January this year (see Appendix A).

Given the extent of fuel poverty in the islands, we do not believe the proposed definition will assist in targeting resources to those most in need. There is no evidence of island-proofing.

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?

Yes, we agree with these provisions. This also includes the consultation requirements. However, we would like people within Shetland currently in fuel poverty, to be able to be involved in sharing their lived experience.

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 are positive; however, again, there is no evidence that these have been island-proofed. By doing so, the Government will be ensuring that national resources are used to maximum effect in Shetland. For example, switching in Shetland is limited, due to the heating source for many households. Therefore, investment in organisations to support switching is of limited value in Shetland, with limited, if any evidence, of them being beneficial to our most vulnerable households.

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

Robust reporting is essential.

It would be of value to have more information on what is meant, on page 25 of the strategy, in terms of reporting with key partners, such as local authorities and Community Planning Partnerships.

The Council is very willing to work in partnership and collaborate with the Scottish Government on addressing Fuel Poverty, in Shetland; it is a complex and entrenched issue that must be addressed. We are keen to work in a collaborative way, and would like to begin this by assisting in island-proofing the strategy.

Appendix A: Summary of Response from Shetland's Fuel Poverty Action Group, January 2018

We generally welcome the move towards the use of AHC and the MIS in the proposed new definition of fuel poverty. We acknowledge the shortcomings of the existing definition as highlighted by the Independent Panel.

However, without using the Remote Rural Scotland MIS in the proposed Definition of Fuel Poverty then the Scottish Government will fail to meet the commitment of principle in its Fuel Poverty Strategy consultation document (p23), namely that *"The fuel poverty strategy will be firmly based on the principle of social justice and creating a fairer and more equal society; irrespective of whether individuals live in urban or rural Scotland."* We are concerned that the Scottish Government is not using all robust available evidence to inform the definition, understanding and analysis of Scottish fuel poverty levels.

After Housing Costs

The proposal to shift the calculation used in defining fuel poverty from *before* housing costs to *after* housing costs is positive. However, we are disappointed that there is a lack of clarity on the precise inclusions and exclusions of 'housing costs', such as Council Tax, repairs and maintenance. The move to after housing costs is only a positive if it accounts for the true housing costs. In "A new definition of fuel poverty in Scotland – A review of recent evidence" it is stated that "some households have negligible housing costs because they are outright home owners." (page 121). We would contend that this ignores the very real challenge of repairs and maintenance of older properties in a remote and rural location such as Shetland. We need further clarity on this issue.

Minimum Income Standard

We are extremely concerned and disappointed that the use of the UK MIS does not adequately reflect the higher costs of providing warm homes, in Shetland. It is essential that the MIS Thresholds are adjusted for households living in remote rural areas.

The proposed new definition does not follow the recommendations from the Independent Panel, in which an adjustment upward for households living in remote rural areas was proposed. The justification for this is that the proposed measure already includes an adjustment for remote and rural areas. We do not feel this is the case and our submission includes examples that demonstrates this.

In the consultation document you suggest that these remote rural elements are inconsistent with the broader approach taken by Scottish Government in measuring income poverty and policy towards national minimum and living wages. We would seek clarification if this stance is consistent with the Ministerial Foreword that: "Everyone should have enough money in their pocket to pay the essential costs of housing and energy and still be able to lead a healthy and decent life."

If the new methodology is not able to account for actual income and expenditure variations in island and remote rural areas we would wish to see the existing definition retained.

We have real concern that the rollout of this definition will under represent the real extent of fuel poverty in the isles. As a consequence, we fear that the necessary resources required to address fuel poverty will be diminished.

Through two examples below we will demonstrate the real impact this policy decision not to adopt rural MIS has.

You state in your proposed second test, that if after the housing and fuel costs are deducted, the household would have less than 90% of Scotland's Minimum Income Standard (MIS1) as their residual income from which to pay for all the other core necessities commensurate with a decent standard of living.

In the example below, our island householder does not meet the second test, despite the fact their residual income after housing and fuel costs is £8400, some £6341 less than the relevant MIS (after deducting actual housing and fuel costs). In fact their residual income is only 57% of the Minimum Income Standard. It is clear from this that there will be extreme poverty and disadvantage for this householder.

The table below also includes a comparator: the same householder located in an urban setting – with higher housing costs due to council tax interest payments due to higher house prices (housing costs up to £4500) and lower fuel bills (down to £1200) due to access to mains gas and lower heat demand. This householder now meets Test 2, with residual income of £7800 (row E). They also experience a shortfall on the MIS of £994 (residual income only making up 89%).

		Household 1	Household 2
	Household Type	Single working age individual in privately owned (mortgaged) home	Single working age individual in privately owned (mortgaged) home
	Location of Home	Unst, Shetland	Scottish Mainland city on Mains Gas
(A)	Income after tax and NI	£13500	£13500
(B)	Housing Costs	TOTAL = £3500	TOTAL = £4500
(C)	After Housing Cost Income*	£10,000 (=A-B)	£9,000 (=A-B)
(D)	Minimum Deemed Fuel Costs to reach 21c and 18c	£1600	£1200
(E)	Residual income after housing	£8400 (=A-B-D)	£7800 (=A-B-D)

	and fuel costs deducted,		
(F)	Test 1 Fuel cost as percentage of AHC	19% (= D / C)	15% (= D / C)
(G)	Test 2 -	96% (= E /8794)	89% (= E/ 8794)
	Classified as in Fuel Poverty	No	Yes
Minimum Income Standard			
(G)	Minimum Income Standard for Remote Rural – remote from town in the Northern Isles	£14,741	
(H)	UK Minimum Income Standard*		£8,794
	£s shortfall on income to pay for all the other core necessities commensurate with a decent standard of living.	£6,341 (= G-E)	£994 (= H-E)

* in absence of a MIS for urban Scotland, UK MIS figure has been used.

So the householder living on a Shetland Island will need to spend a higher percentage of their bill on fuel but yet not meet the new proposed definition of fuel poverty. While we share the Government aspiration to eradicate fuel poverty, we have a real fear that funding and resourcing to take this household out of fuel poverty will not be forthcoming and directed to other areas if this proposed definition is adopted. This is despite the real hardship this householder (and many others like them will suffer) as evidenced by the MIS shortfall.

Another example below, again shows that a family who currently meet the definition of fuel poverty, will no longer meet the definition. This is despite having a shortfall of income to pay for all other necessities of £16,606.

		Household 3
	Household Type	Working family, two children in croft property
	Location of Home	Whalsay, Shetland
(A)	Income after tax and NI	£25000
(B)	Housing Costs	Council Tax £1300

(C)	After Housing Cost Income*	£23,700 (=A-B)
(D)	Minimum Deemed Fuel Costs to reach 21c and 18c	£2800
(E)	Residual income after housing and fuel costs deducted,	£20,900 (=A-B-D)
(F)	Test 1 Fuel cost as percentage of AHC	12% (= D / C)
(G)	Test 2 -	91% (= E /21932)
	Classified as in Fuel Poverty	No
	Minimum Income Standard	
(G)	Minimum Income Standard for Remote Rural – remote from town in the Northern Isles	£36,106
	£s shortfall on income to pay for all the other core necessities commensurate with a decent standard of living.	£16,206 (= G-E)

N.B. We have had to create these case studies in the absence of a clear definition of After Housing Costs (AHC) being included in the Consultation document.