

Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and Fuel Poverty Strategy

Fairer Scotland Duty Results

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FAIRER SCOTLAND DUTY RESULTS

| Title of Policy or Programme | Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and Fuel Poverty Strategy |
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| <p>Summary of aims and expected outcomes of strategy, proposal, programme or policy</p> | <p>The Independent Advisor on Poverty and Inequality, Naomi Eisenstadt, in her report “Shifting the Curve” presented to the First Minister in 2016 made a number of proposals that could, in combination and over the longer term, move large numbers out of poverty.</p> <p>Included in this report was a recommendation to ensure fuel poverty programmes are focused to support those on low incomes, and do more to tackle the poverty premium in home energy costs. In addition, the Independent Advisor suggested that the current definition of fuel poverty needed to be looked at again – so that future programmes focus more specifically on helping those in fuel poverty who are also in income poverty.</p> <p>Scottish Ministers also accepted the high level recommendations made by the Scottish Fuel Poverty Strategic Working Group and the Scottish Rural Fuel Poverty Task Force. Both groups recommended a new approach to tackling fuel poverty, including undertaking a review of the definition to ensure those most in need, no matter where they live in Scotland, are better identified which will enable better targeting of support to low income households and setting a new target to be set in statute as part of a Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill.</p> <p>The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and the draft fuel poverty strategy which will underpin the Bill are based on principles of fairness and equality for all and reflect the Scottish Government’s commitment to addressing the underlying economic and social inequalities in society.</p> <p>The overarching ambition the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill is to see more households in Scotland living in well-insulated warm homes, accessing affordable, low carbon energy; and having an increased understanding of how to best use energy efficiently in their homes.</p> |

The fuel poverty strategy will set out how delivery of the fuel poverty target will be achieved and, set out a monitoring framework to oversee progress in meeting the target. Both the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and the draft fuel poverty strategy will be aligned with the Child Poverty Bill and the overarching agenda of the Fairer Scotland Action Plan to ensure that actions taken to tackle fuel poverty will have a positive impact people, no matter where they live in Scotland.

The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill:

- Sets a new long term target that by the year 2040, no more than 5% of households are in fuel poverty.
- Sets a new fuel poverty definition which is:

Households in Scotland are in fuel poverty if:

A household is in fuel poverty if

- a) The fuel costs necessary for the home in which members of the household live to meet the conditions set out in subsection (2) of the Bill (heating homes to specified temperatures and meeting other reasonable fuel needs) are more than 10% of the household's adjusted net income (i.e. post-housing costs), and
 - b) After deducting such fuel costs, the household's childcare costs (if any), the household's remaining adjusted net income is insufficient to maintain an acceptable standard of living for members of the household.
- Requires Scottish Ministers to publish a fuel poverty strategy and then publish a report every 5 years to update on progress towards the long term target and the plans for the next 5 years, and to report at the end of the target date.

Our aim is to ensure support from Scottish Government programmes is targeted at those who need it most no matter where in Scotland they live. By using the Minimum Income Standard we can ensure those poorest households receive the support they require.

In order to identify an acceptable standard of living the new definition is using the UK Minimum Income Standard which is produced by the Centre for Research in Social

Policy (CRSP) at Loughborough University, supported by the Joseph Rowntree Foundation. This attempts to define the income that different household types need in order to reach a minimum socially acceptable standard of living, drawing on the experience and opinions of ordinary people. The independent academic review recommended that, for the purposes of fuel poverty, the definition be based on 90% of the MIS total for each household type. They also recommended excluding council tax, rent, water rates, fuel costs and childcare costs from the calculation of the MIS total for each household.

This new income threshold is considerably higher, for most household types, than the standard 60% of median income used to define relative income poverty¹. This ensures that households only marginally above the income poverty line that are struggling with their fuel bills, will be captured in the new definition. It also removes higher income households from the definition, even if they would need to spend 10% or more of net household income after housing costs on required fuel costs. This addresses a drawback, highlighted by the independent review panel, of the 2001 definition where households with quite high incomes could be classified as fuel poor.

This ensures that households above the income poverty line that are struggling with their bills will be captured in the new definition.

The Scottish Government is adopting, with some minor adjustments, the proposed definition set out by the independent academic review panel, including measuring income after housing costs and introducing an income threshold based on the UK Minimum Income Standard (MIS). However, some of the recommendations proposed by the academic review will not be adopted:

- the MIS thresholds will not be adjusted upward for households living in remote rural areas or where at least one member of the household suffers long-term sick or disability; and
- the enhanced heating regime will not be applied for households with children under 5. However, although this is the current policy position, any final decision on this will be a matter for regulations made under the Bill defining households for which

¹ For example, the relative income poverty threshold for a couple with no children is £255 a week or £13,300 a year after housing costs in 2016/17. 90% MIS (after council tax, water rates, rent, fuel and childcare) for a working age couple with no children is £285.22 per week or £14,831 per year in 2016.

enhanced heating is appropriate as a measurement. If substantial new evidence is brought forward on this issue in the future which indicates the proposed approach disproportionately disadvantages those households with children under 5, the Scottish Government can consider reflecting this in the regulations.

The additional costs borne by rural and remote households are already taken into account in the modelling used to estimate fuel poverty. Regional variations in temperatures and exposure to the wind as well as types of stock and information about occupants are used. These can lead to greater energy usage estimates to maintain either standard or enhanced heating regimes in rural and remote rural areas. In addition, regionalised (North and South Scotland) energy prices are used to reflect the different consumer prices paid in different parts of Scotland.

Finally, by deducting housing and childcare costs from both household income and the MIS, regional variations are further taken into account. The proposed use of 90% of MIS therefore gives a consistent and simple standard, which accounts for regional variation, and set a minimum income level well above, for most household types, the standard 60% of median income used to define income poverty. This therefore ensures households above the income poverty line that are struggling with their bills will be captured in the definition.

For the first time, we are introducing a new income threshold to our definition of fuel poverty which will be 90% of the UK Minimum Income Standard (MIS) after the costs for fuel, housing, council tax; water rates and childcare are deducted. This approach was broadly welcomed in the responses to our consultation because it removes higher income households from the fuel poverty definition. This threshold is also considerably higher, for most household types, than the standard definition of absolute income poverty after housing costs which ensures households above the income poverty line that are struggling with their fuel bills will be captured under the new definition.

These proposed changes to the definition are ultimately expected to reduce inequalities of outcome, caused by socio-economic disadvantage.

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| | <p>This is because, in comparison to the existing definition, the proposed definition has a stronger focus on households with low incomes. This means that the definition will be more aligned with existing programme delivery but will also result in an increased focus on those needing most assistance from fuel poverty programmes than under the current definition.</p> <p>We are also clear that maintaining consistency with approaches to support the real living wage, where the UK MIS with no additional income enhancements is used, has its own benefits for transparency and robustness.</p> <p>The long term ambition to eradicate fuel poverty in Scotland will maximise the chance that all those who live in Scotland have productive, healthy lives, ending the cycle of fuel poverty, and preventing the next generation being born into fuel poverty.</p> <p>In addition the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill will also include a requirement on Scottish Ministers to publish a fuel poverty strategy and then publish a report every 5 years to update on progress towards the long term target and set out plans for the next 5 years.</p> <p>Scottish Government currently publish annual progress reports on the delivery of Home Energy Efficiency Programmes (HEEPS) and will continue to do this going forward as a yearly position statement of investment and outputs.</p> |
| <p>Summary of evidence</p> | <p>The Scottish House Condition Survey data (December 2017) indicates that around 649,000 (26.5%) households were classified as living in fuel poverty in 2016.</p> <p>An interim Equality Impact Assessment (based on 2015 data) was published in November 2017 alongside the public consultation on a new fuel poverty strategy for Scotland. The conclusions in this still hold under the up-to-date 2016 data.</p> <p>Up to date rates of fuel poverty under the current definition and the proposed new definition (based on up-to-date 2016 data) are detailed in the Table of Characteristics included in the Equality Impact Assessment Final Results. This will be published alongside the draft fuel poverty strategy.</p> |

Overall, under the proposed new definition of fuel poverty, the fuel poverty rate for 2016 is expected to be 23.8% compared to 26.5% under the current definition.

Looking at the broad impact of the proposed changes on different demographics and characteristics; older households, outright owners, households where at least one member has a long-term sickness or disability and households occupying dwellings in the bottom energy efficiency bands have lower fuel poverty rates under the proposed new definition.

Households in all income bands will have lower rates of fuel poverty, but this decrease is more pronounced for higher income households.

The combined impact of all these changes result in a greater reduction in the fuel poverty rate in rural areas compared to urban areas. These changes mainly result from the addition of an income threshold change to the fuel poverty definition. Some households in these groups, who are no longer considered fuel poor, may have high energy costs but they also have high residual incomes after their housing and fuel costs have been taken into account.

For families with children, younger households, private and social rented tenants, and households living in energy efficient dwellings, fuel poverty rates are higher under the new definition. This is mainly a result of the move to measuring household income after housing costs rather than before housing costs.

For example, based on 2015 data, the fuel poverty rate for families with children would increase from 16% (current definition) to 23% under the new definition. The households in these groups who are brought into fuel poverty by the new definition have high fuel costs relative to their after housing costs income, as well as low residual incomes. These households will become eligible to apply for help from Scottish Government fuel poverty programmes

All households considered to be living in fuel poverty under the proposed new definition could benefit from the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and the fuel poverty strategy as these have the long term potential to improve their living conditions and well-being.

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| | <p>To date, Scottish Government efforts to tackle fuel poverty have focussed on the energy efficiency of people's dwellings. Our draft fuel poverty strategy will set out an approach that considers wider issues of social justice and the health impacts of tackling fuel poverty. The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and the draft strategy are closely linked to the Energy Strategy published in December 2017 and the forthcoming Climate Change Plan.</p> <p>Energy Efficient Scotland (previously SEEP) will play a key role in achieving our ambitions to resolve fuel poverty and tackle climate change and is a core element of the recently published Energy Strategy.</p> <p>Energy efficiency was made a national infrastructure priority in the 2015 Infrastructure Investment Plan and Energy Efficient Scotland will be the key delivery vehicle to make this happen.</p> <p>Energy Efficient Scotland is being delivered alongside the strategic direction of the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and draft fuel poverty strategy. It will straddle our social, energy efficiency and climate change policy objectives. It will play a key role in achieving our shared objectives to eradicate fuel poverty, reduces greenhouse gas emissions, boost business productivity, grow the low carbon economy and tackle inequalities to create a fairer Scotland.</p> <p>Energy Efficient Scotland will be an integration of support for domestic and non-domestic buildings across Scotland, to improve their energy efficiency rating over a 20-year period. It will build on existing successful area-based energy efficiency programmes such as Home Energy Efficiency Programmes for Scotland: Area Based Schemes (HEEPS: ABS) and will continue to provide support for households suffering from fuel poverty.</p> <p>A Energy Efficient Scotland Route Map was published on 2 May 2018 and this set out the steps we will take to achieve the ambitions of the programme, including the investment we are committed to.</p> |
| Summary of assessment findings | <p>A public consultation ran from November 2017 to February 2018. This focused on the proposed new definition of fuel poverty and "A Fuel Poverty Strategy for Scotland", to inform the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill.</p> |

In addition, 19 consultation events were held across Scotland and separate meeting were held with island based stakeholders.

An interim Equality Impact Assessment (EQIA) was published alongside the consultation document.

The consultation process raised a number of issues.

Rural and Island Communities

Concerns were expressed that the proposed definition of fuel poverty does not take account of increased costs associated with living in rural and island communities.

However, we are clear that the additional costs borne by rural and remote households are already taken into account in the modelling used to estimate fuel poverty. Regional variations in temperatures and exposure to wind as well as types of housing stock and information about the people living in each household are used. These can lead to greater energy usage estimates to maintain either standard or enhanced heating regimes in rural and remote rural areas. In addition, regionalised (North and South Scotland) energy prices are used to reflect the different consumer prices paid in different parts of Scotland.

Although we currently use a state of the art commercial model to estimate a household's required energy consumption as part of estimating fuel poverty, we will further review the weather and fuel price information used in the model with the aim of making these more localised where possible.

The change in definition is also occurring at a time when rural fuel poverty rates are historically very low – due partly to the massive fall in domestic oil prices to 2016. However, these prices are now recovering strongly and were 24% higher in 2107 and a further 19% higher in the first three months of 2018. This will place upward pressure on rural fuel poverty rates under both the old and the proposed new definition.

We are also clear that maintaining consistency with approaches to support the real living wage, where the UK MIS with no additional enhancements is used, has its own benefits for transparency and robustness.

We will continue to deliver our existing fuel poverty support programmes, which for a number of years have prioritised rural and island areas by recognising the extra

costs associated with delivery in these areas. Currently deliver a higher grant by head of population in rural and island areas than urban.

People requiring an enhanced heating regime

In the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill we have set out the temperature regimes that will be applied under the new definition of fuel poverty to contribute to a healthy, indoor living environment which is free from condensation, mould growth and damp. They are relevant throughout the whole year although the required energy to meet them will vary, including according to monthly average external temperatures for the region in which the household lives.

The new heating regime represents an enhancement from the current definition of fuel poverty for households that we anticipate to be most affected by the adverse outcomes of living in a colder home. For these households, the other rooms' temperature in the heating regime for the new definition increases from 18°C to 20°C compared to the 10% definition while the living room temperature is maintained at 23°C. This removes the potentially harmful impact of a 5°C temperature difference between different rooms in the home

Regulations under the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill will define households for which enhanced heating is appropriate as a measurement. The current policy intention is to take account of households where a member of the household is elderly or has a condition or illness which makes that person especially at risk of suffering adverse effects from being in a cold home. Further discussion and engagement will be undertaken with stakeholders and those with lived experience of fuel poverty to ensure these proposals are robust.

Where the enhanced heating regime is applied this results in higher required fuel costs. The required fuel costs for these households will also be higher than under the current definition since the "other room" temperature for the enhanced heating regime has been increased from the temperatures applied under the current fuel poverty statement.

This new policy removes the potentially harmful impact of a 5 degree temperature difference between different rooms in the home. These higher fuel costs are both compared to after housing cost income and subtracted

from household income before the residual is compared to the MIS threshold, meaning that, all other things being equal, such households are more likely to be identified as fuel poor.

Increasing the age threshold for older people needing an enhanced heating regime

The independent panel that reviewed the fuel poverty definition suggested that a threshold around 75 – 80 years of age may be more appropriate. However, more older people than ever before are living healthy, active independent lives, well into their retirement. Therefore, we believe that an enhanced heating regime for all older people once they reach 60 years of age is no longer appropriate and, as we set out in our fuel poverty strategy consultation, we will increase the age thresholds at which older households are considered to require an enhanced heating regime, based on age alone. We have decided to use the lower age range suggested by the definition review panel so that, for older households, where a person does not suffer from any long-term ill health or disability, we will not consider them as needing this enhanced heating regime until they reach 75 years of age. This age threshold is also consistent with our approach to our Warmer Homes Scotland fuel poverty scheme. Eligibility criteria for that scheme was agreed with input from key stakeholders, including Age Scotland and Citizens Advice Scotland, to ensure support is focussed on those with low incomes, including the working poor, fuel poor families, plus those aged over 75.

Analysis for 2015 suggests that 60% of households with any adults aged between 60 and 74 inclusive will remain classed as requiring the enhanced heating regime. This is due to them being especially at risk of suffering adverse effects from being in a cold home. Overall, around 80% of households classified as requiring an enhanced heating regime under the existing definition will remain so under the new definition.

Children under 5 years of age

Children under 5 were identified as potentially experiencing negative impacts from the proposed new definition if there is no enhanced heating regime for households with children under 5.

However, although this is the current policy position, any final decision on this will be a matter for regulations made under the Bill defining households for which enhanced heating is appropriate as a measurement.

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| | <p>If substantial new evidence is brought forward on this issue in the future which indicates the proposed approach disproportionately disadvantages those households with children under 5, the Scottish Government can consider reflecting this in the regulations.</p> <p><u>Islands Bill</u></p> <p>The Islands Bill introduced in June 2018 places a requirement on public bodies, including the Scottish Government, to prepare an island communities impact assessment when the impact on island communities of a new or revised policy is likely to be different from the effect on other communities. The impact on island communities has been considered and taken into account in the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and in the draft fuel poverty strategy. We consider that the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill will have no disproportionate effects on island communities and we have committed to undertake an Islands Impact Assessment when guidance is made available.</p> |
| Decision | <p>The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill includes a new fuel poverty definition and target. The draft fuel poverty strategy which underpins the Bill sets out a comprehensive, cross-portfolio approach to assist in the delivery of reductions in fuel poverty and sets out how the long term target that by the year 2040, no more than 5% of households in Scotland will be in fuel poverty will be monitored and progress reported.</p> <p>The independent Poverty and Inequality Commission welcomed the proposed changes to the definition of fuel poverty to strengthen the relationship with low income. This change ensures those households who are most in need are considered fuel poor wherever they live in Scotland.</p> <p>To date, Scottish Government efforts to tackle fuel poverty have focussed on the energy efficiency of people's dwellings. The draft fuel poverty strategy sets out an approach that considers wider social justice and the health impacts of tackling fuel poverty.</p> <p>The evidence collected over the course of the consultation process has satisfied the Scottish Government that there is clear support for a Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill.</p> |

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| | <p>Although some concerns were identified by respondents during the consultation process, careful consideration has been given to comments received and we have found that the overall aims of both the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and the draft fuel poverty strategy and will have a positive impact on those living in fuel poverty no matter where they live in Scotland.</p> <p>In addition, tackling fuel poverty by improving the energy performance of homes will reduce inequalities and improve outcomes across Scotland. Fuel poverty can have a significant impact on health and wellbeing, particularly on children's respiratory health. Tackling fuel poverty will produce wider benefits, including improving child attainment, reducing social isolation and empowering communities to take ownership of their own energy needs.</p> <p>The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill together with the wider process of implementation and policy design of the fuel poverty strategy that underpin it, will have a positive impact on the people of Scotland by providing a legislative framework with a statutory target that by the year 2040, no more than 5% of households are in fuel poverty.</p> |
| Sign off (by Deputy Director or above) | <p>Name: Dave Signorini</p> <p>Job title: Deputy Director</p> |
| Date | 18 June 2018 |



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