

Island Communities Impact Assessment for the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill

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Executive summary

Although it is not yet a statutory requirement, the Scottish Government committed to conducting an Island Communities Impact Assessment (“ICIA”) for the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill (“the Fuel Poverty Bill”) as will be required by the Islands (Scotland) Act 2018 (“the 2018 Act”) once in force.

Accordingly, this report has been developed in the spirit of the 2018 Act, ensuring that the specific perspectives and concerns of those who live in island communities have been taken into account. The report has been undertaken in partnership and consultation with the local people and island local authorities.

Government officials met with the six local authorities which comprise inhabited islands (“island Local Authorities”) and island community members through stakeholder meetings held in March. Meeting participants were updated on the progress of the Fuel Poverty Bill through Parliament. Stakeholder concerns on the impact of the Fuel Poverty Bill for their communities as well as on the unique challenges faced by island communities were discussed and taken away to form the main element of this assessment.

The key concerns of island communities relate to how the rural, remote rural and island uplift to the Minimum Income Standard (MIS), which will form part of the fuel poverty definition, will reflect the lived experience on the ground. In addition, they called for the need for flexibilities around scheme delivery and funding in island communities in order to exploit the unique circumstances that island living presents, as well as recognising and stepping up to its challenges. The following mitigating actions have been identified as necessary in order to support the Scottish Government’s aim of reducing fuel poverty within island communities in the context of the Fuel Poverty Bill.

ACTION 1: In order to address the higher levels of extreme fuel poverty in island communities, the Scottish Government and partners will review how funding is allocated to ensure that extreme fuel poverty levels are taken into account as well as fuel poverty levels as part of the final Fuel Poverty Strategy.

ACTION 2: The final Fuel Poverty Strategy will work with island communities to design, pilot and implement delivery flexibilities that will support the tackling of hard to treat extreme fuel poverty.

ACTION 3: A qualitative reporting section will be considered for inclusion in the reporting cycle for the Fuel Poverty Bill.

ACTION 4: Given the additional challenges faced by island communities due to the differences in housing characteristics versus the mainland as well as the need to strengthen the consultation process for the final Fuel Poverty Strategy, the Scottish Government will ensure that representatives from island local authorities are fully involved in the process to develop the strategy.

ACTION 5: The Scottish Government will create a remote rural, remote small town and island minimum income standard uplift, with the uplift for island areas to be determined separately. This, taken alongside modelled estimates of energy consumption and fuel bills that already take account of geographical variances in fuel

costs and weather conditions (soon to be down to postcode district level to reflect more localised weather patterns), will ensure that the new definition is tailored to island communities' lived experience and will provide an accurate view of fuel poverty in these communities.

ACTION 6: We will seek views from all island local authorities before the end of this summer as we prepare the regulations for the enhanced heating regime.

ACTION 7: We will work with the 6 island local authorities to develop the learning from the HEEPS Equity Loan pilot on Na h-Eileanan Siar and consider how that can be expanded to ensure that help is available to those who need it.

ACTION 8: We will conduct an ICIA on the final Fuel Poverty Strategy, building on the work done to prepare this assessment, to be published at the same time as the strategy.

Introduction

Section 13 of the 2018 Act obliges the Scottish Ministers to prepare an ICIA in relation to legislation which, in their opinion, is likely to have an effect on an island community which is significantly different from its effect on other communities in Scotland. Although this section of the 2018 Act is not yet in force, given the relevance of the Fuel Poverty Bill to island communities highlighted during the consultation on the draft Fuel Poverty Strategy, the call for evidence by the Local Government and Communities Committee (“the Committee”) and in the Committee’s Stage 1 report on the Fuel Poverty Bill, the Scottish Government committed to conducting an ICIA in the spirit of the 2018 Act prior to the commencement of Stage 3 of the parliamentary process for the Fuel Poverty Bill.

Work on the guidance and template for the ICIA is currently being progressed in tandem with work on the National Islands Plan with a view to ensuring this is in place as soon as possible. An ambitious consultation exercise to inform the development of the National Islands Plan and ICIA’s guidance was launched on 6 April. Around 50 consultation events are being held across 40 of our islands in the coming weeks and local people will also be asked to share the positives of island life, as well as examples of good practice where policy works well, so that the Plan takes into account all aspects of life in some of Scotland’s most remote communities.

In the spirit of section 13 of the 2018 Act, this ICIA has:

- Identified and described areas where the Fuel Poverty Bill will have an effect on an island community which is likely to be significantly different from its effect on other communities (including other island communities);
- Consulted and worked with island communities to develop the assessment of the extent to which the Scottish Ministers consider that the Fuel Poverty Bill can be developed in such a manner as to improve or mitigate, for island communities, the outcomes resulting from it;
- Considered and proposed mitigation or actions to support the aim of reducing fuel poverty within the island communities in the context of the Fuel Poverty Bill; and
- Considered any financial implications of the above.

Background

Section 95 (1) of the Housing (Scotland) Act 2001 (“the 2001 Act”) provides that a person lives in fuel poverty if that person is a member of a household with low income, living in a home that cannot be kept warm at reasonable cost. In August 2002, under section 88 of the 2001 Act, the then Scottish Executive published the Scottish Fuel Poverty Statement with the aim of giving the definition of fuel poverty more precision. According to the Statement, a household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income (including Housing Benefit or Income Support for Mortgage Interest) on all household fuel. This definition of fuel poverty is what is currently used in Scotland.

The Scottish Fuel Poverty Statement also committed the Scottish Executive's successors to ensuring that, as far as reasonably practicable, people were not living in fuel poverty in Scotland by November 2016. When it became clear that this target would not be met, in 2015 the Scottish Government set up the Fuel Poverty Strategic Working Group and the Scottish Rural Fuel Poverty Task Force. These were two short life, independent bodies tasked with reporting on fuel poverty and making recommendations that could feed into the further development of Scottish fuel poverty policy and energy efficiency programmes. In particular, the latter group was tasked with exploring issues facing people in fuel poverty in rural, remote and off-grid areas and proposing solutions to these issues.

Both groups reported in October 2016, following this an independent, academic panel was set up to review the definition of fuel poverty in Scotland. This was done in acknowledgement that the definition would be crucial to the basis of any new statutory target and that the current definition is unhelpful to ensuring that support is delivered to those who need it most. The Scottish Fuel Poverty Definition Review Panel reported in November 2017. The majority of its recommendations have been incorporated into the Fuel Poverty Bill, which was introduced to the Scottish Parliament on 26 June 2018 and is about to enter Stage 3 of the Parliamentary process.

The Fuel Poverty Bill has four key aims:

- to set new targets relating to the eradication of fuel poverty that are ambitious but achievable;
- to introduce a new definition of fuel poverty that focuses our support on those low income households which need it most;
- to mandate the preparation of a new, long-term fuel poverty strategy; and
- to oblige the Scottish Ministers to produce periodic reports on fuel poverty.

Fuel prices and household incomes, two of the four drivers of fuel poverty, do not fall under the direct control of the Scottish Government. As a result, some households will move in and out of fuel poverty due to changes in their financial circumstances and/or in fuel prices. This is recognised in the target set by the Fuel Poverty Bill which, following amendment at Stage 2 of the parliamentary process, is as follows:

In the year 2040, as far as reasonably possible no household in Scotland is in fuel poverty and, in any event -

- no more than 5% of households in Scotland are in fuel poverty;
- no more than 1% of households are in extreme fuel poverty and
- the median fuel poverty gap of households in Scotland is no more than £250 adjusted in accordance with section 2B(5) of the Fuel Poverty Bill to take account of changes in the value of money.

Following amendment at Stage 2, the Bill also sets an interim target that, in the year 2030:

- no more than 15% of households are in fuel poverty;
- no more than 5% of households are in extreme fuel poverty; and

- the median fuel poverty gap of households in Scotland is no more than £350 adjusted in accordance with section 2B(5) of the Fuel Poverty Bill to take account of changes in the value of money.

Inserting targets on the median fuel poverty gap and extreme fuel poverty has the effect of ensuring that there is a focus on those who are deepest in fuel poverty.¹

Additional amendments at Stage 2 had the effect of:

- Imposing a duty on Scottish Ministers to ensure the 2040 target is met in each Local Authority.
- Including an uplift in the Minimum Income Standard used in the measurement of fuel poverty in the proposed new definition for households in remote rural, remote small town and island areas to reflect the higher cost of living in these areas, with the uplift for island areas to be determined separately.
- Recognising the increased costs of those with a care need or disability in the fuel poverty definition through the deduction of certain benefits from a household's net income after housing costs in part b) of the definition in order to determine whether the household has sufficient remaining income to maintain an acceptable standard of living.
- Strengthening the consultation process for the Fuel Poverty Strategy.
- Giving the Scottish Parliament more scrutiny over the consultation process for the Fuel Poverty Strategy, the strategy itself and any revision of it.
- Putting an obligation on Scottish Ministers to keep the Fuel Poverty Strategy under review and to revise it every 5 years or publish an explanation of why this is not being done.
- Increasing the frequency of the periodic reports on fuel poverty from every 5 years to every 3 years.
- Obliging Scottish Ministers to consult with certain groups of people for the periodic reports.
- Creating a statutory Scottish Fuel Poverty Advisory Panel, which will meet after the publication of each periodic report and report to the Scottish Ministers on progress towards targets and the extent to which the 4 drivers of fuel poverty are being addressed.

The new definition of fuel poverty establishes a two pronged test, which is explained in Annex B and illustrated by the following Diagram.

¹ Where a household is in fuel poverty, the fuel poverty gap is essentially the amount by which it falls into fuel poverty on an annual basis. This calculation takes into account inflation, to ensure that a comparison of costs across the years is not distorted by changes in the value of money. It further includes the ability to change how inflation is measured in order to be able to adapt to changing practices.

Calculation of costs for a household to attain requisite temperatures in its living room and other rooms for requisite hours per day – to be fed into fuel poverty definition.

Definition

Is the household required to spend more than 10% of its after housing costs net income on fuel in order to heat the home to requisite temperatures for a requisite number of hours per day and meet its other reasonable fuel needs?

No

Yes

Once a household's fuel costs, benefits received for a care need or disability (if any) and childcare costs (if any) have been deducted, is the household's remaining adjusted net income insufficient to maintain an acceptable standard of living for members of the household?

No

Fuel poor

Yes

NOT in fuel poverty

After housing cost income / adjusted net income – household net income with rent or mortgage costs, council tax, water rates and sewerage charges deducted.

Acceptable standard of living – at least 90% of the UK Minimum Income Standard (MIS) applicable to the household after deduction of the notional costs allocated within MIS to rent, council tax, water rates, fuel and childcare. There is also provision for an uplift in this percentage for households in a remote rural area, remote small town or island area to reflect the higher costs of living there. The uplift for island areas is to be determined separately.

Temperature regime – standard regime is 21°C in the living room and 18°C in other rooms for 9 hours on a weekday and 16 hours on a weekend. Enhanced regime is 23°C in the living room and 20°C for 16 hours a day.

How the new Fuel Poverty Definition will apply in remote rural, remote small town or island areas

To account for the higher cost of living faced by households in a remote rural area, remote small town or island area, provision has been made for an additional amount (or uplift) to be added to the amount (or sum), which would require to be calculated under the proposed new definition of fuel poverty to establish whether a remote rural area, remote small town or island area household is in fuel poverty. The wording of the Fuel Poverty Bill in this respect recognises that there could be cases, over the lifetime of the Act, in which the uplift is zero but does not allow for there to be a decrease below the MIS threshold contained in section 2(5).

What constitutes a remote rural area, remote small town or island area is to be defined in regulations. The person who is to determine the additional amount is also to be specified in regulations, allowing such person to be named in due course in the same way as is done for the UK MIS, but recognising that this cannot be done yet as a procurement exercise must be carried out first. The person so specified must make a separate determination on the additional amount to be allocated to an island area, the purpose being to ensure the proposed new definition of fuel poverty fully takes into account additional costs of living in an island area in the measurement of fuel poverty. In defining an island area, Scottish Ministers must ensure that the definition encompasses all island areas. This is to safeguard against any remote small town on an island expanding over the lifetime of the Act to the extent that it would no longer fall into category 4 of the Scottish Government's 6 fold urban/rural classification.

Extreme Fuel Poverty

The test for extreme fuel poverty in the Fuel Poverty Bill is the same as that for overall fuel poverty with the exception that, in the first part of the test for extreme fuel poverty, the question to be asked is whether a household requires to spend more than 20% of its after housing costs net income on fuel in order to heat the home to requisite temperatures for a requisite number of hours per day and meet its other reasonable fuel needs.

Methodology

This ICIA considers the impact on our island communities of the Fuel Poverty Bill as amended at Stage 2. To do this, both evidence from previous consultations, and new evidence gathered through direct engagement with island communities was used.

As part of the consultation around the Fuel Poverty Bill, the following consultations were conducted that have responses relevant to the development of the ICIA for the Fuel Poverty Bill:-

- The Fuel Poverty Strategy for Scotland which closed on 1 February 2018.
- The Energy Efficient Scotland Consultation which closed on 27 July 2018.

The written responses to the Committee's call for evidence at Stage 1 of the Fuel Poverty Bill were also considered together with the evidence heard by the Committee on the Fuel Poverty Bill on 21 and 28 November and 5 and 19 December 2018. The Stage 1 Report on the Fuel Poverty Bill which the Committee published

on 29 January 2019 and the official report on the Stage 1 debate which took place on 20 February 2019, were also considered.

The following reports/recommendations from the groups listed below were also taken into account in the preparation of the ICIA:

- Scottish Rural Fuel Poverty Task Force: Delivering affordable warmth in rural Scotland: action plan 2016.
- Scottish Fuel Poverty Strategic Working Group: A Scotland without fuel poverty is a fairer Scotland report 2016.
- Scottish Fuel Poverty Definition Review Panel: A new definition of fuel poverty in Scotland; review of recent evidence 2017.

In addition, data from the Scottish Housing Condition Survey (SHCS) has been analysed and a summary of key findings from this are found at Annex F.

Visits in respect of island communities within the six relevant local authority areas were conducted during March 2019. These were attended by local authority representatives as well as island community interested parties in the following locations on the listed dates.

- Highland – Inverness 11/03/2019
- Orkney Islands – Kirkwall, Orkney 13/03/2019
- North Ayrshire – Millport, Cumbrae 15/03/2019
- Argyll and Bute – Port Ellen, Isle of Islay 19/03/2019 (due to flight disruption, officials could not make the meeting. Local authority officers presented on the day and reported back).
- Na h-Eileanan an Siar – Stornoway, Lewis 21/03/2019
- Shetland Islands – Lerwick, Shetland 27/03/2019

These visits were prior to the conclusion of Stage 2 of the Parliamentary process for the Fuel Poverty Bill. The insights and feedback from these visits and conversations were key to the Scottish Government's considerations in this report.

Key Findings

Targets

As outlined on page 4 above, the new national target being set is that in 2040, as far as reasonably possible, no household in Scotland is in fuel poverty and, in any event no more than 5% of households in Scotland are in fuel poverty; no more than 1% are in extreme fuel poverty and the median fuel poverty gap of households in Scotland in fuel poverty is no more than £250 in 2015 prices before adding inflation. This target has been extended to Local Authority level, to drive progress towards the achievement of the national target and eliminate regional disparities. This addition has not been commented upon by island community stakeholders due to the timing of this report, however it is dealt with in the relevant section below.

Concerns have been expressed by island community stakeholders over the combined effect of higher fuel prices and off gas grid properties creating a greater potential for their households to fall into the bottom 5% of fuel poor in Scotland. At Stage 2, amendments were passed to define extreme fuel poverty on the face of the Fuel Poverty Bill as well as include targets in relation to the eradication of it as part of the 2040 and 2030 targets.² The 2030 target; is that, in the year 2030, the fuel poverty rate is no more than 15 per cent of Scottish households, no more than 5% of Scottish households are in extreme fuel poverty and the median fuel poverty gap is no more than £350 in 2015 prices, before adding inflation.

These measures will ensure there is a focus on those deepest in fuel poverty, no matter where in Scotland they live.

Target: No more than 5% of households in Scotland will be in fuel poverty in the year 2040

We discussed this target with the island communities and considered written consultation responses received to the Fuel Poverty Strategy for Scotland Consultation. Whilst there were representations from those who were concerned about meeting the target, or those who felt it could be more ambitious, those views did not identify a different impact on island communities on having a national target. For this reason, we do not believe there is a differential impact on island communities in having a national target, though approaches to meeting it may be different.

Target: The interim (2030) target for extreme fuel poverty and fuel poverty

Island community stakeholders have expressed a concern that their community members who are in extreme fuel poverty and living in hard to treat, off gas grid homes will fall into the bottom 5% of fuel poor and remain there. In their submission for the Fuel Poverty Strategy Consultation, the Highland Council stated: -

² The only difference between the proposed new fuel poverty definition and the newly proposed extreme fuel poverty definition is that the former makes reference to 10% of income requiring to be spent on fuel, and the latter, 20%.

“Fuel poverty levels are higher in remote rural communities. Without a targeted proportionate approach which recognises this, it is likely that levels in such communities will remain higher than in urban areas but will not be reflected in any national target or milestone... Targeting of the extreme fuel poor needs to start immediately.”

THAW Orkney in their submission for the Energy Efficient Scotland Consultation stated: -

“Many properties in rural areas, including Orkney, are likely to be deemed difficult to treat and will require specialist survey information and more expensive, specialist materials to effectively implement an improvement to energy efficiency... However, ...[this]... should not exempt difficult to treat properties from having expensive work completed, especially in cases of fuel poverty.”

Dion Alexander of the Highlands and Islands Housing Association’s Affordable Warmth Group (HIHAAW), gave the following oral evidence to the Local Government and Communities Committee:

“Extreme fuel poverty is having to spend twice that [10%] or more. In our submission, we ask that extreme fuel poverty should continue to be measured, because it will provide a guide to what is going on in the elimination of the worst forms of fuel poverty. We say very firmly that extreme fuel poverty is intolerable in a civilised society and that it should be eradicated as quickly as possible – within 5 years.”

Concerns about extreme fuel poverty being particularly prevalent and difficult to tackle were a recurring theme throughout our stakeholder meetings and a consensus emerged that those in extreme fuel poverty must be made an absolute priority.

At the Argyll and Bute ICIA stakeholder meeting, participants highlighted again the importance of tackling extreme fuel poverty first rather than simply relying on the ‘low hanging fruit’. Their written and oral evidence also gives further explanation as to why extreme fuel poverty is a concern for them:-

“[H]ouseholders in remote and rural areas could be disproportionately represented in the residual 5%, given the older, pre 1919 housing stock, reliance on either full electric or oil based heating system and issues with supply chain.”

This evidence was re-iterated in the stakeholder meeting, while the ICIA stakeholder meeting on Stornoway in Lewis highlighted extreme fuel poverty levels as one of the main challenges on the islands. The geography, culture (crofting) and climate of the islands and different island groups present different challenges to the mainland. Additional costs for the delivery of measures include multiple ferry trips and accommodation needs for the contractors during their stay to complete the work which may also be weather dependent. A greater proportion of single elderly home owners living in hard to treat homes in remote areas add to the challenge of treating households with extreme fuel poverty levels.

Under the current definition extreme fuel poverty across Scotland over the 2015-2017 period was at 8%, lower than the rate of 12% under the new definition. We can see from Table 1 that this trend is reflected in 4 of the island local authorities - Argyll & Bute, Highland, Na h-Eileanan Siar and North Ayrshire - however Orkney shows slightly lower rates of extreme fuel poverty under the new definition, while Shetland remains the same (see also the full local authority analysis shown in Annex F).

These increases are mainly driven by the change under the new definition, which considers the percentage of income on required fuel spend on an After Housing Cost basis rather than on a Before Housing Cost basis, effectively reducing the threshold for required fuel bills.

Table 1: Extreme fuel poverty data in island local authorities under the current and proposed definitions, 2015-17.

	Current	Proposed new definition with a minimum income standard uplift for remote rural*, remote small towns and island areas, and benefits received for a care need or disability deducted at part B.**	Difference
Argyll and Bute	15%	20%	↑5%
Highland	17%	21%	↑4%
Na h-Eileanan Siar	23%	25%	↑2%
North Ayrshire	5%	8%	↑3%
Orkney	23%	22%	↓1%
Shetland	18%	18%	0%
Scotland	8%	12%	↑5%

* The estimates are based on applying an uplift to areas covered by categories 4 and 6 of the Scottish Government's urban rural classification. This is in line with the Local Government and Communities Committee's Stage 1 report and is expected to be what will be set out in regulation.

** The data presented for the proposed new definition, is our best available estimate based on the Scottish House Condition Survey (SHCS). Further work is in progress to collect information through the 2018 SHCS on the income of other adults (beyond the highest income householder and their spouse) in the household as well as childcare costs. These are not currently accounted for in the data presented. For more information, please see Annex A: A note on data used in this report.

Looking specifically at island local authorities, we can see fuel poverty rates that are lower under the new definition than they were under the current definition, however the extreme fuel poverty rates are higher under the new definition than they were under the current definition. Extreme fuel poverty rates are higher for most of the island authorities (ranging from 18% in Shetland to 25% in Na h-Eileanan Siar over the 2015-2017 period) than for Scotland as a whole (12%). Therefore, most of the households on island authorities that remain in fuel poverty after the income threshold has been applied (i.e. under the new definition of fuel poverty) are in extreme fuel poverty.

The importance of using robust island data to correctly identify those who need the most support and monitor improvements was a common theme across all islands. It

was suggested by some island stakeholders, that for island proofing purposes, the Scottish Housing Condition Survey sample is too small.

It was also suggested that potentially live data can be used from Home Energy Efficiency Programmes for Scotland and Area Based Schemes (HEEPS ABS) instead of the SHCS, as well as most information needed for the new fuel poverty definition already being gathered for ECO. Local authorities with island communities in their catchment areas could provide island bespoke data so that it isn't lost in the broader picture. A case study approach could also support the quantitative data. Knowledge can be easier to obtain due to small catchment areas, closer networking and strong community ties.

We have considered the views shared with us about sample sizes used for the Scottish Housing Condition Survey. However, the SHCS survey design actually means that island communities are more accurately represented through greater on the ground participation by community members than communities on the mainland: a higher proportion of the island local authority populations are sampled compared to other local authorities. Furthermore, response rates are generally higher in island local authorities and as a result, their final survey sample is more representative of their underlying population than in other local authority areas. Therefore we do not feel changes to the survey are necessary.

HEEPS ABS and ECO data can only cover those households that actually receive an intervention and so cannot provide an accurate picture of fuel poverty as a whole. In addition, the HEEPS ABS and ECO data does not include all the necessary information to determine whether households are in fuel poverty, such as energy requirements to meet required heating regimes and housing costs required under the new definition. However, a qualitative reporting section will be considered for inclusion in the reporting cycle for the Fuel Poverty Bill to make better use of this type of information.

We also know from other evidence and from the testimony of stakeholders from across the islands during our meetings with them, that extreme fuel poverty can be particularly difficult to eliminate in island communities where building types are harder to improve to the required energy efficiency standard and opportunities to reduce fuel costs are more limited. In addition, the hard to treat housing stock can vary in its type between the islands. At the Lewis ICIA stakeholders meeting it was mentioned that the majority of homes in the Western isles are solid wall and therefore more likely to be harder to improve to the required energy efficiency standard. At the Shetland meeting the hard to improve stock was timber 4 inch kits with approximately 2 inches of insulation in the walls and cavity fill in these properties is not an option as it causes the timber frame to rot.

Such issues combined with the colder climate in the islands means that some of these homes may have the heating on throughout the whole year. If the household is also on a low income, then they are more likely under the new definition to continue to be in extreme fuel poverty after the introduction of the Minimum Income Standard thresholds.

In our discussions with stakeholders it was clear that they had concerns about their ability to tackle extreme fuel poverty and were very keen to see greater flexibility for local scheme delivery and longer term funding on islands. They believe this would allow for bespoke solutions that fit in with their unique housing issues and they are keen for this to be reflected in the final Fuel Poverty Strategy. It was also noted that vulnerable householders in island communities favour face to face communication with local organisations rather than the internet or the telephone.

The inclusion of an interim extreme fuel poverty target of no more than 5% of households in extreme fuel poverty by 2030 in the Fuel Poverty Bill as well as targets relating to a 2030 median fuel poverty gap of no more than £350 in 2015 prices before adding inflation and a 2030 fuel poverty rate of no more than 15%, shows that there is a clear desire within the framework legislation to prioritise extreme fuel poverty and tackle the depth as well as prevalence of fuel poverty.

All of the island communities we asked about this felt that, because of the prevalence of extreme fuel poverty and hard to treat properties, taking a 'worst first' approach to tackling fuel poverty is the right approach to supporting island communities to meet fuel poverty targets and they would like to see this reflected in the final Fuel Poverty Strategy.

Mitigation Actions

ACTION 1: In order to address the higher levels of extreme fuel poverty in island communities, the Scottish Government and partners will review how funding is allocated to ensure that extreme fuel poverty levels are taken into account as well as fuel poverty levels as part of the final Fuel Poverty Strategy.

ACTION 2: The final Fuel Poverty Strategy will work with island communities to design, pilot and implement delivery flexibilities that will support the tackling of hard to treat extreme fuel poverty.

ACTION 3: A qualitative reporting section will be considered for inclusion in the reporting cycle for the Fuel Poverty Bill.

Target: Local authority statutory targets of no more than 5% of households in their catchment areas to be in fuel poverty and no more than 1% in extreme fuel poverty target by 2040.

By applying the national targets, including the interim targets, to the local authority level we are ensuring that progress towards the targets will be uniformly distributed across the whole of Scotland.

It was clear from our discussions with island communities that different island local authorities will begin from different starting points due to disparities in types of buildings and ownership levels as well as levels of extreme fuel poverty (further information in the definition section below).

The first section of Annex F; the Scottish House Condition Survey Key Findings, describes the characteristics where island local authorities show differences to Scotland as a whole. It should be noted that some of these characteristics showed differences across island local authorities and non-island rural local authorities,

suggesting that some of these differences may be driven by rurality and not the fact that these households are on an island. This is the case for off gas grid homes, larger dwellings and owner occupiers. Stakeholders believed these differences may result in a greater level of local authority intervention in order to implement more intensive improvement of island dwellings. They felt this may have financial implications for island local authorities and authorities which have islands within their catchment areas when tackling fuel poor households. The Scottish Government acknowledges these higher funding levels and has a commitment to spend more per head on energy efficiency in remote rural areas including island communities through the Home Energy Efficiency Programmes and Area Based Schemes (HEEPS ABS).

These differences are:

- A higher proportion of dwellings off the gas grid; 84% in Na h-Eileanan Siar, 100% in Orkney and Shetland, 48% in Argyll & Bute and 62% in the Highlands versus the Scottish average of 16% (2014-2016 figures). Off-gas grid properties have a more limited set of alternative fuel suppliers, constraining the ability to deliver reduced heating costs.
- A higher proportion of dwellings with 3 or more bedrooms: 64% on Orkney, 67% in Shetland and 72% on Na h-Eileanan Siar compared to the national average of 49%, meaning higher fuel bills and potentially greater costs to improve energy efficiency. Larger dwellings will necessitate higher fuel bills to reach requisite temperatures and potentially higher costs to improve the energy efficiency of the fabric of the building.
- Greater numbers of owner occupiers on the islands in comparison to the Scottish national average of 61%: Na h-Eileanan Siar 74%, Orkney 77% and Shetland 69%, of which a higher percentage are owned outright than in Scotland as a whole. While there may be fewer owner occupied households in fuel poverty under the new definition, extreme fuel poverty levels will be increasing. This suggests that financial interventions in the island communities should be more weighted towards loans and equity loans rather than grants.

This indicates that island local authorities will find it more challenging to meet local authority targets.

Mitigation Actions

ACTION 4: Given the additional challenges faced by island communities due to the differences in housing characteristics versus the mainland as well as the need to strengthen the consultation process for the Fuel Poverty Strategy, the Scottish Government will ensure that representatives from island local authorities are fully involved in the process to develop the strategy.

Definition

The purpose in changing the definition is to align more closely with income poverty and help us to target our resources at those most in need of support, no matter where they live in Scotland. This ambition has been supported widely by

stakeholders, including those within island communities. However, after comparing fuel poverty rates between the old and new definitions and performing this impact assessment, it is clear that there will be a significant drop in the number of people in island communities who will be classed as in fuel poverty compared to the status quo.

The bulk of this ICIA will consider this issue, ensuring that we understand the implications and consider the extent to which this will be addressed by the fact that the new definition (including the proposed new enhanced heating regime under the Fuel Poverty definition) now seeks to fairly reflect the reality of fuel poverty within island communities through the addition of an uplift in the Minimum Income Standard threshold, to be used in the measurement of fuel poverty, for island areas.

Definition: Uplift in the Minimum Income Standard threshold to be used in the measurement of fuel poverty to account for the higher cost of living in remote rural, remote small town or island areas, with the uplift for island areas to be determined separately

The purpose of changing the definition of fuel poverty is to allow us to target support more effectively to those who do not have enough money after fuel costs, to have a reasonable standard of living. In doing so, the definition of fuel poverty aligns more closely to relative income poverty. Many stakeholders support this aim, including those from island communities. The Shetland Islands Council and the Shetland's Fuel Poverty Action Group in their responses to the call for evidence stated:-

“We welcome the use of the Minimum Income Standard (MIS), as a responsive method for understanding need in an area.”

THAW Orkney stated:-

“From our experience with fuel poor households, the change to the definition to include a Minimum Income Standard will help focus resources on those in the greatest need, particularly when highlighting households well below both definitions.”

Dion Alexander of the Highlands and Islands Housing Association's Affordable Warmth Group (HIHAAW), gave the following oral evidence to the Local Government and Communities Committee at Stage 1:

“We welcome the fact that the minimum income standard is being used to underpin and inform the evidence-based understanding of poverty and the amount of disposable income that people have.”

However strong views were expressed and evidence provided that living costs are higher in island communities, and that this needs to be taken into account.

Dion Alexander, in the same oral evidence session, expanded on this issue:-

“As you are aware, evidence has been gathered for remote rural Scotland on exactly the same basis as for the minimum income standard UK data. It was

first gathered in 2013 and refreshed in 2016. We are saying, “Please, please use this evidence.””

It should also be noted that the Scottish Independent Rural Task Force in their 2016 Report recommended that a Scotland MIS should be commissioned “once every 3 years to provide top quality information on cost of living contexts and trends by 6-fold urban and rural classification.”³

Comhairle Nan Eilean Siar stated in their written evidence: -

“It is essential to factor in higher living costs to an understanding of poverty in remote and rural areas. Poorer households in the islands are likely to be significantly worse off financially than an equivalent earning mainland household because of the higher cost of living”.

This was further highlighted throughout the stakeholder meetings we had with island communities. Concerns were expressed over the higher costs of living, and also the additional installation costs for energy efficiency improvements in remote locations.

The response received by the Committee from the Shetland Islands Council agreed with these concerns: -

“.....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.”

At the Western Isles ICIA stakeholder meeting, concerns were also expressed that the base level data on fuel poverty in the islands must be robust in order for the issue to be tackled effectively. If the levels of fuel poverty are incorrectly estimated at the beginning, then it cannot be effectively tackled. This concern was echoed in the ICIA stakeholder meetings in Orkney and the Highlands.

Initial assessment of fuel poverty levels under the current definition and the proposed new definition across island community local authorities does show a significant reduction in fuel poverty which is mainly due to the inclusion, for the first time, of an income threshold in the definition. In recognition and response to these concerns, the Scottish Government raised an amendment to the Fuel Poverty Bill at Stage 2, which was passed by the Local Government and Communities Committee. This provides for an assessment to be made of an additional uplift to be added to the UK MIS thresholds for households living in remote rural, remote small town and island areas. The legislation also make provisions for the uplift for island areas to be assessed and determined separately.

Based on options presented to the Committee, it is intended that the uplift will be determined via primary research to produce a remote rural, remote small town and

³ Delivering affordable warmth in rural Scotland: action plan

island area minimum income standard.⁴ It should be noted that the remote rural, remote small town and island minimum income standard areas are defined by categories 4 and 6 of the Scottish Government Urban Rural Classification.

The key underlying themes of the methodology reflect the expert advice from Professor Donald Hirsch, Director of the Centre for Research in Social Policy at Loughborough University and the leader of the academic group responsible for the production of the UK Minimum Income Standard (UK MIS).

These themes are:

- i. That the extensive research that goes into the production of the UK MIS can be utilised, as there are many common goods and services that will be required across various different household types throughout the whole of the UK.
- ii. That the focus of additional work in Scotland for developing this methodology should be on identifying any differences in required goods and services and ensuring the pricing reflects additional costs faced by households living in remote rural, remote small towns and island areas.
- iii. That extensive primary research need only be carried out periodically, with Professor Hirsch suggesting that every 8 years would be sufficient.
- iv. That desk based analysis could be undertaken in intervening years to update the prices for the basket of goods and services to take account of inflation.
- v. That collection of local price data every 2 years could be undertaken along with an analysis of impact of any changes to the UK MIS and the remote rural, remote small town and island MIS.
- vi. That there is much greater variation in MIS by main household types which ought to be reflected in separate uplifts by household type.
- vii. There is less variation in MIS by geographic area within the remote rural, remote small town and island MIS, whereby an average compiled by sampling various locations within these areas would suffice for fuel poverty purposes.

These represent a proportionate and evidence-based approach to taking account of the additional costs of living in a remote, rural and island community.

The MIS uplift for a remote rural, remote small town or island area will include a full assessment of prices in such areas and will combine this with primary research to identify differences in the basket of goods and services required by these households. It will also produce separate MIS uplifts for 3 main household types; i) working age households with no children; ii) pensioner households; iii) families with children. Where households are, for example, a mixture of pensioners and working age, an average uplift would be applied. It is envisaged that initially these percentage uplifts will be calculated using the previous research from the Highland and Islands performed by Professor Hirsch's team, but broken down by household type. It will then be re-based following extensive research which will be

⁴ Please see the options paper provided to the Local Government and Communities Committee here: https://www.parliament.scot/S5_Local_Gov/General%20Documents/20190222_FuelPovertyLetterfromSGPDF.pdf

commissioned through the Scottish Government’s Public Procurement Process which enshrines the overarching principles of equal treatment, non-discrimination, proportionality and transparency.

The use of this uplift for island communities allows for some of the unique challenges of island community life to be incorporated into the fuel poverty definition, namely the higher prices experienced by households in these areas. Table 2 below provides indicative data on the likely impact the uplift will have on rates of fuel poor households in island community areas. A complete table for all local authority areas can be found in Annex F. The statistics in this table give an indication of the likely impact. Precise statistics will not be available until the research has been completed as set out above.

In Table 2 below, the Minimum Income Standard uplifts are applied when calculating the figures in the last column. For working age single or couple households the uplift is 15%, for pensioner single or couple households it is 19% and for family households it is 27.5%. As can be seen in the table below, this makes a small difference to the overall rate of fuel poverty in Scotland, which is 2 percentage points higher than the new definition rate before the uplift had been applied (over the 2015-2017 period).

Table 2: Fuel poverty data in island local authorities under the current and proposed definitions, 2015-2017.

	Current	Proposed new definition prior to any remote rural, remote small town and island area uplift**	Proposed new definition*** with a minimum income standard uplift for remote rural*, remote small town, and island areas** and benefits received for a care need or disability deducted at part B.
Argyll and Bute	44%	27%	34%
Highland	49%	26%	33%
Na h-Eileanan Sar	56%	27%	36%
North Ayrshire	26%	22%	26%
Orkney	57%	25%	31%
Shetland	44%	18%	24%
Scotland	27%	24%	26%

* The estimates are based on applying an uplift to areas covered by categories 4 and 6 of the Scottish Government’s urban rural classification. This is in line with the Local Government and Communities Committee’s Stage 1 report and is expected to be what will be set out in regulation.

** The data presented for the proposed new definition, is our best available estimate based on the Scottish House Condition Survey (SHCS). Further work is in progress to collect information through the 2018 SHCS on the income of other adults (beyond the highest income householder and their spouse) in the household as well as childcare costs. These are not currently accounted for in the data presented. For more information, please see Annex A: A note on the data used in this report.

***The figures presented in the last column are based on Bill as amended at Stage 2; as well as the uplift to households in category 4 and 6 of the Scottish Government’s urban rural classifications, any income received through Disability Living Allowance, Personal Independence Payments or Attendance Allowance are deducted from Part B of the definition.

The fuel poverty rates presented in Table 2 for the proposed new definition as at stage 2 of the bill (i.e. in the far right column) take account of 2 adjustments which are: i) an uplift to the minimum income standard for households which, according to the Scottish Government’s urban/rural classification, live in remote rural or remote

small town and island areas, and ii) benefits received for a care need or disability are deducted at part B of the definition (when incomes are compared to 90% of the minimum income standard). The first of these adjustments applies to only certain households, namely those that live in dwellings in remote-rural, remote small town and island areas; however the second adjustment will affect all households across Scotland that are in receipt of one of the benefits.

All island community local authorities see a reduction in fuel poverty under the proposed new definition compared to the current definition, and these reductions are larger than the overall Scotland reduction from 27% under the current definition to 24% under the new definition before the remote rural, remote small town and island areas uplift is applied. This is the effect of an income threshold based on the UK Minimum Income Standard (MIS), which removes higher income households from the definition, even if they would need to spend 10% or more of their net household income after housing costs on required fuel costs. However, the income threshold is considerably higher, for most household types, than the standard 60% of median income used to define relative income poverty.

The extent of the reduction is expected to be offset, somewhat, by the proposal to uplift the UK MIS to reflect the higher costs of living in remote rural, remote small town and island areas. Table 2 shows that when this uplift is applied, and amounts received in disability or care benefits are deducted at part B (as agreed at the end of stage 2), the fuel poverty rate across Scotland is 26%. All island community local authorities with the exception of North Ayrshire (the majority of which is mainland), show greater levels of fuel poverty through the use of an uplift for remote rural, remote small towns and island areas, than under the current definition

In addition to amending the Fuel Poverty Bill at Stage 2 to take into account the higher costs of living in remote rural, remote small town and island communities, work is also underway to improve the way in which local weather conditions are taken into account. The use of more localised weather data in the technical calculation will ensure that the more exposed conditions that island communities are typically subjected to are properly reflected in the measurement of fuel poverty. The proposed new fuel poverty definition and remote rural, remote small town and island area uplift, with a specific uplift for island areas, supports the Scottish Government's ambition of helping those who need it the most to maintain an acceptable standard of living, aligning the fuel poverty definition more closely with relative income poverty in the process.

The financial implications of the proposed new remote rural, remote small town and island MIS have been estimated, with an indicative cost for an 8 year cycle (defined by how often extensive primary research must take place) of between £200,000 – £240,000. It is estimated that the initial set up costs for the remote rural, remote small town and island communities MIS is likely to be around £125,000 with a further £125,000 over the remainder of the 8 year cycle. The final costs will depend on a procurement process. These initial set up costs will be absorbed by the Scottish Government 2020 – 2021 budget in order to ensure that the fuel poverty definition will continue to reflect actual costs experienced on the islands of Scotland and so allow a realistic measurement of fuel poverty and extreme fuel poverty across Scotland throughout the years leading up to our 2040 and no more than 5% of

Scottish households being in fuel poverty target and no more than 1% being in extreme fuel poverty.

Mitigation Actions

ACTION 5: The Scottish Government will create a remote rural, remote small town and island Minimum Income Standard uplift, with the uplift for island areas to be determined separately. This, taken alongside modelled estimates of energy consumption and fuel bills that already take account of geographical variances in fuel costs and weather conditions (soon to be down to postcode district level to reflect more localised weather patterns), will ensure that the new definition is tailored to island communities' lived experience and will provide an accurate view of fuel poverty in these communities.

Definition: Enhanced Heating Regime.

The Fuel Poverty Bill defines the requisite temperatures for rooms in a home as well as the requisite number of hours that these temperatures should be maintained for a healthy indoor living environment that reduces the risk of condensation, mould growth and damp. There are two separate regimes specified – one for all households and one for households in Scotland where enhanced heating is appropriate.

The requisite temperatures for those where enhanced heating is not appropriate are 21 degrees Celsius for the living room and 18 degrees Celsius for any other room. Where enhanced heating is appropriate, the living room temperature is 23 degrees Celsius and 20 degrees Celsius for any other room. The requisite number of hours for those households where the enhanced regime is not appropriate is 9 hours on a weekday and 16 hours a day during the weekend. The other room temperature for the enhanced heating regime has been increased from 18 degrees Celsius to 20 degrees Celsius compared to the current definition while the living room temperature has been maintained at 23 degrees Celsius, thus removing the potentially harmful impact of a 5 degree Celsius temperature difference between different rooms in the home. For households where enhanced heating is appropriate, the requisite number of hours is 16 hours a day, every day.

This criteria is then used to calculate the costs of maintaining these heating levels, bearing in mind monthly average external temperatures for the geographical region of the dwelling and this is used to identify those in fuel poverty and/or extreme fuel poverty.

The Scottish Government has proposed categories of households where enhanced heating will be used in the calculation of fuel poverty through secondary legislation. The draft Fuel Poverty Strategy sets out our initial proposals but recognises that there is further work to be done.

The initial proposal to identify such households was to use a two-fold approach;

- Firstly to include households where a member of the household has self-reported as having a physical or mental health condition or illness lasting, or expected to last 12 months or more, no matter what their age. This self-reported information is already gathered through the Scottish Housing Condition Survey.

- Secondly, if there is one or more individuals living there who are over the age of 75.

The independent panel that reviewed the fuel poverty definition suggested that the threshold should be between 75 and 80 years old. We consider that the lower age of this range is most appropriate so that for older households, where a person has no long-term ill health or disability, we will not deem them as needing enhanced heating until the age of 75. There is further work ongoing on the 'self-reported health' criteria to see if it can be refined in order to better capture those who are likely to be most affected by the adverse outcomes of living in a colder home. This is being undertaken with the Fuel Poverty Advisory Panel and other relevant stakeholders, including island communities.

In some of the ICIA stakeholder meetings, it was mentioned that the way that homes are used in remote rural and island communities can differ from the mainland. Under occupancy is a significant factor on the islands. Published local authority data shows that under occupation rates (i.e. the minimum bedroom standard is exceeded by 2 or more bedrooms) are significantly higher for island authorities than Scotland as a whole. Stakeholders stated that the enhanced heating regime must take into account those homes that are only partially lived in, having had some sections either closed down as they have fallen into disrepair, or not heated as they are not needed. It was also mentioned that Energy Care measures on 'affordable warmth' (area of home used) could be set at local island levels.

However, the modelling undertaken for either heating regime assumes the whole house is used i.e. the calculation is based on the costs required to heat the full property to the required level. If a householder is only partially heating a home, or only living in a section of it, then this may be a symptom of fuel poverty, and so should not be taken into account in the measurement of it.

Stakeholders, including island stakeholders, have shared concerns over the proposed raising of the enhanced heating threshold age from 60 to 75. Island community feedback from previous consultations suggest some think that the age increase is too high, others believe having an age is arbitrary and may well have an adverse impact on rural and island areas where the percentage of the elderly is higher. The Fuel Poverty Definition Independent Review Panel in their 2017 report state:-

“...in the context of an increasingly healthy and active older population, it could be argued that age per se is not a particularly useful criterion for classifying people as vulnerable to cold-related health impacts. *In the absence of any long-term ill health or disability*, the Panel took the view that age should not become a proxy for vulnerability, until a much older age than is presently used as a threshold in Scotland (which is 60 years). A threshold nearer 75 – 80 years might be more appropriate....”

In practice, analysis of 2015 data indicates that 60% of households in Scotland with any adults aged between 60 and 75 inclusive will still be classed as needing the enhanced heating regime because of health issues or because they also contain another adult aged 75 or over. The impact, therefore, will be very much along the

lines of that proposed by the expert panel, which is to avoid classifying those people who are aged 60 and over and fit and well from the definition. Overall, based upon the definition above, current modelling indicates that around 80% of households classified as needing an enhanced heating regime under the existing definition will remain so under the new definition.

The requisite temperatures for rooms in a home as well as the number of hours at which these temperatures should be maintained for a healthy indoor living environment for all households in Scotland apply equally across all households nationally. We have not seen any evidence to suggest that this will have a differential impact on island communities therefore no additional actions are required at this time. However, at the ICIA Stakeholders meetings, concerns were raised over some homes' ability to reach requisite temperatures on the islands and the lack of recognition of wind chill impacts when calculating cold weather payments. Our modelling of energy consumption does take into account local weather conditions, including wind chill factors and we are improving this further by moving from regional weather to postcode district weather.

It has been pointed out by some island stakeholders that there may be an unintended and disproportionate impact on island and rural community pensioners who own their own homes outright, of the introduction of the higher age threshold for enhanced heating combined with the use of the after housing costs calculation in the MIS as part of the new fuel poverty definition.

HIHAAW, the Scottish Islands Federation and North Ayrshire Council all report this concern. The Scottish Islands Federation in their submission for the Fuel Poverty Strategy consultation state:-

“...we are concerned that the reduced emphasis on older households (resulting from the combination of using AHC, MIS and an increased threshold of 75 years of age) may have unintended and disproportionate impacts on island and rural communities.....It is not so unusual for elderly islanders on low incomes to own hard to heat homes in locations exposed to very inclement weather.”

The Scottish Housing Condition Survey (SHCS) 2015 – 2017 confirms that the percentage of islanders who own their own homes outright is higher across the island local authority catchment areas compared to Scotland as a whole. There is no data available to us to indicate levels of home ownership (mortgage free) for those islanders whose homes fall under local authority areas which include islands as well as the mainland (North Ayrshire, Argyll and Bute and the Highlands), however table 3 below shows that percentage for island local authority areas.

Table 3: Percentage of islanders who own their homes outright compared to the Scottish average, 2015-2017

Local Authority	% of population who own their homes outright
Na h-Eileanan Siar	57%
Orkney	53%
Shetland	40%
Scotland	33%

The above data combined with the slightly higher median age of the island householder indicates that there may be more islanders of a pensionable age who own their own homes outright in comparison with the Scottish average. It follows that these islanders who have no mortgage or rent to pay may have more net income after housing costs have been deducted and therefore, under the new fuel poverty definition, may not qualify as fuel poor due to having funds above the defined level of an acceptable standard of living. However, the remote rural, remote small town and island MIS will mitigate this, to some extent, as the uplift will vary according to working age households without children, *pensioner households* and families. This being the case, the threshold will take account of specific costs of living for island pensioners.

Owner occupiers and private landlords in Argyll and Bute or the Western Isles can take advantage of the Scottish Government's Home Energy Efficiency Programmes for Scotland (HEEPS) Equity Loan pilot programme. This is designed to help with the costs of energy improvement and repairs to properties. The HEEPS Equity loan allows the home owner or landlord to borrow money against the value of the property, which is paid back when the property is sold or when the last applicant passes away.⁵ This pilot project has been particularly well received on Na h-Eileanan Siar.

This outcome supports the Scottish Government's ambition of helping those who need it the most to maintain an acceptable standard of living, thereby aligning the fuel poverty definition more closely with income poverty.

Mitigation Actions

ACTION 6: We will seek views from all island local authorities before the end of this summer as we prepare the regulations for the enhanced heating regime.

ACTION 7: We will work with the 6 island local authorities to develop the learning from the HEEPS Equity Loan pilot on Comhairle Nan Eilean Siar and consider how that can be expanded to ensure that help is available to those who need it.

Strategy

The final Fuel Poverty Strategy will set out our policies and actions for tackling fuel poverty. The delivery of policies to tackle fuel poverty is the change on the ground that is needed. It will require a careful balance of national level consistency and effective local flexibility to deliver an impactful strategy that will allow the targets to be met.

The draft Fuel Poverty Strategy that was published alongside the Fuel Poverty Bill was an indicative outline document but will be developed fully following commencement of the relevant sections of the Fuel Poverty Bill. Since the draft Fuel Poverty Strategy is an illustrative document, we do not intend to provide a detailed ICIA in respect of it. We will undertake an ICIA in respect of the final Fuel Poverty Strategy and this will be published alongside that strategy. It will take into account

⁵ <https://www.energysavingtrust.org.uk/scotland/grants-loans/heeps/heeps-equity-loan-scheme>

the ongoing development of ICIA guidance and any learning from the development of this ICIA.

As part of this ICIA, we have spoken to island communities about delivery and the strategy and intend to use the feedback collated in the development of the final strategy. Annex C includes a list of programmes already being undertaken in Scotland that further explore some of these solutions, while Annex D is an update on work being undertaken by other areas of the Scottish Government which impact on tackling fuel poverty.

The proposed Fuel Poverty Strategy is to be laid before the Scottish Parliament within a year of Section 3 of the Fuel Poverty Bill coming into force. It will set out our policies and actions for tackling fuel poverty across Scotland. As previously stated, it will require a careful balance of national level consistency and effective local flexibility to deliver an impactful strategy that will allow the targets to be met.

This final strategy will be developed in partnership with those who have lived in fuel poverty, both on the islands and the mainland. This fulfils a recommendation made by the Scottish Fuel Poverty Strategic Working Group's Fuel Poverty Report in 2016 that the Scottish Government should involve people who are experiencing fuel poverty in the development of the fuel poverty strategy.⁶

The Scottish Government will actively seek further stakeholder engagement in order to ensure that the final strategy accurately reflects the situation on the ground and how, by working together through a network of national and local partnerships, we will achieve the target of no more than 5% of Scottish households in fuel poverty and no more than 1% in extreme fuel poverty by 2040.

The final Fuel Poverty Strategy will be a national strategy, setting out a consistent framework of policies and actions to achieve the targets. Within that, however, it will need to ensure that the funding and flexibilities needed for the islands to achieve their targets alongside the mainland have been taken into consideration and acted upon.

The way that fuel poverty interventions are delivered will have significant impacts and delivery will need to be tailored to local areas across the country. Alongside the feedback we have already received through the various consultations, we have also consulted with island stakeholders throughout the development of this report and summarised below are their views for possible inclusion in the Fuel Poverty Strategy.

The Island Experience

Island stakeholders have emphasised the importance of understanding the island experience. As part of the development of the Fuel Poverty Strategy, officials will be consulting with island communities. Section 4 of the Fuel Poverty Bill requires the Scottish Government to consult with individuals who are living, or have lived in fuel poverty for the strategy. We commit to ensuring that we will engage with islanders

⁶ <https://www.gov.scot/publications/scotland-without-fuel-poverty-fairer-scotland-four-steps-achieving-sustainable/pages/3/>

who are living, or who have lived, with fuel poverty in order that the island experience is fully represented in the final strategy through island community consultations this summer.

Each island has its own specific considerations and constraints. For example, on Shetland, the council took the decision to focus on internal wall insulations and, because of strong winds and potential damage, avoid using external wall insulation (EWI). They also focused on under floor insulation to combat the issue of drafts. In Orkney, EWI is the number one option and in the Western Isles, it is internal wall insulation and insulation for ‘a room in the roof’ (attic rooms). This feedback is supported by the percentages of measures installed through HEEPS ABS vs total number of Measures for 2017/18 (table 4 below). Providing more flexibility in the delivery of national programmes would allow the islands to provide more bespoke outcomes that meet the particular needs of the island communities in tackling energy efficiency.

Table 4: Percentage of Measures Installed vs Total number of Measures

	Internal Wall insulation	External Wall Insulation	Room in Roof	Loft Insulation	Draft Proofing
Scottish Average	5%	66%	1%	5%	Less than 1%
Western Isles	37%	0%	17%	16%	0%
Orkney	11%	62%	2%	23%	0%
Shetland	11%	0%	7%	14%	7%
Highlands	0%	100%	0%	0%	0%
Argyll and Bute	35%	3%	6%	21%	0%
Scottish Borders	6%	4%	4%	6%	0%

Funding flexibility

Island community feedback highlighted their position that local delivery and flexible funding is important. In Orkney, the Council employs a managing agent which manages all funding streams and householders contact them directly on energy efficiency works. Longer term funding through Warmer Homes Scotland and HEEPS Area Based Schemes would allow greater flexibility of matching up different funding streams available and result in focused and achievable projects, which could successfully provide unique island solutions which may not be relevant on the mainland (ECO, Warmer Homes Scotland and Renewable Heat Incentive for heat pump installation for example).

The importance of linking health and energy efficient funding for those in fuel poverty was highlighted by many island stakeholders. This echoes the findings of the “Delivering affordable warmth in rural Scotland: action plan” produced by the Scottish Rural Fuel Poverty Task Force. This report highlighted that there was strong evidence to suggest that fuel poverty, vulnerability and health care issues were closely linked and that adopting a co-ordinated approach across these areas would

lead to a reduction in NHS burdens and expenditure costs.⁷ Island community stakeholders agree that fuel poverty has a negative impact on health and utilising funding from both areas would support people to stay in their homes longer and reduce negative health outcomes (please see the homecare pilot in Moray and Aberdeenshire in Annex C).

Scheme flexibility

Island stakeholders were unified in their call for an island approach in order to allow island solutions, which may well not be relevant to the mainland.

Face to face communication is encouraged and preferred on the islands where there may be issues with internet coverage, the population is also older and may not have access to the internet and local business' are used to disseminate information through posters and leaflet drops.

Some stakeholders felt that equity release schemes may work better on the islands due to the greater proportion of outright homeowners in comparison to the mainland, although there is no definitive evidence to support this at this time. While there has been 38 requests for application packs (and applicants then going through the HES customer journey) for the HEEPS Equity Loan Pilot Scheme in the Western Isles, we have only received 1 loan application to date. Some of the applicants will have been referred to alternative schemes i.e. Warmer Homes Scotland, some will have decided not to progress and others are likely to be in the process of deciding whether to complete the application or not.

Integration of services at an island level may provide benefits not possible on the mainland due to economies of scale. It was suggested that a pilot project on health, education, social care, repair and energy could be developed for an island community to further explore the links between these areas and potentially inform operational delivery. Annex C includes such a programme in the Western Isles; The Moving Together Programme.

Fabric First

Island stakeholders mentioned the direct link between the general condition of some of the housing stock and energy efficiency, pointing out that there is little point attempting to improve the latter if the house isn't maintained to a certain level of repair (wind and water tight). Orkney stakeholders suggested a small improvement repair pilot project on a remote island using grant funding and possibly a loan from the council tied to HEEPS ABS and Warm homes funding could be a way of assessing how this issue could be tackled with hard to treat homes on the islands.

There is a loan scheme available to householders: a maximum loan value for HEEPS ABS energy efficiency measures is £5,000 or up to £10,000 if repair work is needed as well. However, at least one energy efficiency measure has to be installed if claiming repairs. These loans are available to householders who need to make a contribution towards their grant funded measure.

⁷ <https://www.gov.scot/publications/action-plan-deliver-affordable-warmth-rural-scotland-proposed-scottish-rural/pages/9>

Equity loans are available with a 55%/45% split between energy efficiency and repairs. The maximum loan available is £40,000 or up to 50% equity share, whichever is less. In addition, the applicant should have 30% free equity after any existing mortgage and equity loan.⁸

Availability of qualified installers

Island community feedback indicates a high level of variation between the islands when it comes to finding reliable companies to undertake energy efficiency improvement work. Local delivery is possible in some areas, however high costs of local providers, due to general demand for such skills, mean that in some cases it is cheaper to contract with companies on the mainland, even with the additional transport and accommodation costs. This was the case in Orkney, in particular for EWI, as well as Cumbrae, however the isle of Arran use internal contractors. It was reported that smaller island contractors can be put off by the need for specific qualifications, such as PAS 2030, while additional logistics of accommodation, transporting materials to the islands, and the seasonal impact of both inclement weather and the tourist season can all have a negative impact on the desirability of using mainland contractors. These difficulties are reflected in the findings of the Scottish Rural Fuel Poverty Task Force's report for rural and remote areas in Chapter 7: House improvement, tenure and supply chain issues.⁹

Flexibility of electricity Tariffs

Island stakeholders were concerned around the possibility of forced low consumption of electricity due to the high costs on the islands. The islands have a higher percentage of restricted meters which preclude easy switching (e.g. economy 7, economy 10, economy 18, and economy 24). The percentage of households using these tariffs over the three-year period from 2015-2017 ranged from 23% in Na h-Eileanan Siar and Highland, to 47% in Orkney and 55% in Shetland; this compared to 10% across Scotland as a whole. There is only one electricity supplier that now offers these electricity tariffs on the islands and switching entails removal and replacement of the existing meters, the cost of which makes it prohibitive for vulnerable customers. These higher costs on the islands echo the findings of the "delivering affordable warmth in rural Scotland: action plan" produced by the Scottish Rural Fuel Poverty Task Force. Evidence reviewed in this report demonstrates that:

"...the energy market is not serving rural Scotland well or fairly. It shows that off-gas rural households in particular incur significantly higher-than-average heating costs as a result of the range of contributory factors stacked up against them. These start with the greater exposure to harsh weather conditions and lower levels of energy efficiency and are compounded by higher levels of energy consumption."¹⁰

⁸ <https://www.energysavingtrust.org.uk/scotland/grants-loans/heeps/heeps-equity-loan-scheme>

⁹ <https://www.gov.scot/publications/action-plan-deliver-affordable-warmth-rural-scotland-proposed-scottish-rural/pages/10>

¹⁰ <https://www.gov.scot/publications/action-plan-deliver-affordable-warmth-rural-scotland-proposed-scottish-rural/pages/7>

Mitigation Actions

ACTION 8: We will conduct an ICIA on the final Fuel Poverty Strategy, building on the work done to prepare this assessment, to be published at the same time as the strategy.

Other Provisions in the Bill

Statutory Body to monitor the final Fuel Poverty Strategy

Through a Stage 2 amendment, the Fuel Poverty Bill creates a new statutory Fuel Poverty Advisory Panel. They will meet after the publication of each periodic report to Ministers (amended to every 3 years) and report to Ministers on the progress made towards the Fuel Poverty Bill targets and the extent to which the four drivers of fuel poverty are being addressed. The Panel's statutory duty will apply across all of Scotland. We therefore do not believe that this action will have a differential impact on island communities, therefore there is no need for mitigating actions.

Conclusions

The work undertaken to produce this impact assessment in partnership and consultation with local people and island local authorities has further developed our understanding of the unique challenges and opportunities for tackling fuel poverty within island communities.

We have developed a set of actions that will support and improve our work around the Fuel Poverty Bill. Through these we will ensure that we can tackle fuel poverty wherever it occurs and that we support island communities in achieving all the fuel poverty and extreme fuel poverty 2030 and 2040 targets.

The Scottish Government will achieve these actions through:

- reviewing how delivery schemes can work better locally and funding for island communities,
- developing a remote rural, remote small town and island Minimum Income Standard uplift, with the uplift for island areas to be determined separately,
- ensuring that representatives from island local authorities are fully involved in island proofing the final Fuel Poverty Strategy,
- the production of an Island Community Impact Assessment (ICIA) on the final Fuel Poverty Strategy and
- further work by the Fuel Poverty Advisory Panel on self-reporting for the enhanced heating regime.

Ongoing consultation with island communities on the final Fuel Poverty Strategy and the publication of the ICIA on this strategy will ensure that island communities continue to have a say in how the Fuel Poverty Bill Targets for their homes will be achieved.

Annex A: A note on the data used in this report

The data presented for the proposed new definition, is our best available estimate based on the Scottish House Condition Survey (SHCS). Further work is in progress to collect information through the 2018 SHCS on the income of other adults (beyond the highest income householder and their spouse) in the household as well as childcare costs. These are not currently accounted for in the data presented.

We will also be undertaking analysis of missing survey housing cost data, determining households to which the enhanced heating regime should apply, employing the full 107 MIS thresholds and considering smoothing of the MIS data over time if required.

The data presented includes an estimated uplift for remote rural, remote small town and island areas (categories 4 and 6 of the Scottish Government's urban rural classification). This data is provided as an indication of the likely impact of the uplift and is based on work undertaken by the definition review panel. However, the actual values of the uplifts to be applied will be determined by research which is yet to be procured and the details of which will be set out in regulations to the Bill.

ANNEX B: Textual explanation of the new Fuel Poverty Definition

- The first element of the test retains a fuel cost to income ratio whereby, in order to qualify as fuel poor, a household requires to spend over 10% of its income on household fuel. As is the case with the current definition, the applicable fuel costs are those deemed necessary to heat the home as opposed to those fuel costs which the household actually incurs. However, unlike the current definition, the income used in this part of the test is the household's after housing costs ("AHC") net income. This means that rent or mortgage costs, council tax and charges for water and sewerage are deducted from the household's net income whereas under the current definition, household income is defined as income before housing costs with only council tax, water and sewerage charges deducted.
- The second element of the test introduces an income threshold whereby a household is in fuel poverty if, after the deduction of its necessary fuel costs and its childcare costs (if any) as well as benefits received for a care need or disability (if any) its remaining AHC net income is below 90% of the UK MIS or below the additional remote rural, remote small town and island uplift (where relevant) for its household type.

ANNEX C: Scottish Programmes with relevance to the development of the Fuel Poverty Bill Strategy

Gluasad Comhla¹¹

The Gluasad Comhla (Moving Together) Project is a new initiative from Tighean Innse Gall (TIG) for people who are registered with the Langabhat GP practice. It is part of the 'Inspiring Communities project' on the Western Isles and has been running for just over a year. People in poor health who would benefit from a warmer home are referred on. Their property is visited and assessed in terms of what can be done to improve it through insulation as well as providing help to understand heating controls, with fuel debt and applications for energy efficiency appliances. Everyone who is referred through this project will also be eligible for a benefit check through Citizen's Advice.

Care and Repair¹²

TIG are providing the Care and Repair service, a local authority statutory duty, which supports vulnerable and elderly individuals in their own homes. Alongside adaptations to the home to prevent slips trips and falls, the service also provides light house maintenance to ensure that the home is wind and water tight. The service pays for the labour, while the customer pays for materials.

HES Homecare pilot¹³

The HES Homecare pilot aimed to test the Energy Carer Approach to tackling rural fuel poverty in two rural areas: Annandale and Eskdale and Moray East. The Energycarer approach provides support in accessing energy retrofitting opportunities and funding for vulnerable rural fuel poor households who have additional vulnerabilities to the effects of fuel poverty and who may require multiple points of contact and face-to-face visits, rather than single phone calls offered through traditional services. Following an evaluation of the pilot the Energy Carer service is being rolled out across Scotland by Home Energy Scotland. This pilot project fulfils the Scottish Rural Fuel Poverty Task Force's 2016 report recommendation: -

“the commissioning of an energy carer pilot to assess the effectiveness of high quality, in-home locally delivered, holistic support in bringing verifiable affordable warmth improvement to cold, vulnerable fuel poor households living in any part of remote rural Scotland.”¹⁴

THAW Orkney Affordable Warmth Project¹⁵

In 2016/17, THAW Orkney, with financial assistance from British Gas Energy Trust and Energy Action Scotland, offered a holistic service to clients that addressed factors contributing to the incidence of fuel poverty through looking at household income and the energy efficiency of housing. The aim was to reduce the impact of fuel costs and the impact on health that living in inadequately heated homes can produce. Partnership staff were employed to develop and deliver a pipeline

¹¹ <https://www.tighean.co.uk/?s=moving+together>

¹² <https://www.tighean.co.uk/services/care-and-repair/>

¹³ <https://www.gov.scot/publications/evaluation-hes-homecare-pilot/>

¹⁴ <https://www.gov.scot/publications/action-plan-deliver-affordable-warmth-rural-scotland-proposed-scottish-rural/pages/14/>

¹⁵ <http://www.thaworkney.co.uk/projects.html>

approach to tackling fuel poverty in Orkney in order that the appropriate support and delivery plan could be created. The project has helped to benefit fuel poor households, in particular those most vulnerable households that are historically hard to engage by fostering a collective community responsibility to identify and refer households during the first stage of the pipeline process.

Area Based Schemes (ABS): The Energy Agency, NHS Ayrshire and Arran, South Ayrshire Council and East Ayrshire Council Evaluation Project¹⁶

There are known links between cold homes, poor heating and fuel poverty, but very few studies have actually researched the success of schemes in lessening these issues. This study investigates the health and well-being of the occupants of homes which have received wall insulation through the ABS schemes.

Results included an apparent improvement in the overall physical health scores of those who took part and statistically significant¹⁷ improvements when health and aggregated mental health scores were correlated with perceived warmth improvements. There were also anecdotal reports of physical health improvements which the participants linked to the support they had received, including improved respiratory health and pain reduction.

¹⁶ https://www.energyagency.org.uk/en/research-evaluation-project_46663/

¹⁷ Based on a 95% confidence level.

[https://new.theclaymoreproject.com/uploads/entities/988/files/Prospective%20Study_Part%202_Exec%20Summary\(2\).pdf](https://new.theclaymoreproject.com/uploads/entities/988/files/Prospective%20Study_Part%202_Exec%20Summary(2).pdf)

ANNEX D: Update on work being undertaken by other areas of the Scottish Government which impact on tackling fuel poverty

Target: Fuel Pricing and vulnerable customers

Scottish Energy Strategy

Published in December 2017, the Scottish Energy Strategy set out our vision for a flourishing, competitive local and national energy sector, delivering secure, affordable, clean energy for Scotland's households, communities and businesses. At the heart of the Energy Strategy is a commitment to "promote consumer engagement and protect consumers from excessive or avoidable costs, prevent new forms of social exclusion and promote the benefits of smarter domestic energy applications and systems".

In January 2018 we convened a summit of energy suppliers and consumer groups to address issues affecting vulnerable Scottish energy users. Building on the success of the 2016 summit it called on suppliers and consumer groups to work collaboratively for the benefit of vulnerable consumers. In line with this advancing agenda we wrote to the Big 6 energy companies in February 2019 pressing them to do more for vulnerable energy consumers.

Building on the work of the Scottish Energy Summit we are developing a Consumer Vision & Action Plan to give detailed consideration to consumer issues across the energy landscape. The Vision and Action Plan will be published in spring 2019 and will ensure the energy transition is shaped by and for the people of Scotland.

The Energy Strategy included a commitment to the ambition of a public energy company. The Minister for Energy, Connectivity and the Islands has written to COSLA offering to work in partnership with local authorities to develop this ambition. An outline business case is currently being developed for a company that would develop in phases; initially focusing on a white label arrangement which offered energy at a fair price and focussed on supporting actions to tackle fuel poverty.

Energy UK's Commission for Customers in Vulnerable Circumstances

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers.

The Commission for Customers in Vulnerable Circumstances was brought together by Energy UK to improve understanding of vulnerability and energy to enable improved support for customers. The Scottish Government responded to the Commission's call for evidence in May 2018 setting out issues of particular importance to Scottish energy consumers. These issues can create new - or exacerbate existing - vulnerable circumstances. In particular:

- Higher numbers of Scottish customers with restricted meters – including prepayment meters. These customers have less choice than the rest of the

population, often leaving them paying higher bills. Furthermore, a lack of price transparency makes accessing and assessing tariff information difficult.

- Fewer Scottish customers are on priority services registers than elsewhere in Great Britain. This means that customers who need extra support to engage with their energy company are not always being identified and therefore not receiving the services they need.
- The Commission will report in spring 2019 and make recommendations for industry, Government and other stakeholders.

Alongside its obligations on fuel poverty, the Scottish Government is also engaged in a process of carbon emission reduction across our society. Whilst we recognise the difficulty of this task, the Government is committed to meeting its fuel poverty targets whilst simultaneously driving down emissions from heating in Scottish homes. A call for evidence on the topic of low carbon heat in homes that do not use mains gas was released in March 2019. This 12 week call will seek evidence on the most appropriate technologies and approaches to policy that will allow us to provide affordable, low carbon heat.

Restrictive metering and non-competitive tariffs

At the Orkney ICIA stakeholder meeting, the cost of replacing restrictive meters in order to take advantage of more flexible tariffs was highlighted.¹⁸ The Shetland meeting mentioned 'exotic' tariffs that were present only in the Shetland Isles: standard economy and heating load. The tariff issue was also brought up in the Argyll and Bute meeting written feedback:-

“[There is an]...Energy vulnerability for Total Heat Total Control tariffs [THTC] on island and rural areas due to a lack of switching options. Whilst the meter is changed for free, the householder has to employ an electrician to complete the works in the house. There is no help available to deal with these extra works (either financial or service provision). A comparison made on the day indicated that a normal dual rate tariff was approx. 30% cheaper than THTC.”

The Competition and Markets Authority (CMA) investigation into the energy market found that customers with restricted meters are not getting a good deal:

- Over 85% of restricted meter customers would have been better off on the cheapest single-rate tariff and
- Customers on restricted meters face particularly strong barriers to accessing and assessing information and barriers to switching supplier and / or tariff.

A disproportionate number of restricted meters are in Scotland and these consumers face difficulties switching supplier due to additional costs of having the meter re-wired.

¹⁸ A restricted meter charges electricity customers lower rates for electricity usage during non-peak demand times. These customers are often unable to switch providers without first having their electricity meter replaced, and they are not offered the range of tariffs available to single rate meter customers.

The CMA's remedy requires all suppliers, with 50,000 or more domestic customers, to make all their single-rate tariffs available to any customer on a restricted meter without making switching conditional on a meter being replaced. However, most of the CMA's energy market reforms are dependent on the roll out of smart meters.

Restricted meters were a focus for both the 2016 and 2018 Scottish Energy Summits. During our engagement with consumer representatives such as Citizens Advice Scotland (CAS) we have heard anecdotal evidence that the restricted meter remedy has not to date provided the desired consumer outcomes. CAS are currently collating evidence on this matter which will be given to Ofgem (and shared with the Scottish Government) to help inform the refresh of the Ofgem Vulnerability Strategy. Ofgem have confirmed restricted meters will be an area of focus for this strategy.

The Scottish Government recognises that this issue is of particular importance to island communities. We have committed to bring together industry, consumer groups and the Energy Regulator to develop the Energy Consumer Charter for Scotland to deliver our vision for a secure, affordable and clean energy system for all. As part of the development of this Charter, we commit to ensuring that restricted meters is tackled.

Definition

Use of localised weather patterns in fuel poverty energy modelling

We are moving to more localised postcode district level weather data in our energy modelling for fuel poverty to ensure that it truly reflects the additional fuel costs borne by households in remote rural areas where weather may vary from the regional average.

This reflects that the average running costs in remote rural areas are higher using the postcode district data than they are using the regional weather data (around 2-3% higher, or around £90 per year), meaning that at a local authority level (for the period 2015-17), the average running costs based on postcode district weather data were higher for most of the rural local authority areas, but lower for urban local authorities areas (note that stats are based upon the proposed new definition of Fuel Poverty without any remote rural uplift).

Strategy

The Scottish Government is committed to removing poor energy efficiency as a driver of fuel poverty. The government launched the Energy Efficient Scotland programme to ensure that Scottish homes meet EPC band C by 2040. The programme should ensure that by 2040, Scottish homes will be warmer, greener and more efficient.

The Energy Efficiency Scotland Route Map was published in May 2018 outlining EPC targets and timelines for different tenures including social housing, private rented sector (PRS) housing and owner occupied housing.

The Route Map also sets out proposals for fuel poor households to be a minimum EPC band B by 2040 prioritising those vulnerable customers living in fuel poverty. To further assist in the eradication of fuel poverty, the government has proposed a new milestone to maximise the number of socially rented homes meeting EPC band B by 2032. In March 2019, we published a consultation asking for views on the impact of bringing forward the 2040 EPC target date for all domestic properties.

In the 2018-19 budget, we have allocated £145 million to improving the energy efficiency of Scotland's building stock through Energy Efficient Scotland to reduce energy costs, tackle fuel poverty and place the government on track to invest £500 million in energy efficiency by 2020-21.

We have a commitment to spend more per head on energy efficiency in remote rural areas including island communities to overcome barriers such as higher installation and labour costs. Since 2013/14, remote and rural areas across Scotland have received over £64 million in investment through our Home Energy Efficiency Programmes and Area Based Schemes (HEEPS: ABS) which is distributed on an assessment of need to tackle fuel poverty. The maximum grant available to households in remote rural areas through the HEEPS area based scheme has risen since 2013 to £9000.

We are also focused on promoting low carbon heat solutions in off gas grid buildings or heat networks where they are appropriate. This will support the other key objective of the Energy Efficient Scotland programme of decarbonising our heat supply which should also help support the alleviation of fuel poverty.

In March 2019, we launched a call for evidence focusing on decarbonising the heat supply to buildings that do not use gas. The consultation explores existing barriers to the uptake of low carbon heat options, the opportunities and challenges for the supply chain, and how to avoid any potential adverse effects on households living in fuel poverty.

Improving the standard of some Agricultural Housing

The Scottish Government is committed to ensuring that everyone who rents a home is able to live in one which meets not only the tolerable standard, but also either the repairing standard or the Scottish Housing Quality Standard.

Rented housing, including tied houses, on agricultural holdings and crofts are currently excluded from the repairing standard condition requirements of the Housing (Scotland) Act 2006. As there is increasing evidence to suggest that rural housing is falling behind other sectors, at a joint Summit last October, the Cabinet Secretary for the Rural Economy, Fergus Ewing and Minister for Local Government, Housing and Planning, Kevin Stewart announced their commitment to bringing rented houses in these sectors up to the same repairing standard, as is currently required for the private rented sector elsewhere, by March 2027. From 2024, part of the repairing standard will be a requirement for private rented houses to have a fixed heating system.

ANNEX E: Summary of island community consultation responses previous to the ICIA

All comments listed below are in respect of the ICIA							
Stakeholder	Type	LA area	FP Bill Consultation	EES consultation	Call for evidence	Oral Evidence	Summary
Argyll and Bute	Council	Argyll and Bute	<ul style="list-style-type: none"> - need rural MIS - health of building NOT age of occupier (s) - extra consideration to be given to hard to treat properties - efforts needed to reduce fuel costs 	<ul style="list-style-type: none"> - those with no access to the gas grid are most likely to be FP however measures for them are most likely to not be cost effective or technically feasible - remote rural/island issues still to be addressed 	<ul style="list-style-type: none"> - concerned disproportionate amount of residual 5% will be rural households - rural MIS 	<ul style="list-style-type: none"> - enhanced heating age threshold slightly high - importance of people on the ground - 2040 target realistic - local authority targets feasible in Argyll and Bute for fuel poverty - welcome an extreme fuel poverty target 	<ul style="list-style-type: none"> - RR MIS - off grid hard to treat will fall into bottom 5% - fuel costs - health of buildings not age of occupiers - enhanced heating threshold too high and arbitrary - people on the ground - extreme fuel poverty target
Comhairle Nan Eilean Sar	Council	Comhairle Nan Eilean Sar	<ul style="list-style-type: none"> - need rural MIS - definition to island proofed - pension age to be used if using age for enhanced heating 	<ul style="list-style-type: none"> - remote rural MIS 	<ul style="list-style-type: none"> - remote rural MIS - island proofing 		<ul style="list-style-type: none"> - RRMIS - island proofing - pension age for enhanced heating
Highland	Council	Highland	<ul style="list-style-type: none"> - need rural MIS - uplift for LT sick / or disabled - need for flexibility of funding streams and on the practical delivery - other ways of taking into account the poorer health outcomes if age raised to 75 - targeting of extreme FP households 	<ul style="list-style-type: none"> - additional support for RR areas - funding for homeowners in fuel and income poverty 	<ul style="list-style-type: none"> - RR MIS - Home maintenance costs to be included in calculation - strategy to be island proofed - Extreme FP target 		<ul style="list-style-type: none"> - RR MIS - funding flexibility - additional criteria for poor health - extreme FP target - funding for homeowners - home maintenance costs - island proofing
North Ayrshire	Council	North Ayrshire	<ul style="list-style-type: none"> - exceptions for those with no rent or mortgage payments but surviving on low income and have high fuel costs - new state pension age of 68. Have high levels of deprivation in catchment area 	<ul style="list-style-type: none"> NA (fed back however not relevant to ICIA) 	<ul style="list-style-type: none"> NA 		<ul style="list-style-type: none"> - no rent/mortgage but low income - enhanced heating age 68

All comments listed below are in respect of the ICIA							
Stakeholder	Type	LA area	FP Bill Consultation	EES consultation	Call for evidence	Oral Evidence	Summary
Orkney (has own target of getting FP in Orkney to the national average by 2022 and eradicating by 2032)	Council	Orkney	- need for rural MIS - project flexibility to reflect local issues - generic age unfair due to lower life expectancy rates in some areas - high fuel pricing in some areas	NA	NA		- rural MIS - project flexibility - no age on enhanced heating - high fuel prices
Shetland Islands	Council	Shetland	- need for rural MIS - age is a blunt tool for enhanced heating - elderly to lose out - fuel prices	NA	- island proofing - RR MIS		- rural MIS - elderly losing out higher age - island proofing - fuel pricing
Hebridean Housing Association	Housing Association	Comhairle Nan Eilean Sar	- need for rural MIS - extreme FP - island proofing - arbitrary age is lazy, health and care services should ID criteria	NA	NA		- need for rural MIS - extreme FP - island proofing - arbitrary age is lazy, health and care services should ID criteria
Lochalsh and Skye Housing Association	Housing Association	Highland	- need for rural MIS - arbitrary age is discriminatory to those communities whose life expectancy varies negatively from others	NA	NA		- need for rural MIS - arbitrary age is discriminatory to those communities whose life expectancy varies negatively from others
Orkney Housing Association	Housing Association	Orkney	- need for remote rural MIS - arbitrary age - adverse impact on rural and island areas which have higher % of elderly vs urban areas	NA	- remote rural MIS - longer term funding for SG programmes		- need for remote rural MIS - arbitrary age - adverse impact on rural and island areas which have higher % of elderly vs urban areas - longer term funding for SG programmes
Rural and Islands Housing Association Forum (RIHAF)	Housing Association	Scotland	- need for rural MIS	NA	- rural MIS - island proofing of strategy		- rural MIS - island proofing of strategy

All comments listed below are in respect of the ICIA							
Stakeholder	Type	LA area	FP Bill Consultation	EES consultation	Call for evidence	Oral Evidence	Summary
Highland and Islands Housing Associations Affordable Warmth Partners Group	Partnership or interagency group	Highland	<ul style="list-style-type: none"> - need for rural MIS - inclusion in MIS of adjustment for LT sick or disabled - how to include agricultural tenancies (strategy though) - age 75 - issue of impact on pensioners with no mortgage to pay but high fuel costs 	NA	<ul style="list-style-type: none"> - remote rural MIS - island proofing of strategy - extreme FP target 	<ul style="list-style-type: none"> - helpful to continue to measure extreme fuel poverty and to eradicate within 5 years - inclusion of remote rural MIS - 2032 instead of 2040 - improved understanding of outcomes rather than inputs - importance of front line people - island proofing 	<ul style="list-style-type: none"> - remote rural MIS - island proofing - MIS adjustment for LT sick and disabled - agricultural tenancies? - 75 - impact on pensioners with no mortgage but high energy costs - extreme FP target - 2032 target - improved understanding of outcomes - front line people
THAW Orkney	Partnership or interagency group	Orkney	<ul style="list-style-type: none"> - need for remote rural MIS - definition of 'vulnerable' - arbitrary movement of age - further research needed 	<ul style="list-style-type: none"> - difficult to treat properties should not be exempt from having work done when household is in FP 	NA (fed back however not relevant to ICIA)		<ul style="list-style-type: none"> - need for remote rural MIS - definition of 'vulnerable' - arbitrary movement of age - further research needed - difficult to treat properties should not be exempt from having work done when household is in FP
Highlands and Islands Enterprise Agency	Other	Highland	<ul style="list-style-type: none"> - need for remote rural MIS 	Na	NA		<ul style="list-style-type: none"> - remote rural MIS
Shetland Fuel Poverty Group	Partnership or interagency group	Shetland	<ul style="list-style-type: none"> - need for rural MIS - age is a blunt tool for enhanced heating - elderly to lose out - fuel prices 	NA	<ul style="list-style-type: none"> - island proofing - RR MIS 		<ul style="list-style-type: none"> - rural MIS - elderly losing out higher age - island proofing - fuel pricing
Tighean Innse Gall (TIG) Western Isles	Third Sector	Comhairle Nan Eilean Siar	<ul style="list-style-type: none"> - health and vulnerability links should be further assessed before new definition is implemented - need for a remote rural MIS - greater flexibility in the per house spending limits that currently exist - Age threshold is arbitrary and not based upon evidence. Should not be implemented until further research undertaken 	<ul style="list-style-type: none"> - no cap per household on expenditure for energy efficiency 	- Remote rural MIS		<ul style="list-style-type: none"> - health and vulnerability links should be further assessed before new definition is implemented - need for a remote rural MIS - greater flexibility in the per house spending limits that currently exist - Age threshold is arbitrary and not based upon evidence. Should not be implemented until further research undertaken

All comments listed below are in respect of the ICIA							
Stakeholder	Type	LA area	FP Bill Consultation	EES consultation	Call for evidence	Oral Evidence	Summary
Public Health in NHS Ayrshire and Arran	Health and Social Care	North Ayrshire	- Enhanced heating regime should be available for over 65's, those with a long term underlying health condition (eg those as risk groups for flue, children and adults with weakened immune systems and families with children living in private rented accommodation.				- Enhanced heating regime should be available for over 65's, those with a long term underlying health condition (eg those as risk groups for flue, children and adults with weakened immune systems and families with children living in private rented accommodation.
Scottish Islands Federation	Partnership or interagency group	Scotland	- new definition will omit categories of households in rural areas and islands in particular - need for a rural MIS - Use of AHC, MIS and increased threshold of 75 years may have an unintended and disproportionate impact on island and rural communities				- new definition will omit categories of households in rural areas and islands in particular - need for a rural MIS - Use of AHC, MIS and increased threshold of 75 years may have an unintended and disproportionate impact on island and rural communities
Argyll and Bute Energy Forum	Partnership or interagency group	Argyll and Bute		- issue of off gas grid households that aren't technically feasible and cost effective - however most likely to be in FP - lack of rural, remote and island MIS			- issue of off gas grid households that aren't technically feasible and cost effective - however most likely to be in FP - lack of rural, remote and island MIS
Jura Community	Other	Argyll and Bute			- need for remote rural MIS - island proofing		- need for remote rural MIS - island proofing

ANNEX F: Scottish House Condition Survey Key Findings

The following has been assessed from the Scottish House Condition Survey:

- At the Scotland level, fuel poverty rates were similar under the proposed definition and the current definition (2015-2017). The island local authorities show fuel poverty rates under the proposed definition that were lower than the current definition.
- In Na h-Eileanan Siar, the fuel poor rate decreased from 56% under the current definition to 36% under the proposed definition (-20 percentage points). In Orkney, we saw 57% under the current definition compared to 31% under the proposed definition and in Shetland 44% under the current definition and 24% under the proposed definition (-19 percentage points).
- This trend was replicated across all dwelling ages, dwelling types, tenures, household types and dwelling sizes - although the decrease is to a lesser extent in social housing in Orkney and Na h-Eileanan Siar.
- However, other rural areas also show lower fuel poverty rates under the proposed definition of fuel poverty e.g. Highland (-16%), Argyll & Bute (-10%), Dumfries & Galloway (-9 percentage points), Moray (-13 percentage points), and Aberdeenshire (-12 percentage points).
- The decreases in fuel poverty rates for island local authorities and other rural local authorities are driven by the inclusion of an income threshold. Households that have moved out of fuel poverty under the new definition of fuel poverty have residual incomes which are sufficient to maintain an adequate standard of living.
- Extreme fuel poverty under the new proposed definition was at 12%, compared to 8% under the current definition (over the 3-year period from 2015-2017).
- Unlike the fuel poverty rates, extreme fuel poverty rates in the island authorities were relatively close to those that were seen under the current definition, at 25% on Na h-Eileanan Siar (23% under the current definition) 22% on Orkney (23% under the current definition) and 18% on Shetland (also 18% under the current definition).
- Households on island authorities who are remaining in fuel poverty under the new proposed definition are more likely to be in extreme fuel poverty than households that are not on islands.

Analysis of island local authorities on household and dwelling characteristics that are impacted by fuel poverty

We know that low income is a key driver of fuel poverty in the new definition, because of the inclusion of an income threshold; other key drivers include fuel prices and energy efficiency. The Equality Impact Assessment showed that certain household and dwelling characteristics are more likely to be affected by the change to the new definition of fuel poverty than others. We have carried out an analysis which explores these characteristics and their prevalence in island authorities, based on SHCS findings over 3-year period from 2015-2017.

The first section below describes the characteristics where island local authorities were different to Scotland overall; note that some of these characteristics showed differences across island local authorities and non-island rural local authorities, suggesting that some of the differences may be driven by rurality and not that the households are on an island. The second section describes the characteristics where the findings were mixed, showing some differences across the 3 main island local authorities. The third section lists some findings that were similar for island local authorities and Scotland overall.

Characteristics where Islands Local Authorities show different proportions to the Scotland average:

- The island local authorities show higher proportions of dwellings that are **off the gas grid** than Scotland - 84% of dwellings in Na h-Eileanan Siar, and 100% in Orkney and Shetland, are off the grid (2014-2016 figures). Other local authorities that show values higher than the Scotland average (16%) are Argyll & Bute (48%) and Highland (62%) - but the proportions on islands are significantly higher. Prices of alternative fuel types could make it harder for dwellings that are off the gas grid to be lifted out of fuel poverty (see point 1 in section 2 below for more analysis on primary fuel types).
- Rural dwellings tend to be larger than urban dwellings. There are higher proportions of **dwellings with 3 or more bedrooms** (64% on Orkney, 67% Shetland and 72% Na h-Eileanan Siar) in island authorities, compared to 49% national average. However other rural Local Authorities also showed higher results than Scotland (Aberdeenshire 65%, Highland 64%), suggesting that this issue affects many rural households and not just those on islands. Larger dwellings will necessitate higher fuel bills to reach requisite temperatures and potentially higher costs to improve the energy efficiency of the fabric of the building.
- There are higher proportions of **Owner occupiers** on Na h-Eileanan Siar (74%), Orkney (77%) and Shetland (69%) than Scotland (61%). However some other local authorities also show higher proportions of owner occupiers (e.g. East Renfrewshire 87% Aberdeenshire 72%, East Dunbartonshire 79%).
- A more detailed tenure breakdown showed that there were higher proportions of households that were **owned outright**, across island authorities than across Scotland as a whole; 57% of Na h-Eileanan Siar households were owned outright, 53% on Orkney and 40% on Shetland, compared to 33% across Scotland. However a number of other rural local authorities also showed proportions of owner occupiers that were significantly higher than Scotland (e.g. Aberdeenshire 39% and Highland 43%). High rates of owned outright households may be associated with lower fuel poverty under the new definition as these households will have no rent or mortgage costs, whilst other tenures will have these costs deducted from their income.
- All the island local authorities showed lower percentage of dwellings that are **flats rather than houses** than Scotland as a whole: Orkney (7%), Shetland (8%), and Na h-Eileanan Siar (6%). Highland and Aberdeenshire also show relatively low proportions at 12% - higher than Orkney and Na h-Eileanan Siar but similar to Shetland. It may be more expensive to increase the energy efficiency of houses, compared to flats, which could be a challenge when tackling fuel poverty.
- More dwellings with lower **energy efficiency** – looking at the percentage of dwellings in bands F or G (SAP 2009): Na h-Eileanan Siar (14%), Orkney (12%) and Shetland (9%) are all higher than Scotland (4%). Argyll & Bute (10%), Aberdeenshire (8%), and Highland (8%) were also high. Trends under mean SAP 2009 ratings and percentages of dwellings in bands F or G under SAP 2012 show similar findings.
- Fewer dwellings with **higher energy efficiency**, as measured by the proportion of dwellings in bands A-C (EPC 2012), at 11% in Na h-Eileanan Siar, 14% in Orkney and 6% in Shetland, compared to 39% across Scotland as a whole. Other rural areas that also showed relatively low proportions of dwellings in EPC bands A-C were Highland (21%) and Dumfries & Galloway (20%).

- **Percentage failing the SHQS "energy efficiency"** criterion is higher in Na h-Eileanan Siar (56%), Orkney (51%), and Shetland (61%) than Scotland (32%). Other rural areas were high (e.g. Aberdeenshire 43% and Argyll & Bute 44%, Highland 41%, Moray 40%), but islands were significantly higher than the other rural local authorities. Energy efficiency is a driver of fuel poverty, therefore this could impact on islands more than other areas.

Characteristics where findings across the island local authorities were mixed:

- Whilst all island authorities were less likely to rely on gas than other areas of Scotland, the **primary fuel types** varied across the island local authorities. On Orkney and Shetland, the most common primary fuel type was electricity (57% on Orkney and 61% on Shetland), whilst oil was less common (38% on Orkney and 27% on Shetland). This differed from Na h-Eileanan Siar, where 33% of households were using electricity as their primary fuel type and 48% used oil. Fuel prices are a key driver of fuel poverty, therefore changes in the prices of electricity or oil could cause fuel poverty rates to be impacted differently between Orkney and Shetland, and Na h-Eileanan Siar. Electricity is often one of the most expensive types of fuel, so this could impact on fuel poverty rates.
- Dwellings built before 1945: The percentage of dwellings in Orkney that were built before 1945 (44%) was higher than Scotland as a whole (31%), however in Shetland (27%) and Na h-Eileanan Siar (32%), the percentages were similar to Scotland. This is a broadly consistent trend across dwelling type, number of bedrooms, and household type.
- Incomes – using the average incomes from the Scottish House Condition Survey¹⁹, Shetland (£34,600) had a higher average net income than Scotland (£27,500), however Orkney (£27,700) was similar to the Scotland average whilst Na h-Eileanan Siar (£24,100) was lower than the Scotland average. The new proposed definition of fuel poverty is better aligned with low income than the current definition, therefore this is likely to impact on fuel poverty rates. The Scottish Household Survey also provides information on incomes by local authority and these also showed a mixed picture for island local authorities – 4% of households in Shetland had an annual net income in the £6-10,000 income band which was lower than the Scotland average (8%). Na h-Eileanan Siar showed a higher proportion in the £6-£10,000 band (14%) than Scotland (8%) and a lower proportion in the £40-£50,000 band (6% in Na h-Eileanan Siar compared to 10% in Scotland). However Orkney showed no difference from Scotland on any of the income bands.
- When comparing average incomes, it is useful to take account of household size and composition, for example couple households are likely to need a higher income than single person households. Equivalisation is the standard method for adjusting income to take account of household needs. Using this method, Shetland and Na h-Eileanan Siar again had significantly higher average income than Scotland overall, however Orkney and showed a similar average income to the Scotland average.
- Percentage of dwellings with any disrepair - Shetland (54%) and Orkney (62%) both showed lower percentages of dwellings with any disrepair than Scotland (70%), but Na h-Eileanan Siar was not different (74%).
- The percentage of dwellings with critical disrepair reflected the pattern for any disrepair – Shetland (37%) and Orkney (42%) both showed lower proportions of dwellings with critical disrepair than Scotland (50%), but Na –Eileanan Siar was not different (54%).

¹⁹ Average incomes presented here are based on data collected from the Scottish House Condition Survey and are approximate. Other measures of income are available through the Scottish Household Survey, or the Family Resources Survey.

- Dampness - households in Orkney (7%) and Na h-Eileanan Siar (8%) were more likely to show evidence of damp than Scotland (3%). But Shetland (5%) showed no difference.
- Households with a person containing at least 1 person who is long term sick or disabled was lower in Orkney (36%) and Shetland (37%) than Scotland overall (44%). However Na h-Eileanan Siar (40%) showed no difference to Scotland overall. This could affect fuel poverty rates because the enhanced heating regime will be applied to households with at least 1 person who is long-term sick or disabled (however the enhanced regime is also applied to households with at least 1 member aged 75 or over - the percentage of people who qualify for the enhanced regime has not been analysed here). Please note that further work is being conducted on the criteria for enhanced heating regimes, so there may be some further refinements.
- The proportion of homes below tolerable standard was higher in Na h-Eileanan Siar (5%) than Scotland overall (1%). Orkney & Shetland showed no difference from the Scottish total. There are a range of reasons why a dwelling can be below tolerable standard, some of which may be linked to fuel poverty (e.g. supply of thermal insulation and satisfactory provision for heating).
- The proportion of households where one or more of the members received care services was lower in Orkney (3%) than Scotland (7%), but Shetland and Na h-Eileanan Siar showed similar percentages to the Scottish total.
- The percentage of dwellings with evidence of extensive disrepair was higher in Orkney (13%) than Scotland overall (6%), however Shetland and Na h-Eileanan Siar showed similar percentages to Scotland.

Fuel poverty rates by local authority under the 1. the current definition, 2. the new definition and 3. the new definition with a Minimum Income Standard uplift for remote-rural and remote small towns. 2015- 2017.

	Current definition	New definition - without uplift	New definition - with uplift for remote rural and remote small towns and benefits received for a care need or disability deducted at part B. *
Aberdeen City	21%	22%	23%
Aberdeenshire	37%	22%	25%
Angus	33%	22%	23%
Argyll and Bute	44%	27%	34%
Clackmannanshire	31%	29%	30%
Dumfries and Galloway	36%	25%	27%
Dundee City	31%	27%	29%
East Ayrshire	32%	29%	32%
East Dunbartonshire	23%	21%	22%
East Lothian	25%	22%	23%
East Renfrewshire	21%	16%	18%
Edinburgh, City of	17%	19%	20%
Na h-Eileanan Siar	56%	27%	36%
Falkirk	22%	22%	23%
Fife	31%	28%	31%
Glasgow City	21%	26%	28%
Highland	49%	26%	33%
Inverclyde	31%	30%	32%
Midlothian	22%	22%	23%
Moray	42%	23%	29%
North Ayrshire	26%	22%	26%
North Lanarkshire	24%	22%	23%
Orkney Islands	57%	25%	31%
Perth and Kinross	30%	22%	27%
Renfrewshire	23%	23%	23%
Scottish Borders	31%	26%	28%
Shetland Islands	44%	18%	24%
South Ayrshire	29%	20%	22%
South Lanarkshire	23%	23%	24%
Stirling	26%	23%	25%
West Dunbartonshire	22%	26%	26%
West Lothian	21%	23%	23%
Scotland	27%	24%	26%

Current definition fuel poverty rates 2015-2017 by Local Authority are published here:

<https://www2.gov.scot/Topics/Statistics/SHCS/keyanalyses/LATables1517>

Extreme fuel poverty rates by local authority under 1. the current definition, 2. the new definition and 3. the new definition with a Minimum Income Standard uplift for remote-rural and remote small towns.

2015-2017.

	Current definition	New definition - without uplift	New definition - with uplift for remote rural and remote small towns and benefits received for a care need or disability deducted at part B. *
Aberdeen City	5%	11%	11%
Aberdeenshire	16%	14%	15%
Angus	8%	11%	11%
Argyll and Bute	15%	18%	20%
Clackmannanshire	8%	11%	12%
Dumfries and Galloway	12%	14%	15%
Dundee City	8%	15%	15%
East Ayrshire	5%	13%	13%
East Dunbartonshire	5%	7%	7%
East Lothian	9%	12%	12%
East Renfrewshire	4%	6%	6%
Edinburgh, City of	5%	11%	11%
Na h-Eileanan Siar	23%	21%	25%
Falkirk	6%	11%	11%
Fife	7%	12%	12%
Glasgow City	7%	13%	13%
Highland	17%	19%	21%
Inverclyde	6%	13%	13%
Midlothian	5%	11%	11%
Moray	14%	18%	19%
North Ayrshire	5%	8%	8%
North Lanarkshire	4%	8%	8%
Orkney Islands	23%	19%	22%
Perth and Kinross	12%	14%	16%
Renfrewshire	4%	9%	9%
Scottish Borders	8%	13%	13%
Shetland Islands	18%	15%	18%
South Ayrshire	9%	11%	11%
South Lanarkshire	5%	11%	11%
Stirling	8%	13%	13%
West Dunbartonshire	5%	11%	11%
West Lothian	6%	11%	11%
Scotland	7%	12%	12%

SHCS Local Authority tables are published here:

<https://www2.gov.scot/Topics/Statistics/SHCS/keyanalyses/LAtables2016>

* There are many ways in which a remote rural uplift could be approached and these may lead to slightly different results, however the statistics give an indication of likely impact

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