

A Scotland without fuel poverty is a fairer Scotland: Four steps to achieving sustainable, affordable and attainable warmth and energy use for all

**Report of the Scottish Fuel Poverty Strategic Working Group
To the Cabinet Secretary for Communities, Social Security and Equalities**

October 2016



Scottish Government
Riaghaltas na h-Alba
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Foreword

After nearly four years as Chairman of the Scottish Fuel Poverty Forum, I stepped down in 2015. Later in the year the Scottish Government asked me to chair a short-life, independent, strategic working group tasked with developing a vision for the eradication of fuel poverty in Scotland and producing a report with recommendations for a new fuel poverty strategy. The purpose of the work was to advise Ministers and provide the basis for a wider debate.

This report contains the culmination of a year's work by the twelve members of the group who have each brought their specialist knowledge and experience to bear during that time. Details of the group are shown in appendix 1 of the report and I would like to thank each one of them most sincerely for their efforts along with the many stakeholders who have also provided input.

I would also like to single out Elizabeth Leighton for special thanks. As the working group's Policy Advisor she has certainly gone the extra mile in co-ordinating the drafting of the final report and in providing briefing and support to members on the very wide ranging subject matter covered in our investigations. I should also thank Christine McArthur of Energy Action Scotland who has provided the group with excellent administrative management.

My own sense is that now is a critical time for Scotland to improve the results of past efforts to reduce disadvantage caused through fuel poverty. As the November 2016 date for the fulfilment of current targets passes, the situation is significantly worse than when the target commitments were made fifteen years ago.

Our report provides analysis of why that situation exists and recognises the significant resources deployed by the Scottish and UK governments to improve the energy efficiency of homes in Scotland. However, we conclude that whilst fabric improvement will provide some of the answer it cannot on its own resolve the problem. Nevertheless, we recommend that future programmes have a very specific objective to deal quickly with hard to treat and other poorly performing housing stock occupied by the most financially disadvantaged.

I believe there is a significant opportunity to be seized given the ongoing commitment to eradicating fuel poverty only recently restated by the Minister for Local Government and Housing. This can be enabled given the new investment in a National Infrastructure Priority for Energy Efficiency and the new devolved powers soon to be available.

Scottish government, local government, energy companies and local communities should take advantage of the new powers, and of cross-party support for warm homes, to invest collaborative effort in mounting a renewed push on tackling fuel poverty.

Currently, the measures to reduce fuel poverty are mainly the preserve of the Better Homes Division within Scottish Government and these are embedded within a programme focussed on climate change improvement through energy efficiency measures, many of which target disadvantaged groups.

Alongside this necessary activity we seek integrated action on several other important fronts, particularly involving social work and primary healthcare within local communities, focussed on finding and responding to families and individuals who are failing to prosper due to fuel poverty. Our proposals are based on an expectation that local partnerships would take more of a lead in this regard, working with nationally funded programmes.

Our recommendations look to a cross-departmental programme which forms a mainstream part of the Scottish Government's overall approach to poverty reduction. We hope to see that embodied in statute and measured and monitored for regular parliamentary scrutiny.

I look forward to receiving the Scottish Government's response to our report.

David Sigsworth
Chair
Scottish Fuel Poverty Strategic Working Group
October 2016

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Executive Summary

Too many households in Scotland cannot afford to keep their homes warm and dry. According to recent statistics, 845,000 households (35%) are living in fuel poverty, with levels far higher in rural areas at 50%. These households suffer from, or are put at risk of, poor health and wellbeing outcomes and lower educational attainment.

They are also forced to juggle energy bills alongside other essential needs such as food, school uniforms and transport. The high levels of fuel poverty exist despite commendable investment by the Scottish Government in energy efficiency programmes to alleviate fuel poverty.

This report explores why current programmes have failed to eradicate fuel poverty, and proposes a fresh approach aimed at delivering the outcome of affordable warmth and energy use for everyone in Scotland. This approach is based on four high-level recommendations which are described below:

Recommendation: The fuel poverty strategy should be firmly based on the principle of social justice and embedded in efforts to create a fairer and more equal society.

It is unfair that some people have to pay a 'poverty premium' for fuel simply because of where they live, or due to the standard of housing available to them, or because they are unable to achieve secure or sufficient income. Affordable warmth and energy use is a basic need that must be met in order for individuals and families to thrive and enjoy wellbeing.

A Scotland without fuel poverty is a Scotland where everyone lives in a warm, cosy home, has sufficient income for healthy living, and access to affordable, low carbon energy. This is achievable through a sufficient supply of good quality affordable housing (all tenures), a distribution of good quality jobs across the country, an effective social security system and substantially more sources of affordable, low carbon energy.

Recommendation: Address all four drivers of fuel poverty

Fuel poverty stems from the interaction of four drivers: income, energy costs, energy performance, and how energy is used in the home. The new fuel poverty strategy must address all four drivers. Programmes to improve the energy performance of homes are important and have had success in mitigating fuel poverty. However, these gains have been outstripped by fuel price rises and insufficient increases in income – indeed many vulnerable consumers and wage earners have seen decreases in their incomes in real terms.

Fuel poverty levels in Scotland have remained at about 35% of the population since 2009, and have more than doubled since 2003, just after the fuel poverty target was set. The Scottish Government has newly devolved powers which extend its ability to influence all four drivers of fuel poverty. This report proposes interventions to raise incomes, reduce energy costs, and help households manage their energy use. In addition, the report recommends that efforts to improve the energy efficiency of

homes should be enhanced, with the aim of eradicating energy efficiency as a cause of fuel poverty.

Recommendation: Establish collaborative approaches with strong leadership at national and local levels.

Responsibility for fuel poverty policy largely sits within the Better Homes Division in the Scottish Government and is not embedded as a key component of a wider cross-departmental approach to tackling poverty, social inclusion, health and wellbeing, and sustainable economic growth. The continuing high levels of fuel poverty indicate that we are not doing enough to make the most of other national and local programmes to identify, reach and help the fuel poor.

The new fuel poverty strategy requires coherent leadership and a joined up approach across several portfolios within government. This should take the form of a cross-departmental ministerial group, making fuel poverty eradication a clear component of the health, communities, inequalities, social security, housing and energy portfolios, with one cabinet secretary accountable to deliver the strategy. The new strategies emerging from government on a Fairer Scotland, the National Infrastructure Priority on energy efficiency, and the new energy strategy are all relevant in this context.

This national leadership and collaboration needs to be matched at the local level. A local partnership approach focused on creating good health and wellbeing for everyone would help tackle the full range of challenges affecting wellbeing, including fuel poverty. This can be achieved through the better linking of Community Planning Partnerships, Single Outcome Agreements, Health and Social Care Partnerships and local government housing strategies. These provide good mechanisms to plan the coordination of local assessment of need, delivery of interventions, and follow-up.

This person-centred approach is consistent with the Scottish Government's vision for public service delivery which includes collaboration across organisational boundaries and a focus on prevention and early intervention.

Recommendation: Review the current definition of fuel poverty and establish a policy objective and monitoring programme that addresses all four causes of fuel poverty.

A fuel poverty definition is important for setting policy objectives, targeting of resources and measurement of progress. There are concerns that the current definition of fuel poverty can impede targeting and the measurement of impact. We also know that monitoring of current programmes does not tell us how or to what extent interventions affect levels of fuel poverty.

We believe the definition and measures of progress should focus on the desired outcome – affordable warmth and energy use. It should acknowledge fuel poverty as a manifestation of poverty and inequalities in society; and be easy to understand and measure. A monitoring and evaluation framework should be established at the

outset of the strategy, alongside appropriate mechanisms for scrutiny and review of the strategy.

Conclusion

The full report provides detailed recommendations on how these broad themes can be taken forward in a new, comprehensive strategy to eradicate fuel poverty. It includes both short term measures, that can give some immediate relief to individuals and families from high energy bills or draughty homes, and longer term strategies that seek to create local employment opportunities and more affordable sources of energy.

It is a bold and ambitious approach that will challenge existing ways of working, but will be much more effective at helping households to enjoy the benefits of a warm, dry home, and to rid our society of a key source of deprivation.

Full list of recommendations

Section	Responsible Party
Section 2. Fuel Poverty and Social Justice - Vision and Framing	
1 Vision p21: The Scottish Government should place the new fuel poverty strategy firmly within the government's plans to tackle poverty and inequalities.	Scottish Government
2 Vision p23: The Scottish Government should involve people who are experiencing fuel poverty in the development of the new fuel poverty strategy, and in its delivery and evaluation. The experience of the Poverty Truth Commission would be useful in this respect.	Scottish Government
Section 3. Address all Four Drivers of Fuel Poverty	
3.1 Raising incomes	
3.1.1 Social Security System	
3 Incomes p24: National and local governments should enhance existing efforts to maximise benefits through working with a wider range of local partners who understand the challenges of applying for benefits and the stigma of self-identifying as 'poor'.	Scottish Government Local Government
4 Incomes p25: The Scottish Government should review devolved welfare and social security policies to ensure they are aligned with fuel poverty eradication and make recommendations to the UK Government to do the same with reserved welfare policies.	Scottish Government
Section 3.1.2 Local Economic Development	
5 Incomes p26: The National Infrastructure Priority on energy efficiency and its cornerstone programme, Scotland's Energy Efficiency Programme, should be designed to maximise economic and social benefits for local communities with appropriate targets set for the creation of training places and job opportunities for local people.	Scottish Government
6 Incomes p27: The Scottish Government should include fuel poverty alleviation as a central objective in the new Scottish Energy Policy, working to create affordable and secure energy supplies through the development of local energy systems, creating and sustaining local jobs and businesses.	Scottish Government
7 Incomes p27: Support for local community energy projects, in particular the Community and Renewable Energy Scheme (CARES), and the Local Energy Challenge Fund, should be continued and extended.	Scottish Government
Section 3.2 Making energy costs affordable	
3.2.1 Direct measures	
8 Energy costs p29: The new fuel poverty strategy should include direct support to the fuel poor, or those at risk of fuel poverty, on managing their energy, switching to the best tariff, ensuring correct billing, and debt relief.	Scottish Government
9 Energy costs p30: The Scottish Government should work with	Scottish

Ofgem and the energy suppliers to ensure the Competition and Markets Authority remedies on metering are implemented without delay, and their impact in Scotland monitored and evaluated accordingly.	Government, Ofgem
3.2.2 Social security benefits aimed at reducing energy bills	
10 Energy costs p30: The Scottish Government should explore potential solutions to support people on low incomes to afford sufficient energy for healthy living through their new social security powers.	Scottish Government
11 Energy costs p31: Routine assessment of need for additional fuel poverty support should apply to all recipients of Winter Fuel Payments and Cold Weather Payments.	Scottish Government
12 Energy costs p31: The Scottish Government should review the delivery of the Winter Fuel Payment and consider the pros and cons of potential changes to its eligibility, how it is paid and what it is used for.	Scottish Government
13 Energy costs p32: The Scottish Government should maintain the Cold Weather Payment with minor changes including: take account of exposure to wind and damp; link payments to the fuel poverty programme, and make the payment a discount off bills rather than a cash payment.	Scottish Government
14 Energy costs p33: The Scottish Government should use the newly devolved powers in relation to the Warm Home Discount to better target support on those most in need and improve efficiency of delivery.	Scottish Government
15 Energy costs p33: The Scottish Government should maintain the Warm Home Discount Industry initiatives, with parameters amended to enable innovation and complement SEEP and the fuel poverty programme.	Scottish Government
3.2.3 Measures to create long term solutions for affordable energy pricing and supplies	
3.2.3.1 Pricing	
16 Energy costs p34. In the longer term, the Scottish Government should work with the UK Government to explore the possibility of an alternative approach to the current 'universal price plus rebates' system to "Customer Differentiated Pricing" (CDP).	Scottish Government, UK Government
17 Energy costs p35: The Scottish Government should identify specific measures to support customers in rural and off-gas grid areas who suffer from higher energy prices than the rest of Scotland.	Scottish Government
3.2.3.2 Regulation	
18 Energy costs p35. The Scottish Government should use existing and new powers and work with Ofgem, energy suppliers and network operators and their respective industry bodies to explore the full scope of what can be done to alleviate fuel poverty.	Scottish Government, Ofgem
19 Energy costs p37: The Scottish Government should use every opportunity to influence the UK Government and work with Ofgem to ensure regulation of the GB energy market	Scottish Government, UK Government,

addresses fuel poverty.	Ofgem
20 Energy costs p37: The Scottish Government should work with energy suppliers, energy advice networks, and the UK Government to explore best use of smart meter energy data to reduce fuel poverty while ensuring consumer protection.	Scottish Government, UK Government
3.2.3.3 Developing affordable energy supplies	
21 Energy costs p38: The Scottish Government should support development of more choices of affordable energy supplies and work with local authority partners to set realistic and ambitious targets for every local authority area in this regard.	Scottish Government
22 Energy costs p39: Scottish Government should work with the UK Government and Ofgem to remove or overcome barriers to community energy including access to finance, capacity building, grid constraints, complex licensing requirements, upgrades to transmissions systems and priority for connections.	Scottish Government, UK Government, Ofgem
23 Energy costs p40: Ofgem should include fuel poverty alleviation as a criterion for innovation funding for network operators, ensure adequate take-up in Scotland, and consider applications for wider partnerships of stakeholders.	Ofgem
3.3 Energy performance	
3.3.1 Scotland's Energy Efficiency Programme	
24 Energy performance p42: The SEEP Programme should have a central objective to eliminate poor energy performance of a property as a driver of fuel poverty throughout all of Scotland including rural areas.	Scottish Government
25 Energy performance p43: The SEEP Programme should include a milestone towards achieving this anti-fuel poverty aim, with all properties of fuel poor households upgraded to at least an EPC band C by 2025 with five-yearly targets set for progress towards EPC band B thereafter.	Scottish Government
26 Energy performance p44: The SEEP Programme should consider the use of higher standards and incentives to promote new and 'deep-retrofit' low energy homes in the social and private housing sector to help eradicate fuel poverty, reducing climate emissions as well as producing other benefits such as jobs and health and wellbeing.	Scottish Government
27 Energy performance p45: Producing the SEEP Programme should be designed and implemented according to key criteria provided in this report including meeting households' needs, targeted approach, and best use of public funds, all building on current Home Energy Efficiency Programmes for Scotland (HEEPS).	Scottish Government
28 Energy performance p45: The SEEP Programme should be targeted at those properties for which the energy efficiency is the main driver for fuel poverty, with additional weighting on extreme fuel poverty. This will result in, for example, a greater focus on rural and remote rural properties which are disproportionately represented against these criteria. Clear measurement of performance is required.	Scottish Government
3.3.2 Regulation of energy performance in the private	

sector	
29 Energy performance p47: Introduce regulations for a minimum standard of energy performance at the point of sale and rental for the private housing sector. Such regulation will be an important driver towards eradicating fuel poverty and should be introduced as soon as possible.	Scottish Government
30 Energy performance p47: Regulations should be designed to protect vulnerable households, and be accompanied by appropriate funding and advice to support compliance.	Scottish Government
3.3.3 Energy Company Obligation	
31 Energy performance p48: The Scottish Government should use its new powers in relation to the Energy Company Obligation (ECO) to ensure that ECO supports the objectives of the National Infrastructure Priority on energy efficiency and its cornerstone programme SEEP. This will involve a holistic approach to programme management, using different sources of funding to minimise the cost of getting the maximum energy efficiency measures to eradicate fuel poverty.	Scottish Government
32 Energy performance p49: The Scottish Government should explore the costs and benefits of approaches which would integrate ECO investment into the SEEP programme and include stakeholders, along with Ofgem and energy suppliers, in these discussions.	Scottish Government
3.4 How energy is used	
3.4.1 Using heating and energy saving technologies	
33 How energy is used p51: The new fuel poverty strategy should acknowledge and address a fourth driver to fuel poverty which is how people use energy in their homes.	Scottish Government
34 How energy is used p51: The Scottish Government should conduct research to understand the best approaches for support and engagement on the use of heating and energy saving technologies.	Scottish Government
3.4.2 People-centred solutions	
35 How energy is used p52: The new fuel poverty strategy should have the household's energy needs, and how they access and use fuel at the centre. Any interventions should be based around their particular needs.	Scottish Government
36 How energy is used p53: The new fuel poverty strategy should include the participation of local, trusted organisations which provide wider support to householders on the use and management of heating systems.	Scottish Government, local partnerships
4. Collaborative partnerships at the local level	
4.2 Achieving wellbeing	
37 Collaborative partnerships p56: Local partnerships that are focused on improving wellbeing should be developed and resourced to take a lead responsibility for ensuring the eradication of fuel poverty in their areas. They should be co-ordinated through Community Planning Partnerships and work	Scottish Government, Community Planning Partnerships

with national services, such as Home Energy Scotland, as required. Funding for prevention and early intervention should be ring-fenced to support this approach.	
38 Collaborative partnerships p58: The Scottish Government should work with local government, NHS and other agencies to take a more radical and innovative approach to data sharing to identify the fuel poor and those at risk of fuel poverty in order to trigger fuel poverty assessments.	Scottish Government, Community Planning Partnerships
39 Collaborative partnerships p59: Partnership work at the operational level should be supported by strategic leadership, co-ordinated across portfolios, in central and local governments and be given recognition in the National Performance Framework.	Scottish Government, NHS, local authorities, Community Planning Partnerships
40 Collaborative partnerships p60: Local agencies should put in place training and skills development that support front line staff to identify challenges people face in sustaining good health and wellbeing, including signs of fuel poverty or the risk of fuel poverty, and make appropriate referrals to specialist advice and support services.	NHS, local authorities, Community Planning Partnerships
5. Governance	
5.2 Policy objective, definition, and targets	
41 Governance p66: A review of the current fuel poverty definition is required and warranted due to concerns that the current definition is too broad and impedes targeting on those most in need.	Scottish Government
42 Governance p68: A new definition should focus on the desired outcome – affordable and attainable warmth and energy use that supports health and wellbeing; acknowledge fuel poverty as a manifestation of poverty and inequalities in society; and be easy to understand and measure.	Scottish Government
43 Governance p69: The Scottish Government should commission a review by independent, academic experts as soon as possible with a clearly defined timetable for completion. The Fuel Poverty Forum should give input to the final research brief and drafts of the review documents.	Scottish Government
44 Governance p70: The review process should result in a new definition and target with a statutory basis. The Scottish Government should provide for transitional arrangements using the current definition while the review of the definition is underway, so as not to delay progress on helping the fuel poor.	Scottish Government
5.3 Accountability and scrutiny	
45 Governance p72: The Scottish Government should work with local councils and other stakeholders to design and implement accountability arrangements for national and local government and other agencies working in collaboration on fuel poverty (e.g. poverty, health, energy and housing). The arrangements should include a statutory basis for the fuel poverty strategy, including targets with requirements to measure progress.	Scottish Government, local government

46 Governance p72: Establish robust and transparent scrutiny arrangements to oversee progress of the new fuel poverty strategy so as to enhance trust and credibility.	Scottish Government, local government
47 Governance p74: The existing Fuel Poverty Forum should be given an important transitional role to any new arrangements for advice and scrutiny and should oversee the development of the new fuel poverty strategy.	Scottish Government
5.4 Consumer protection	
5.4.1 Why consumer protection is important	
48 Governance p75: The future Consumer Scotland Agency should have a particular duty to consider the needs of fuel poor consumers and take actions to address fuel poverty.	Scottish Government
49 Governance p76: The Scottish Government should support a single contact number for consumers concerned about any aspect of delivery of energy efficiency measures in their homes provided by the public sector or through energy suppliers obligated by the public sector.	Scottish Government
50 Governance p76: Monitoring and evaluation of the consumer experience of fuel poverty programmes is essential to confirm that high standards are consistently met during programme delivery.	Scottish Government, local partnerships
51 Governance p77: The Scottish Government should explore ways in which protection could be improved for consumers using unregulated fuels, particularly including those using district heating as well as traditional off gas fossil fuels.	Scottish Government
5.5 Monitoring and evaluation	
52 Governance p80: A monitoring and evaluation framework should be established for the new fuel poverty strategy and for SEEP and results should be reported to the fuel poverty advisory and scrutiny body on a regular basis. It should be developed at the start in partnership with the bodies that are delivering the programme.	Scottish Government
5.6 Leadership and resources	
5.6.1 Scottish and local governments leadership	
53 Governance p81: The new fuel poverty strategy should be led by a cross-departmental ministerial group, making fuel poverty eradication a clear component of the health, communities, inequalities, housing, social security and energy portfolios, with one cabinet secretary accountable to deliver the strategy.	Scottish Government
54 Governance p82: The cross-portfolio approach should be matched at the local level through local wellbeing partnerships with strong leadership from Community Planning Partnerships, local authorities and Health and Social Care Partnerships.	Community Planning Partnerships, local authorities and Health and Social Care Partnerships.

<p>55 Governance p82: The new fuel poverty strategy should be costed based on requirements to meet its desired outcome – affordable and attainable warmth and energy use for everyone in Scotland - and adequate resources (funding and capacity) made available at a national and local level on a multi-year basis.</p>	<p>Scottish Government, Community Planning Partnerships, local authorities and Health and Social Care Partnerships.</p>
5.6.2 Leadership from Ofgem in Scotland	
<p>56 Governance p83: The Scottish Parliament should request an annual strategy and work plan for Ofgem’s activities in Scotland, addressing particular Scottish issues and concerns, including fuel poverty. Ofgem should be recognised as a key contributor to the new fuel poverty strategy.</p>	<p>Scottish Parliament, Ofgem</p>

1. Introduction

1.1 The Scottish Fuel Poverty Strategic Working Group

1.1.1 Aims

The Scottish Fuel Poverty Strategic Working Group (SWG) is an independent, short-life group set up by the Scottish Government in November 2015 to develop a vision for the eradication of fuel poverty in Scotland. The Scottish Government tasked the SWG with producing a report outlining a new fuel poverty strategy including recommendations on targets, scrutiny and delivery, addressing all causes of fuel poverty. The remit notes that particular focus should be given to the new opportunities afforded by the Scottish Government’s commitment to the National Infrastructure Priority on energy efficiency in terms of fuel poverty interests; the potential use of new devolved powers under the Scotland Act 2016 to alleviate fuel poverty; and consideration of the assumptions underpinning the current definition of fuel poverty (see appendix 1). The SWG approached its work from a social justice perspective, and its recommendations aim to support efforts to create a fairer, more equal Scotland.

The Scottish Government also established a one year Rural Fuel Poverty Task Force with a remit to develop actions to address fuel poverty in rural and remote parts of Scotland. While we have highlighted particular concerns relating to rural fuel poverty in our report, we have left the detailed discussion and recommendations on this issue to the Rural Fuel Poverty Task Force report.

1.1.2 Main findings

This report represents the conclusion of the SWG's work, based on research, stakeholder engagement (see appendix 2), presentations and interviews. The report starts with a brief introduction to fuel poverty in Scotland, and then presents recommendations for a fresh approach based on the following four high-level recommendations:

- The fuel poverty strategy should be firmly based on the principle of social justice and creating a fairer and more equal society.
- The fuel poverty strategy must address all four drivers of fuel poverty: income, energy costs, energy performance, and how energy is used in the home.
- Strong leadership and a joined up approach across several portfolios within national and local government are required to develop and implement the strategy.
- The Scottish Government should review the current definition of fuel poverty and establish a policy objective and monitoring programme that addresses all four causes of fuel poverty.

1.2 Brief overview of fuel poverty in Scotland

1.2.1 Policy context and fuel poverty target

Scottish fuel poverty policy has a legislative basis in the Housing (Scotland) Act 2001 which sets out the definition and requirement for a Fuel Poverty Statement every four years, which describes measures taken and progress made in tackling fuel poverty. The 2002 statement set the following target: "The Scottish Government aims to ensure that by November 2016, so far as is reasonably practicable, people are not living in fuel poverty in Scotland." It is clear to the SWG that this target will be missed, and the Minister for Local Government and Housing has written to the Scottish Parliament confirming this is the case.¹

1.2.2 Fuel poverty drivers and trends

As of 2014, there are 35% or around 845,000 households living in fuel poverty in Scotland, and 9.5% (229,000 households) living in extreme fuel poverty under the current definition². This high rate of fuel poverty is largely unchanged since 2009, and has doubled since the Scottish Government's fuel poverty target was set in 2002. It is evident that policy will struggle to eradicate fuel poverty under current circumstances.

¹

http://www.parliament.scot/General%20Documents/20160704_CS_Kevin_Stewart_to_Conv_re_fuel_poverty.pdf

² According to the existing definition, 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 on all household fuel (Scottish Fuel Poverty Statement). A household is in extreme fuel poverty if it has to spend more than 20% of its income on all household fuel.

There are three officially recognised drivers to fuel poverty: energy prices, household income, and home energy performance. In addition, we believe there is a fourth driver, which is how household energy is used.

The recent dramatic rise in energy prices (average prices were 185% higher in 2013 than in 2003) has had a profound influence on fuel poverty, with improvements in energy efficiency playing an important mitigating role. The rise in energy prices has not been matched by an increase in disposable incomes. As a result, expenditure on household energy in the UK in 2012 was equivalent to 5.1% of household disposable income for the average household, up from 3.3% in 2002³.

In 2013, actual expenditure on fuel as a percentage of income in the UK was 10% for the lowest 30% income group, and 2% for the highest 30% income group.⁴ People on low incomes also often pay a ‘poverty premium’ for energy services because they lack access to the cheapest tariffs, these being available to those with access to the internet and/or those who can pay by direct debit.⁵

The energy efficiency of the housing stock continues to improve, with an average Energy Performance Certificate⁶ rating of band D (on a scale of A-G with A the most energy efficient) and 41% at band C or above in 2014 (see figure 1). The majority of homes have loft and cavity wall insulation, and there are increasing numbers of more efficient boilers, though rural, off-gas grid properties tend to lag behind. Standards are particularly high in the social housing sector, which has been subject to minimum energy efficiency standards, with 56% at band C or higher in 2014.⁷

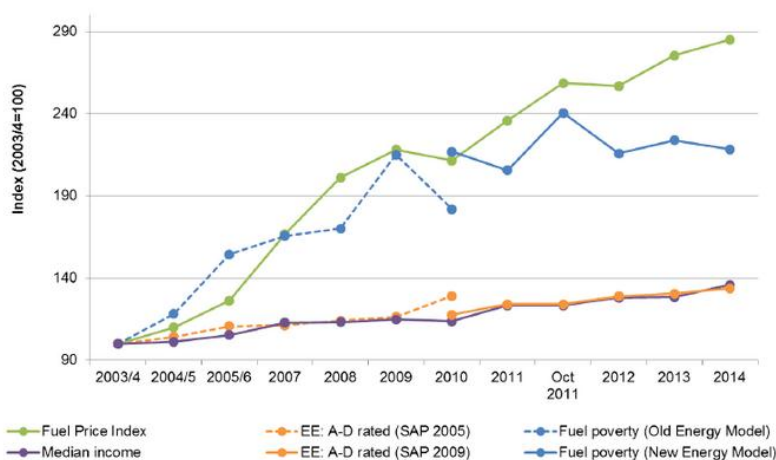


Figure 1: Trends in Fuel Price, Energy Efficiency and Median Income, 2003/4 – 2014 (SHCS)⁸

³ Household Energy Spending in the UK, 2002-2012, ONS, http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171776_354637.pdf

⁴ Income Fuel Poverty, Additional indicators, 2015 DECC https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/430331/Indicators_.pdf

⁵ Still addressing the poverty premium, August 2016, Citizens Advice Scotland

⁶ All domestic and commercial buildings in the UK available to buy or rent must have an Energy Performance Certificate (EPC). They tell you how energy efficient a building is and give it a rating from A (very efficient) to G (inefficient) (EST)

⁷ SHCS Key Findings 2014

⁸ Ibid.

Scottish Government analysis has attempted to show the contribution of the three official drivers on changing fuel poverty rates between 2012 and 2013 (see table 1). This shows that fuel price changes alone would have led to a 5.8 percentage point increase in fuel poverty rates had the other two factors remained constant over the year, while household income changes would have reduced fuel poverty by 1.5% and energy efficiency improvements would have led to a 0.4% decrease in the fuel poverty rate (had the other factors remained constant).⁹

Table 1: Contribution of three official drivers to fuel poverty rates (SHCS)

	Fuel Poverty Rate	Step Difference
Fuel poverty 2012	35.2%	
- Step 1: Fuel price change	41.0%	5.8%
- Step 2: Income change	39.5%	-1.5%
- Step 3: Attributed to stock change		-0.4%
Fuel poverty 2013	39.1%	

The interaction of these three drivers results in certain key characteristics of fuel poor households (SHCS 2014):

Income:

- Single pensioner households have an above average fuel poverty rate of 58%.
- Households in the lower income bands have the highest rates of fuel poverty.
- The fuel poverty rate in the 15% most deprived areas is 38% compared to 34% in the rest of Scotland.

Energy costs:

- Fuel poverty rates in rural areas are 50% compared with 32% in urban areas. This is due to limited access to mains gas; larger, detached dwellings; and more exposure to wind and weather.
- Fuel poverty rates are highest in electric-heated properties at up to 60%.

Energy performance:

- Better energy efficiency ratings are associated with lower fuel poverty rates: 19% of households living in dwellings rated Energy Performance Certificate (EPC) bands B or C are fuel poor, compared with 73% of those in dwellings rated F or G.

No data has been collected on the fourth cause of fuel poverty, how energy is used within the home.

⁹ SHCS 2013

1.2.3 Scottish Government fuel poverty programmes

Scottish Government programmes to eradicate fuel poverty have focused on improving the energy efficiency of houses through providing advice and funding for the installation of improvement measures. These programmes¹⁰ have worked with partner organisations to carry out benefits checks with residents and support people in switching to less expensive tariffs.

Scottish Government has made available £113m in 2016/17 for energy efficiency and fuel poverty programmes. This funding is supplemented by the GB energy supplier obligation (Energy Company Obligation – ECO) which has been halved since its start in 2013 from an estimated investment of £1.3bn to a proposed £640m per year for the period 2017-2022¹¹. Scotland’s share going forward is expected to be approximately £60m per annum – a huge drop from the estimated ECO investment of £170m in 2013/14¹². In addition, the social housing sector will invest close to £1bn from 2015 to 2020 to meet the Energy Efficiency Standard for Social Housing¹³.

1.3 Format and structure of this report

This report is structured around the high-level recommendations set out in section 1.1. For each high level recommendation there is a brief overview of the issues, our detailed recommendations, the rationale for the proposals and a description of how they might work in practice. We have included some cases studies which have particularly inspired us and which illustrate aspects of the proposed approach. The report also includes several appendices with additional information and a list of references which have supported our work.

2. Vision and framing for a future fuel poverty strategy

2.1 Social justice

Our vision for the eradication of fuel poverty is based on the principle of social justice – fairness, prosperity and participation for all. Fuel poverty, while not exactly a subset of income poverty, is strongly associated with low incomes and will ultimately only be eradicated if Scotland is able to make sustained progress at reducing poverty and inequality in our society.

The presence of fuel poverty in Scotland is unacceptable. It is unfair that some people have to pay a ‘poverty premium’ for fuel simply because of where they live, or the standard of housing available to them or because they are unable to achieve secure or sufficient income. Affordable energy use is a basic need that must be met in order for individuals and families to thrive and enjoy wellbeing.

¹⁰ <http://www.energysavingtrust.org.uk/scotland/grants-loans/heeps>

¹¹

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/531964/ECO_Help_to_Heat_Consultation_Document_for_publication.pdf

¹² http://www.parliament.scot/ResearchBriefingsAndFactsheets/S4/SB_15-13_Fuel_Poverty_in_Scotland.pdf

¹³ derived from Annual Return on the Charter returns for 2015/16

The new fuel poverty strategy’s vision should be: a Scotland where everyone lives in a warm home, has sufficient income for healthy living, has access to affordable, low carbon energy, and has the skills to make appropriate use of energy. This is achievable through a sufficient supply of good quality affordable housing across all tenures, a distribution of good quality jobs across the country, an effective social security system, substantially more affordable sources of low carbon energy, and sufficient advice and support to help people use energy sensibly and efficiently.

Recommendation - Vision 1: The Scottish Government should place the new fuel poverty strategy firmly within the government’s plans to tackle poverty and inequalities.

We believe a very different approach to fuel poverty is necessary. This will require strong leadership and a joined up approach across several portfolios within central and local government as illustrated in figure 2 below. The new strategies emerging from government on energy, a Fairer Scotland, the National Infrastructure Priority on energy efficiency, as well as existing commitments to Community Planning Partnerships and the economic strategy all have a key role to play. It will also be important to link the fuel poverty strategy with the government’s child poverty strategy and proposed legal obligations¹⁴ in relation to eradicating child poverty.

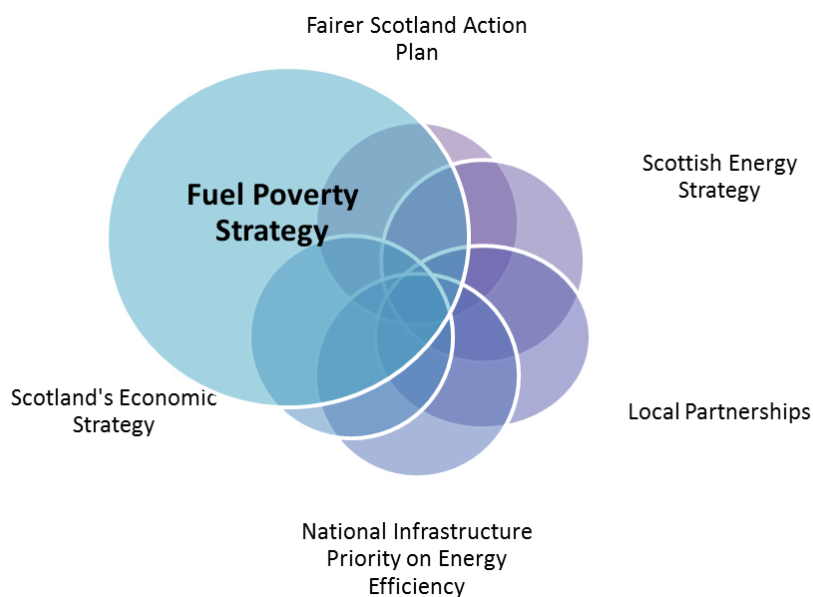


Figure 2: Cross-portfolio approach to Fuel Poverty Strategy

With the right design, a new fuel poverty strategy will help achieve a multitude of government objectives – improve health and wellbeing outcomes, grow local economies, and reduce climate emissions.

Health: Fuel poverty costs the NHS up to £80m per annum in Scotland due to the health impacts of cold, damp housing.¹⁵ People who live in the coldest homes are

¹⁴ Consultation on Child Poverty Bill <http://www.gov.scot/Publications/2016/08/7185>

¹⁵ Economic impact of improving the energy efficiency of fuel poor households in Scotland, 2014, Consumer Futures Scotland

three times more likely to die from cold-related illnesses¹⁶. Living in cold housing is associated with a range of ill effects from poor infant weight gain, to more frequent and severe asthmatic symptoms, and increased depression and anxiety^{17,18}. Small children, people with disability and frail older people are those most at risk. Increased winter mortality is associated with low indoor temperatures. Excess winter mortality figures for 2014/15 in Scotland are 4,060 deaths, which is the highest level for 15 years.

Beyond physical health effects, recent longitudinal evidence from Scotland is also beginning to show how fuel poverty is a major contributor to household financial difficulties that impact on mental health and wellbeing¹⁹.

The National Institute of Clinical Excellence (NICE) guideline on *Excess winter deaths and illness and the health risks associated with cold homes* states: “As a minimum, properties should be raised to a band C (69–80) and ideally, to a band B (81–91) rating.”²⁰ NHS Scotland is developing a Housing and Health Inequalities Briefing which will recognise the health impacts of cold and damp housing. The Scottish Public Health Network (ScotPHN) will provide Fuel Poverty Guidance for Directors of Public Health.

Economic development: Research²¹ has estimated that an energy efficiency programme that aims to raise the vast majority of homes to an EPC band C standard would result in a net increase in jobs of 8-9000 per year – jobs spread around every part of Scotland. The same research concludes that such an energy efficiency programme would be a ‘value for money’ project – with a benefit to cost ratio of 2:1.

Climate change: Improving the energy efficiency of Scotland’s housing stock remains one of the most cost-effective ways to reduce carbon emissions. Looking ahead to 2050, the Scottish Government needs to plan for a net-zero carbon housing sector in order to be consistent with an 80% reduction in emissions. Over time, this means a much greater reliance on highly insulated buildings, renewable heat, and photo-voltaics. It is essential that this transition is managed in such a way that the needs of the fuel poor are addressed in the short term and that it contributes to healthy futures in the longer term.

2.2 Participation

We have been impressed with the work of the Poverty Truth Commission which believes “poverty will only be truly addressed when those who experience it first-hand are at the heart of the process”. To put this plainly, the commission’s motto,

¹⁶ <http://www.instituteofhealthequity.org/projects/the-health-impacts-of-cold-homes-and-fuel-poverty>

¹⁷ Ibid

¹⁸ <http://www.euro.who.int/en/health-topics/environment-and-health/urban-health/publications/2011/environmental-burden-of-disease-associated-with-inadequate-housing.-summary-report>

¹⁹ Curl, A. and Kearns, A. (2015) ‘Financial difficulty and mental wellbeing in an age of austerity: the experience of deprived communities’, *Social Policy Society*, 14:2, 217-240.

²⁰ <https://www.nice.org.uk/guidance/NG6/chapter/1-recommendations>

²¹ Existing Homes Alliance Scotland Policy Briefing, May 2015

<http://existinghomesalliancescotland.co.uk/policy/existing-homes-alliance-calls-for-energy-efficiency-to-be-national-infrastructure-project-in-2016out-policy-asks-for-2016/>; based on report: Build the Future:the economic and fiscal impacts of making homes more energy efficient; Verco and Cambridge Econometrics, <http://www.energybillrevolution.org/wp-content/uploads/2014/10/Building-the-Future-The-Economic-and-Fiscal-impacts-of-making-homes-energy-efficient.pdf>

taken from the South African post-apartheid process is: “Nothing about us – without us – is for us”.²²

We believe it is important to understand fuel poverty from the perspective of those experiencing fuel poverty. In this way, it is possible to test assumptions regarding the definition of fuel poverty, and the solutions to eradicate it to ensure they are relevant to people’s actual circumstances.

Another useful reference is the NHS Ayrshire and Arran and Energy Agency project to evaluate the impacts of solid wall insulation upgrades in relation to improvements in energy efficiency, the health of the residents and any other significant benefits through 1:1 interviews with the householders.

Recommendation – Vision 2: The Scottish Government should involve people who are experiencing fuel poverty in the development of the new fuel poverty strategy, as well as in its delivery and evaluation. The experience of the Poverty Truth Commission would be useful in this respect.

3. Address all four drivers of fuel poverty

The new fuel poverty strategy must address all four drivers of fuel poverty: incomes, energy costs, energy performance, and how energy is used in the home. Gains in energy efficiency have been outstripped by fuel price rises and insufficient increases in income, and many vulnerable consumers and wage earners have seen real time decreases in income.

The Scottish Government recognises the first three of these drivers, and we have added the fourth driver on how energy is used because many households are not getting the most out of their heating or the energy saving measures put in place. We used the analysis undertaken by some members of the Fuel Poverty Forum in 2015 on joining up fuel poverty influencers and a fuel poverty logic model to inform our thinking (see appendix 3) on the four drivers.

3.1 Raising incomes

Low income is a key driver of fuel poverty - eight out of ten households living in income poverty are also fuel poor. In some cases, low income households live in social housing with good energy performance, yet still are fuel poor (19% of fuel poor households live in properties rated EPC band B or C)²³.

National and local governments can address income levels through:

- Immediate actions through the social security system; and
- Longer term, strategic local and national economic development policies which create jobs and businesses.

²² <http://www.faithincommunityscotland.org/poverty-truth-commission/about-ptc/>

²³ SHCS Key Findings 2014.

There are strong links here to wider Scottish Government policy on poverty and inequalities. The SWG met with Naomi Eisenstadt, the First Minister's Advisor on Poverty and Inequality, to discuss her report, *Shifting the Curve*²⁴. The report highlights the problem of housing affordability, particularly for those suffering from in-work poverty, and its impacts on the life chances of young people. It makes a specific recommendation on fuel poverty: "ensure fuel poverty programmes are focused to support those on low incomes, and do more to tackle the poverty premium in home energy costs." Through our report we suggest how this recommendation could be achieved.

In addition, we sought the advice of poverty stakeholders (see appendix 2) who highlighted the need to 'join the dots' between the fuel poverty strategy and other poverty concerns such as food poverty, to provide an effective approach that fits the needs of the household. It may be the case that energy costs have a direct impact upon household budgets, or that they have an indirect impact if households prioritise the payment of energy bills (for fear of disconnection) over other budget items²⁵. They also noted the need for crisis support for consumers where there is a demonstrable need. This is particularly important given the immediate and long term impact on the health and wellbeing of people of having no access to energy.

3.1.1 Social security system

The creation of a Scottish Social Security Agency and the transfer of new powers over social security benefits aimed at reducing energy costs, namely the Winter Fuel Payment (WFP) and Cold Weather Payment (CWP), offer good opportunities to address fuel poverty and these are discussed in section 3.2.3.

We also considered how broader social security policies could be implemented in a way that would help the fuel poor.

Recommendation - Incomes 3: National and local governments should enhance existing efforts to maximise benefits through working with a wider range of local partners who understand the challenges of applying for benefits and the stigma of self-identifying as 'poor'.

No-one should be fuel poor because they are not in receipt of benefits to which they are entitled²⁶. We welcome the existing inclusion within the national fuel poverty programme, Warmer Homes Scotland, of benefits checks for individuals and families who might be eligible. We also welcome the Scottish Government's plans to conduct a campaign to encourage benefits take-up for those who are entitled²⁷.

²⁴ Shifting the Curve, January 2016, Scottish Government <http://www.gov.scot/Resource/0049/00496621.pdf>

²⁵ Trevisan, F., Curl, A., Kearns, A. and Ellaway, A. (2014) *The Recession, Austerity Measures and Health*. Glasgow: GoWell.

²⁶ At a UK level, 6 out of 10 of those entitled claimed pension credit, 8 out of 10 claimed housing benefit, 5 out of 10 claimed job seekers allowance.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535362/ir-benefits-take-up-main-report-2014-15.pdf

²⁷ SNP Manifesto 2016.

We discuss in section 4 how local partnerships are well placed to identify people who are in fuel poverty or at risk of becoming fuel poor and provide benefits checks as part of a package of interventions to promote wellbeing.

Recommendation – Incomes 4: The Scottish Government should review devolved welfare and social security policies to ensure they are aligned with fuel poverty eradication and make recommendations to the UK Government to do the same with respect to reserved welfare policies.

The SWG believes devolved welfare and social security policies should be reviewed in terms of how they could help alleviate fuel poverty. Furthermore, the Scottish Government should urge the UK Government to review reserved welfare policies through a fuel poverty lens. In our view, a key principle of social security policy should be to achieve healthy living for all, which would include affordable warmth and energy use. For example:

- Ill Health and Disability Benefits Policy should take account of the additional costs associated with achieving appropriate levels of warmth to avoid deterioration of disability or long term health condition.
- Discretionary Housing Payments (DHP) could be used to increase tenants' incomes, for example in situations where tenants face higher fuel costs until such time as a landlord installs energy efficiency measures.
- The Scottish Welfare Fund grants which address housing needs should take account of energy costs.
- Scottish Living Wage and Social Security Policies should work together to ensure a basic minimum living standard for every household²⁸.
- Employment Support Service Policy should have an explicit aim to support people into and to sustain work that provides sufficient income to meet basic needs.

3.1.2 Local economic development

While the social security system can provide immediate and very welcome relief for fuel poor households, long term solutions to raising incomes depend on thriving local economies, supporting well-paid, secure jobs. We also must have the skills and capacity throughout Scotland to take up these opportunities.

The significant investment in Scotland's transition to low carbon energy and fuel poverty alleviation provides opportunities to create a virtuous circle of more jobs, better incomes, and reduced inequalities. There is little information available on the jobs created and sustained through energy efficiency programmes. One exception is a review of a previous fuel poverty programme, the Energy Assistance Package, which found that prioritising local contractors supported economic generation in rural and island areas.²⁹

²⁸ Include consideration of measures such as the Joseph Rowntree minimum income standard <https://www.jrf.org.uk/income-benefits/minimum-income-standards> and the universal basic income http://www.basicincome.org.uk/current_schemes

²⁹ Baker, K.J., Emmanuel, R., & Phillipson, M., 2014. Review of the Energy Assistance Package. Report for the Scottish Government.

There is some recognition that energy efficiency programmes can assist with local economic development and employment. The Scottish Government has funded the Energy Saving Trust to help ensure Scottish businesses, especially SMEs, are benefitting from the large amount of spend on energy efficiency and fuel poverty schemes. This also included research on the supply chain in remote and rural areas, where small businesses often find it difficult to comply with the various accreditation schemes because the costs often outweigh the benefits^{30,31}. As part of the Warmer Homes Scotland contract, Warmworks and its supply chain have committed to over 700 jobs, apprenticeships, placement and training opportunities, to be delivered by 2020. Warmworks has 34 local contractors registered with the scheme, including 7 in island areas, all pay the Living Wage.³²

Recommendation - Incomes 5: The National Infrastructure Priority on energy efficiency and its cornerstone programme, Scotland's Energy Efficiency Programme, should be designed to maximise economic and social benefits for local communities with appropriate targets set for the creation of training places and job opportunities.

The National Infrastructure Priority and the development of Scotland's Energy Efficiency Programme (SEEP) provide an unprecedented opportunity to create jobs the length and breadth of Scotland. Employment can be generated in the fabrication, maintenance and installation of energy efficiency measures. The creation of local businesses that form positive relationships with their local customers can help drive more engagement with the programme. In the long term, a critical mass of skills and capacity can be created, resulting in lasting economic benefits.

This will require a supportive policy context, and coordination between agencies and departments, working in partnership with stakeholders. The Scottish Government should learn from previous infrastructure projects that have sought to link labour market objectives with regeneration activity, such as the Commonwealth Games 2014³³. This experience suggests there is a need to work with the skills and development sectors and the economic/business development agencies so that there are trained workers coming out of colleges to work in local firms to deliver the national policy goals on energy and fuel poverty.

In particular, the following policies or actions should be put in place:

- Public procurement for energy efficiency and renewables schemes (advice, installation, maintenance) should give priority to local businesses and workers, and include requirements to train local people.
- Payment of a minimum of the Living Wage³⁴ should be included in any contracts awarded.

³⁰ <http://www.energysavingtrust.org.uk/scotland/businesses-organisations/supply-chain>

³¹ <http://www.energysavingtrust.org.uk/scotland/businesses-organisations/supply-chain/research>

³² http://www.changeworks.org.uk/sites/default/files/WARMWORKS_Annual_Review_2015-2016.pdf

³³ Clark, J. and Kearns, A. (2016 online first) 'Going for Gold: A Prospective Assessment of the Economic Impacts of the Commonwealth Games 2014 on the East End of Glasgow', *Environment and Planning C: Government and Policy*. DOI: 10.1177/0263774X15624923

³⁴ Living Wage Foundation

- Planning regulations could not only enable the work but, if framed appropriately, encourage or require the work.
- Enterprise agencies should promote and support local businesses to deliver schemes.
- Trade bodies, colleges, and Skills Development Scotland should collaborate on developing the required skills where needed. There is concern that the reduction in further education college places will have a negative impact on filling the skills gap.

Recommendation - Incomes 6: The Scottish Government should include fuel poverty alleviation as a central objective in the new Scottish Energy Policy, working to create affordable and secure energy supplies through the development of local energy systems, creating and sustaining local jobs and businesses.

The proposals for the new Scottish Energy Policy present local business and employment opportunities which in turn can help eradicate fuel poverty, through a big shift from 'business as usual' to a 'whole system view' that encompasses demand reduction, energy efficiency, a balanced energy generation mix, energy storage, low carbon transport and heat. The proposals include ambitions for:

- Local schemes with local generation, distribution, consumption and storage.
- District (or communal) generation/heating schemes, based on local available fuels.
- Local hydro, photo-voltaic and heat pump schemes.

Given this potential, as well as the ambition to provide more sources of affordable, low carbon energy, we believe the strategy should have an explicit objective to help alleviate fuel poverty.

Recommendation - Incomes 7: Support for local community energy projects, in particular the Community and Renewable Energy Scheme (CARES), and the Local Energy Challenge Fund, should be continued and extended.

The Scottish Government supports the development of local and community-owned renewable energy projects through the Community and Renewable Energy Scheme (CARES)³⁵ and the Local Energy Challenge Fund. The former provides loan finance, advice, and grants. The challenge fund is for large-scale projects that link energy generation with demand, and can demonstrate the value of local low carbon energy economies.³⁶

These funds have been successful in supporting local and community ownership of renewables, and in taking forward innovative projects in energy storage and distribution. The funds will need to evolve to meet the challenges of creating new

³⁵ Community and Renewable Energy Scheme (CARES) – Overview of Support 2014
<http://www.gov.scot/Resource/0045/00457861.pdf>

³⁶ <http://www.localenergyscotland.org/funding-resources/funding/local-energy-challenge-fund/>

models of generating and using energy locally given the significant reductions in subsidies (feed-in tariffs) for wind and other renewables.

With sufficient ambition, resource and leadership, the National Infrastructure Priority and the new vision for energy policy in Scotland could result in a network of local schemes, supporting local jobs upgrading existing housing stock, building efficient new housing stock, and creating and operating local energy schemes.

3.2 Making energy costs affordable

Energy prices are the most significant driver of fuel poverty, with prices rising faster than household incomes, and outstripping fuel bill savings due to improved energy efficiency. While energy policy and regulation are reserved to Westminster, there are many ways the Scottish Government can address inequities in pricing and costs of fuel that are outwith the consumer's control. Devolved powers under the Scotland Act 2016 provide new opportunities in this area.

These efforts should be linked to the wider poverty and inequality policies which are focusing on reducing costs. For example, reducing costs (including energy) is a key theme within the child poverty strategy as the inability to heat the home undermines child wellbeing.

This section explores:

- Direct measures that can help households ameliorate energy costs, such as tariff switching advice, rebates, top up payments and equal access to tariffs.
- Benefits aimed at easing the cost of energy bills (Warm Home Discount) and income supplements notionally aimed at reducing energy bills (Winter Fuel Payments and Cold Weather Payments).
- Longer term, strategic approaches to create more sustainable solutions through different approaches to energy pricing and the provision of energy supplies.

Recommendations are made in terms of what can be done through a new fuel poverty strategy, and what needs to be done in terms of wider policy. For both, the focus should be on what can be done to mitigate high prices for fuel poor households and to create affordable energy sources through the maximum use of Scottish powers, implementation of UK powers and piloting good practice and innovation. The starting point should be direct actions that can make a real difference to reducing the energy bills of the fuel poor with immediate effect.

3.2.1 Direct measures to reduce energy bills

For the majority of individual consumers in the next few years, the main opportunity to reduce prices will remain, as now, by switching tariff and/or supplier. Advice on switching will require a concerted and sustained effort to achieve much better engagement with the fuel poor to overcome the propensity not to switch – especially in rural Scotland.

There are lower levels of consumer engagement (switching) in the energy market in Scotland than the rest of GB. The Scottish Government is committed³⁷ to undertaking research to better understand why this is the case (also for other regulated markets).

The recent Competition and Markets Authority (CMA) review of energy markets³⁸ concluded that the GB energy market leaves two-thirds of households disengaged and paying more for their energy than customers who have switched suppliers. The minority of engaged consumers tend to be from higher socio-economic groups, use mains gas for heating, pay by direct debit and have internet access.

The CMA has indicated that, with the exception of a limited, short term cap on pre-payment meter (PPM) prices, no intervention in the market is intended, and it is effectively up to consumers and intermediaries to design mechanisms to support households.

Recommendation – Energy costs 8: The new fuel poverty strategy should include direct support to the fuel poor, or those at risk of fuel poverty, on managing their energy, switching to the best tariff, ensuring correct billing, and debt relief.

The support for switching and energy bill management should build on current efforts by Home Energy Scotland, the network of Citizens Advice Bureaux and local outreach energy advice and advocacy services delivered by local authorities, housing associations and voluntary organisations that provide advice on energy billing and debt management. It is important to have a variety of routes to advice to ensure everyone who can benefit from switching and fuel debt support is reached and offered help.

A useful development is Home Energy Scotland's pilot impartial supplier-switching support service for social tenants, which is due to be extended to all tenures in a further pilot phase.

All of these efforts need to be mainstreamed and replicated across Scotland, working through local partnerships (see section 4), so that anyone who is fuel poor, or at risk of being in fuel poverty, is offered support through local casework to determine energy needs including:

- Tariff and/or supplier switching advice.
- Debt relief advice.
- Advice on metering, changing meters and understanding bills.

In relation to switching advice, we support:

³⁷ <http://www.gov.scot/Publications/2016/06/5280>

³⁸ CMA review on energy market reforms, June 2016: <https://www.gov.uk/government/news/cma-publishes-final-energy-market-reforms>

- Improving face-to-face and tailored advice services to extend the reach of switching advice/support, particularly in rural/remote areas. This service should complement and support online switching.
- Continuing and extending support for Energy Best Deal (through CABs).
- Developing more effective/accessible online comparison tools (e.g. Citizens Advice).
- Extending the impartial supplier switching support service to all consumers following the pilot phase.
- Investigating how collective switching might be supported.

Recommendation – Energy costs 9: The Scottish Government should work with Ofgem and the energy suppliers to ensure the Competition and Markets Authority remedies on metering are implemented without delay and their impact in Scotland is monitored and evaluated accordingly.

The CMA has proposed that Dynamically Teleswitched (DTS) and other non-E7 time of use tariff consumers³⁹ should be able to move to single rate tariffs, which will in many cases be cheaper, without requiring a change of meter. There will be a need for additional advice to support this change.

Ofgem should support thorough and rapid implementation of the CMA remedies and it should continue to keep these issues under review particularly as they affect consumers in Scotland (for example, the price cap for prepayment meters only applies until the smart meter roll out is complete).

3.2.2 Social security benefits aimed at reducing energy costs

Recommendation – Energy costs 10: The Scottish Government should explore potential solutions to support people on low incomes to afford sufficient energy for healthy living through their new social security powers.

We have already made a recommendation (recommendation – income 4) that the Scottish Government should review its broad set of devolved welfare and social security policies in terms of how they could help alleviate fuel poverty. We want to ensure that this review also focuses on how these policies can help reduce energy costs so that those on low incomes can afford a warm and healthy home – either through devolved benefits such as the Winter Fuel Payment, a top up to a reserved UK benefit, or through the creation of a new benefit.

For example, there are groups in society who incur additional heating costs due to health or disability. Support could be incorporated into the Ill Health and Disability Benefits that are due to be devolved, or as a separate Winter Fuel Payment. This is a similar approach to the Scottish Government decision to extend the Winter Fuel

³⁹ Dynamically Teleswitched meters and non-E7 time of use meters usually work specifically with electric storage heating systems. They allow your energy provider to provide you with cheaper rates of electricity at certain times, but this is not always beneficial for all consumers, and there is often a very limited choice of tariffs available for those using these meters to switch to.

Payment to families with children in receipt of the highest care component of disability living allowance (DLA).

While the use of social security benefits to help the vulnerable with additional energy costs is important from a social justice perspective, we must bear in mind that these benefits should not be used to subsidise high costs resulting from unfairness in pricing or failure to create the infrastructure to produce and supply fuel at equivalent cost to all households and regions.

As the Winter Fuel Payment and the Cold Weather Payment are particularly relevant to fuel poverty concerns, these specific benefits are explored in more detail below.

Recommendation – Energy costs 11: Routine assessment of need for additional fuel poverty support should apply to all recipients of Winter Fuel Payments and Cold Weather Payments.

Recommendation - Energy costs 12: The Scottish Government should review the delivery of the Winter Fuel Payment and consider the pros and cons of potential changes to its eligibility, how it is paid and what it is used for.

The Winter Fuel Payment (WFP) was introduced as part of the UK Government's effort to tackle fuel poverty amongst pensioners⁴⁰. Anyone over the female state pension age is eligible and the significant majority of payments are made automatically. The payment ranges between £100-£300 depending on the household circumstances (e.g. age, living alone). In essence, the benefit operates as a pension top-up rather than being targeted at those in fuel poverty. Over 1m people (760,000 households) in Scotland were eligible for WFP in 2014/15, with over £180m awarded in total.⁴¹

The Scottish Government has stated that it will maintain the WFP for pensioners and will make payments early for those who are off-grid, so they can use the payment flexibly to take advantage of lower prices. We welcome the Scottish Government's commitment to change the timing of the WFP to those who are off the gas grid so they can replenish their oil tanks, LPG supplies, etc. before the coldest months.

The WFP represents a significant amount of funding and there are two schools of thought on its best use, with both being reflected in the SWG.

One is that the funds should be used differently to better address fuel poverty, through targeting. We discussed this issue with Ms Eisenstadt, the Poverty Advisor, who has general concerns about over-reliance on the universal approach when we are working with constrained budgets. Her report states that “universal can also mean spreading a limited budget too thinly to help those who need the service the most, and making little difference for those who need it less but choose to use it.” It

⁴⁰ <http://researchbriefings.files.parliament.uk/documents/SN06019/SN06019.pdf>

⁴¹ It is interesting to note that the benefit is 'exportable' (e.g. can receive if living in the EEA) as it is a universal payment. If it were a payment which related to a person's income or was targeted at specific groups as a social assistance measure, it would be less likely to be 'exportable'. However, the UK's decision to leave the EU could change this situation.

goes on to say that “tax-payers’ money should be spent on trying to level the playing field, not, as is sometimes the case, reinforcing ongoing disadvantage.”

The other view is that targeting could be expensive in itself and may lead to some vulnerable individuals not receiving payments; and that WFP is in essence an old-age benefit to which people are entitled as citizens, and therefore should not be changed.

We therefore believe the Scottish Government should carry out a review, including a cost-benefit analysis, of how the WFP could have the best impact on alleviating fuel poverty and supporting people on low incomes to afford sufficient heat for healthy living. A Health Inequality or Poverty Impact Assessment should be applied to any changes in policy and the Welfare Reform Health Impact Delivery Group (HIDG),⁴² which has a focus on mitigating the health impact of welfare reforms, should be asked to give advice and to monitor the impact of any social security changes to health.

The review could include an analysis of the following issues and alternatives:

- The costs and benefits of different approaches to eligibility for future WFP recipients.
- The amount of WFP paid to the non-fuel poor and/or higher rate tax payers.
- The potential impacts of making payments automatically to those on benefits with other groups having to apply, and any additional funds this could generate to be used to help the fuel poor.
- Changes to the payment method, for example moving to a discount off fuel bills to ensure the payment achieves a reduction to fuel bills, or using the payment to lower fuel bills through energy efficiency improvements. Information about Home Energy Scotland could be provided with the payment.
- Providing a premium on the WFP to those off the gas grid, until fairer energy distribution and pricing can be achieved.
- Prioritise payments according to the energy performance of the home to encourage and fund upgrades. This would require a hybrid system so those on benefits still get the payment even if their house has a higher EPC rating.

Any changes to the existing WFP should be based on the outcomes of this review.

Recommendation – Energy costs 13: The Scottish Government should maintain the Cold Weather Payment with minor changes including: taking account of exposure to wind and damp; linking payments to the fuel poverty programme; and making the payment a discount off bills rather than a cash payment.

⁴² HIDG is chaired by Scottish Government and has members from across Scottish Government, the NHS and the Third Sector.

The **Cold Weather Payment (CWP)** is an automatic government grant of £25 for households on certain benefits for each week the temperature drops below zero degrees Celsius for seven consecutive days. In 2015/16, 119,000 people in Scotland received a payment with £3.4m awarded (as of April 2016). The total spend depends on the winter weather, for example in 2012/13 it was £12m, and only £1m in 2013/14. Poorer pensioners tend to be the largest single recipient group⁴³.

We believe the CWP is made on the basis of a good proxy for those that are income and fuel poor and serves a useful purpose – targeting those most in need when the weather is coldest. There are some changes we believe should be considered to improve the impact on achieving affordable warmth for fuel poor households:

- The trigger point should take account of location (exposure to wind, damp).
- The payment could be a discount off bills rather than a cash payment – or at the very least this should be offered as an option.
- An additional payment should be made to those off the gas grid to reflect higher energy costs.
- Those in receipt of CWP should automatically be considered for additional fuel poverty support to help tackle any other relevant causes of fuel poverty.

Recommendation – Energy costs 14: The Scottish Government should use the newly devolved powers in relation to the Warm Home Discount to better target support on those most in need and improve efficiency of delivery.

Recommendation – Energy costs 15: The Scottish Government should maintain the Warm Home Discount Industry Initiatives, with parameters amended to enable innovation and complement SEEP and the fuel poverty programme.

The Scottish Government has new powers through the Scotland Act 2016 over how supplier obligations, including the Warm Home Discount (WHD), are designed and implemented in Scotland. The Warm Home Discount provides rebates of £140 pa off electricity bills to low income and vulnerable customers who meet the eligibility criteria. The WHD also includes ‘Industry Initiatives’ with suppliers providing a range of measures including debt assistance, benefit entitlement checks and energy advice to domestic customers in or at risk of fuel poverty.

In previous years, the Warm Home Discount was worth about £330m pa GB wide, with £30m spent on industry initiatives and the rest split with approximately two thirds going automatically towards poorer pensioners, and one third to other groups, who have to apply annually.⁴⁴ If it is distributed proportionately across GB, then it would mean around 180,000 households in Scotland received WHD in 2013/14.

The UK Government Autumn Statement 2015 gave a value of £320m for WHD in 2016/17 rising by inflation to 2021⁴⁵ with better targeting at "the households most at

⁴³ <https://www.gov.uk/government/statistics/cold-weather-payment-statistics-2015-to-2016>

⁴⁴ <https://www.ofgem.gov.uk/publications-and-updates/warm-home-discount-annual-report-scheme-year-4>

⁴⁵ 2015 Autumn Statement gave a value of £320m for 2016-17 rising by inflation in future years

risk of fuel poverty – those on low incomes living in homes which are expensive to heat – while protecting the pensioners who currently benefit.”⁴⁶ The UK Government has also proposed primary legislation which would allow wider data sharing between government and delivery bodies such as energy suppliers.

We are concerned that the WHD is not sufficiently well-targeted, and that the investment could do much more to help those in fuel poverty. We propose the WHD should have more of a focus on geographic/climate variations; targeting those most in need; and linking to energy efficiency programmes. However, adequate safeguards should be put in place to ensure any changes are not to the detriment of those in need.

In terms of streamlining delivery as well as freeing up monies for distribution as rebates, the government should also consider how there could be more automatic data-matching for the allocation of WHD rebates. The ‘first come, first served’ approach to allocation of rebates should be changed to ensure all who are eligible receive the rebate.

The WHD rebates offer a good opportunity to engage with those in fuel poverty to offer energy efficiency advice and access to improvements. This could be part of a more holistic approach within the new fuel poverty strategy.

Finally, while the WHD offers temporary relief for some, the Scottish Government needs to continue to focus on longer term solutions that address inequitable charges and inadequate infrastructure that create higher costs for some people.

3.2.3 Measures to create long term solutions for affordable energy pricing and supplies

3.2.3.1 Pricing

Recommendation - Energy costs 16: In the longer term, the Scottish Government should work with the UK Government to explore the possibility of an alternative approach to the current ‘universal price plus rebates’ system to ‘Customer Differentiated Pricing’ (CDP).

We believe there is scope for a partnership between the Government/Department for Work and Pensions, Ofgem and energy suppliers to do much more to adjust prices for customers at risk of fuel poverty at the point of sale, without reliance upon either rebate budgets set by Ofgem, or applications for rebates made by customers. This would shorten the implementation chain, and be more effective at reducing the impact of energy prices upon customers.

Priority pricing schemes have been suggested in the past on the basis of outage costs, or reliability needs⁴⁷, but in principle there is no reason why differentiated pricing could not be considered in order to lower prices (rather than raise them) for

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/514324/Final_Warm_Home_Discount_consultation_for_publication.pdf

⁴⁷ Siddiqi, S.N. and Baughman, M.L. (1993) ‘Reliability differentiated real-time pricing of electricity’, *IEEE Transactions on Power Systems*, 8(2), 548-554.

some customers on the basis of vulnerability criteria, for example offering lower prices for those reliant on electric heating, or those in low-wage, part-time jobs who spend more time at home but have smaller budgets from which to pay for their energy costs.

Recommendation – Energy costs 17: The Scottish Government should identify specific measures to support customers in rural and off-gas grid areas who suffer from higher energy costs than the rest of Scotland.

We note that electricity customers in the north of Scotland face higher network charges than those in the south of Scotland. A report from Ofgem showed that a standard national network charge would result in a greater number of people getting slightly higher bills with a smaller number receiving larger reductions, so although it would be redistributive by geography, there would be no net overall benefit⁴⁸. However, as fuel poverty is far higher, by heating type, among electric heating users, there is a case for a specific programme, to support these consumers through interventions ranging from an urban or gas equivalent tariff to a tailored tariff switching programme to overcome the current resistance in the north of Scotland to supplier switching.

3.2.3.2 Regulation

While regulation of the electricity and gas industries is reserved to Westminster, the Scottish Government can work with Ofgem and the energy industry to ensure both embrace the challenge of alleviating fuel poverty by pro-actively implementing regulation and going beyond regulatory requirements with new initiatives where possible. The Scottish Government's new powers for consumer protection advocacy are particularly relevant here; they should be used in concert with Ofgem's regulatory powers to effectively manage energy market conditions in Scotland.

Recommendation – Energy costs 18: The Scottish Government should use existing and new powers and work with Ofgem, energy suppliers and network operators and their respective industry bodies to explore the full scope of what can be done to alleviate fuel poverty in Scotland.

Engagement with the industry and Ofgem could start with the pro-active implementation of the CMA's findings. In parallel, they should work together to explore the full scope of how the energy suppliers and networks can contribute to fuel poverty alleviation in Scotland through corporate social responsibility requirements (CSR), network incentives, stakeholder engagement and building trust. A number of specific ways in which the key actors can work towards the goal of alleviating fuel poverty are described below.

Priority Services Register

We support Ofgem's final proposals on the Priority Services Register to improve support to vulnerable customers⁴⁹ in terms of service, awareness-raising, data sharing and compliance monitoring. It is worth noting that early work is underway in

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https://www.ofgem.gov.uk/sites/default/files/docs/2015/10/reg_charges_final_master_version_23_october_2015.pdf

⁴⁹ https://www.ofgem.gov.uk/sites/default/files/docs/psr_final_proposals_final_0.pdf

England to link vulnerability databases across different industries; in our view the biggest gain for fuel poverty would come from linking vulnerability databases to the health sector. We also believe more could be done to ensure that unusual energy use triggers action by the supplier to check in with the customer.

In the longer term, we believe Priority Services Registers should be held by the Distribution Network Operators (DNOs) (and Gas District Network Operators) with whom the consumer has an enduring relationship. We are also concerned that existing practice does not necessarily lead to 'clean' or up to date registers, effective referrals, and good partnership working to deliver an effective service.

Innovative tariffs

The CMA proposes removing a restriction on the number of tariffs. This could allow for more innovation and tariffs designed for certain customer groups. This means zero standing charge tariffs could be more common in future, and could possibly benefit the fuel poor, but there is no guarantee that will be the case. However, it could also lead to more confusion for vulnerable consumers, and a requirement for further support and advice.

One area where energy suppliers could have a big impact would be to target their cheapest tariffs at eligible groups, such as those eligible for the Cold Weather Payment.

DNO Stakeholder and Consumer Vulnerability Incentive

We believe there are good prospects for the DNO Stakeholder and Consumer Vulnerability Incentive to make a difference for the fuel poor. The annual scheme encourages network companies to engage proactively with stakeholders in order to anticipate their needs and deliver a consumer focussed, socially responsible and sustainable energy service.

However, this will need careful monitoring of progress and support by Ofgem to guide the DNOs on developing good local partnerships (e.g. with Community Planning Partnerships, Health and Social Care Partnerships), and linking in with the wider social policy agenda (inequalities, health, resilience) – see section 4.

Voluntary measures

There are many ways the energy companies and network operators can take innovative measures – going beyond their regulatory requirements - to fulfil their corporate social responsibility requirements (CSR) and help the fuel poor.

Increase understanding of energy market in Scotland

We believe there is a need for a better understanding by policy makers and regulators of the energy market in Scotland compared with the rest of GB (e.g. is there dominance by fewer players; or more/different barriers to increasing competition).

Ofgem should provide more regionalised reporting, and the Scottish Government's new powers for consumer protection under the Scotland Act 2016 will allow them to refer concerns to the CMA based on their own market research. Together, this information will help inform Ofgem's regulation of the market, and work with the Scottish Government and others to overcome barriers to competition.

Recommendation – Energy costs 19: The Scottish Government should use every opportunity to influence the UK Government and work with Ofgem to ensure regulation of the GB energy market addresses fuel poverty.

We believe there are two areas where GB energy regulation could be improved:

- Greater use of ‘incentivised regulation’ whereby energy suppliers are tasked by the regulator with identifying and monitoring vulnerable customers and the impacts of direct fuel poverty and indirect fuel-induced poverty, having their performance measured against targets for reducing these two impacts.
- Ofgem’s shift to ‘principle-based regulation’ could be used to include a principle of equality in energy prices, e.g. there should be no regressive impact of energy prices, billing or payment arrangements such that inequity of cost results for low income and vulnerable groups.

Recommendation – Energy costs 20: The Scottish Government should work with energy suppliers, energy advice networks, and the UK Government to explore best use of smart meter energy data to reduce fuel poverty while ensuring consumer protection.

Every property will be offered a gas and electricity (if applicable) smart meter and display unit by 2020. The smart meter will provide real time energy consumption information and ensure billing is based on actual use rather than estimates. Smart Energy GB is tasked with communications and engagement for the smart meter roll out and has particular responsibilities to assist vulnerable customers to realise the benefits of smart meters.

Smart meters should ultimately do away with estimated bills, which are frequently wrong and can result in real distress and debt problems. Other benefits could be a wider range of tariff choices. However, the roll out is expected to start with easy properties, leaving rural and remote rural households that would benefit most to be the last to be served. We believe priority should be given to providing a solution for those households who are most in need first.

While we must be sensitive to data protection concerns, we believe it would be worthwhile exploring how smart meter energy data could be used to assess over-use or under-use of fuel and trigger action to support the consumer. In this way, it might be possible to identify those who are unable to afford to heat their home, are unable or unwilling to use their heating system, have no heating system, or have poor understanding of the relationship between the temperature of their home and their health.

The Energy Saving Trust Smart Meter Advisory Project⁵⁰ could offer the possibility for consumers to share their smart energy data with a government-funded, impartial energy advice network such as Home Energy Scotland, so that they can receive more tailored energy management and saving advice. This would also make it much

⁵⁰ Smart Meter Advisory Project, 2014, EST

easier to understand consumers' real patterns of energy use before and after energy efficiency measures, helping with monitoring and evaluation (see section 5.5).

3.2.3.3 Developing affordable energy supplies

Recommendation - Energy costs 21: The Scottish Government should support the development of more choices of affordable energy supplies and work with local authority partners to set realistic and ambitious targets for every local authority area in this regard.

Alternative business models have the potential to create new supplies of secure, affordable and low carbon energy which could benefit the fuel poor. In 2015 local and community energy generation capacity was 508 MW, only a small proportion of the overall generation capacity in Scotland. Local authorities owned 17% of this capacity, with housing associations owning a further 7%⁵¹. For community energy to have a significant impact on fuel poverty, as well as meet the government's targets for decarbonised heat and climate emissions reductions, a considerable expansion will be required.

This could take the form of local authority Energy Service Companies (ESCOs)⁵², social landlord initiatives, community-owned energy suppliers, and co-operatives. Such social enterprises or community trusts can incorporate aims to provide even cheaper energy specifically to vulnerable customers within the community, because they are locally governed, non-profit and have social objectives. The public sector's capacity and skills to develop, implement and regulate new energy supply and generation models are lacking. Thus, a development programme is required to meet this aim.

There are also local economic gains to be made through this approach, as referenced in 3.1.2. The recent cuts in feed-in tariffs for renewable electricity generation mean new models will need to be developed for generating and using energy locally – e.g. through private wire connections to businesses and through energy storage.

The public sector should be required to take an active role in deploying and facilitating these approaches. For example, local authorities can use their purchasing power to support community-based energy generation. The public sector also needs to raise awareness of and engagement with these opportunities by consumers, as consumers will need to engage with the market to move to any new supplier. This must be done in a way which demonstrates the models are financially viable for private sector investment. Once established, the public sector should help scale these approaches up across Scotland – both in rural and urban areas.

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http://www.energysavingtrust.org.uk/sites/default/files/reports/Community%20and%20locally%20owned%202015%20report_final%20version%20171115.pdf

⁵² An energy service company or energy savings company (ESCO) is a commercial or non-profit business providing a broad range of energy solutions including energy supply and energy efficiency.

Case studies – public sector and non-profit energy services

Hebrides Energy is a not-for-profit community interest company working in partnership with GB Energy Supply⁵³ with the aim of providing lower electricity costs in the Outer Hebrides, where some of the highest levels of fuel poverty exist. The company includes the following partners: Comhairle nan Eilean Siar, Hebridean Housing Partnership, Tighean Innse Gall, The Stornoway Trust and Community Energy Scotland. Any profits that are generated will be reinvested into reducing fuel poverty in the Outer Hebrides.

Our Power is an energy supply company established by housing associations and local authorities in Scotland with the aim of reducing heat and fuel costs to the tenants in their communities. Our Power does not pay dividends to shareholders and reinvests any profits to benefit their customers and communities. Our Power is a Living Wage employer and received backing from the Scottish Government and Social Investment Scotland.

Ovo Communities operates mainly in southwest England and provides a model for local authorities, communities and co-operatives that want to supply energy directly to their tenants, communities or members. In this way, they become the energy company, offering services from supply and generation, to smart technology and energy efficiency.

Robinhood Energy was set up by Nottingham Council as a not-for-profit energy company. It uses energy generated from the city's incinerator, solar panels and waste food plants and also buys in gas and electricity from the market. Energy is provided at the lowest possible price and the tariff is available on a UK-wide basis.

Recommendation – Energy costs 22: Scottish Government should work with the UK Government and Ofgem to remove or overcome barriers to community energy including access to finance, capacity building, grid constraints, complex licensing requirements, upgrades to transmissions systems and priority for connections.

Community energy projects have several benefits: they generate revenue for the local community, they create community assets to create local solutions to local problems, and they give local control over energy production⁵⁴. There is good evidence this approach benefits health and wellbeing and provides the opportunity to develop local expertise and jobs.

Despite these social outcomes, community energy projects are treated the same as any other developer/supplier by the regulatory system, and large, private sector developers have huge advantages in terms of finance, capacity, expertise, and scale. This can mean community projects struggle to get off the ground.

⁵³ <https://www.gbenergysupply.co.uk/about>

⁵⁴ <http://www.climatexchange.org.uk/reducing-emissions/supporting-community-investment-commercial-energy-schemes/>

There are opportunities for the Scottish and UK Governments (for example through City Deals) to facilitate strategic partnerships with DNOs and communities to develop new energy systems models.

Particular issues include:

- Transmissions system upgrades are needed to facilitate local energy generation.
- There are relatively high costs (for smaller projects) for reinforcement and upgrade costs.
- Supply and DUoS (distribution use of system) licensing and charges for community owned electricity co-operatives is complex (Note that Ofgem will publish a discussion paper before the end of 2016/17 exploring how local energy interacts with the regulatory regime and whether changes are required in order to unlock consumer benefits.
- Support for innovation in connecting local generation to local supply is still at a developmental stage.

Recommendation – Energy costs 23: Ofgem should include fuel poverty alleviation as a criterion for innovation funding for network operators, ensure adequate take-up in Scotland, and consider applications from wider partnerships of stakeholders.

As Scotland moves towards a decarbonised heat and electricity, it will be important to use existing infrastructure, such as the gas network, to support this transition and to do so in a way that provides for affordable, low carbon energy in the future. It is also important that research is undertaken throughout Great Britain, to ensure solutions are explored that meet the problems and opportunities of different regions, including Scotland.

Smart grids or networks that moderate demand and consumption could offer opportunities for more affordable energy. ‘Smarter’ or active grid management could also free up greater capacity and reduce constraints. Ofgem has a key role to play in supporting research and funding pilots in order to provide evidence as to whether alternative models such as smart grids are better for reducing levels of fuel poverty. The Low Carbon Networks (LCN) Fund and the Network Innovation Competitions (NICs) for electricity and gas have an important role to play in this regard.⁵⁵

SGN’s Real Time Networks project uses innovative sensors and up to date information on consumer demand to give greater accuracy in modelling the energy delivery capability of the network. This could assist with the use of downstream renewable technologies, such as heat pump and combined heat and power (CHP) units and demonstrate how ‘green gas’ such as biomethane can be managed within the network. The expectation is that any savings made will be passed on to the GB gas consumer.

⁵⁵https://www.ofgem.gov.uk/sites/default/files/docs/2014/11/innovation_competitions_brochure_2014_0.pdf

This project is funded through Ofgem's Gas Network Innovation Competition fund. More effort is now needed to scale up and replicate this and other examples for greater impact in the Scottish context.

3.3 Improving energy performance

Improving the energy performance of properties will not only help those currently in fuel poverty but will also reduce the likelihood of fuel poverty for future householders. People living in a home with low energy performance are 3.5 times as likely to be suffering from fuel poverty as those in a home with high energy performance⁵⁶. Out of a total of 2.3 million homes, 1.4 million homes are below EPC band C, of which 400,000 are the worst rated at G, F and E. The social housing sector has the highest energy efficiency ratings with 56% of dwellings at band C or better and only 8% below band D. This is due to the regulatory standards in the Scottish Housing Quality Standard, now superseded by the Energy Efficiency Standard for Social Housing⁵⁷.

Until recently, Scotland's housing stock was not built or designed with the maximisation of its energy performance as a core element. Our housing has generally been built to last, with 20% of our stock over 100 years old and around 85% of the homes that we will have in 2050 have already been built⁵⁸.

As a result of fuel poverty and energy efficiency schemes over the past fifteen years or so, the housing stock has improved with the number of properties with an EPC rating of C or above having increased from 24% in 2010 to 41% in 2014.⁵⁹ However, properties with an E-G rating are found throughout Scotland, though there is a higher concentration of properties in lower bands in rural areas as shown in figure 3.

This section explores the scope to extend efforts to tackle fuel poverty through improving energy efficiency through the forthcoming Scottish Energy Efficiency Programme, regulation of minimum standards, and the use of new devolved powers over the energy supplier obligation (ECO).

⁵⁶ <http://www.gov.scot/Publications/2015/12/8460>

⁵⁷ <http://www.gov.scot/Topics/Built-Environment/Housing/sustainable/standard>

⁵⁸ <http://existinghomesalliancescotland.co.uk/wp-content/uploads/2016/01/Fuel-Poverty-Debate-27th-January-2016-Existing-Homes-Alliance-briefing.pdf>

⁵⁹ SHCS Key Findings 2014

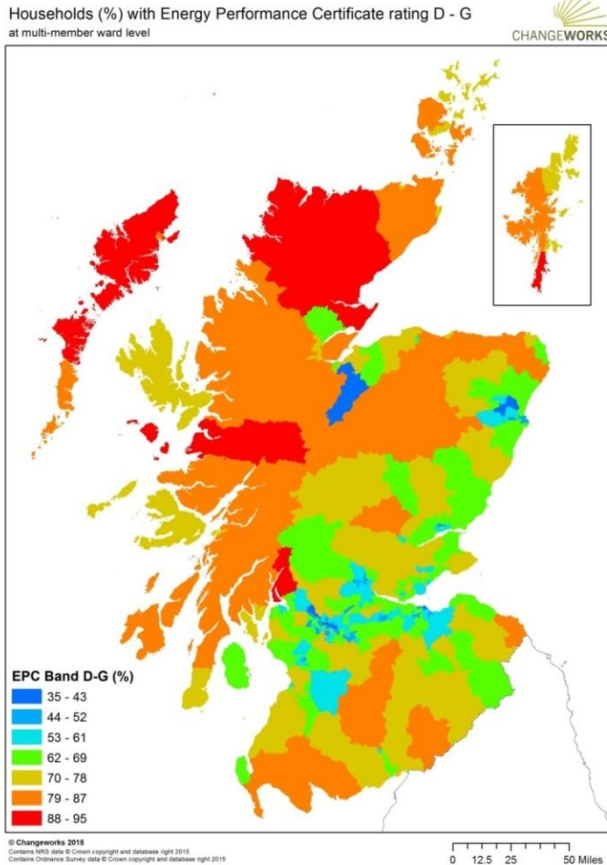


Figure 3: Data from the EPC register has been mapped on a multi-member ward level basis (Changeworks)

3.3.1 Scotland's Energy Efficiency Programme (SEEP)

Recommendation – Energy performance 24: The SEEP Programme should have a central objective to eliminate poor energy performance of a property as a driver of fuel poverty throughout Scotland including rural areas.

The Scottish Government has made the energy efficiency of buildings a National Infrastructure Priority. Scotland's Energy Efficiency Programme (SEEP) will form the cornerstone of the infrastructure priority. It will be a 15-20 year programme with multi-year funding, aimed at improving the energy performance of both domestic and non-domestic buildings. The Programme for Government states that the SEEP programme "will start in 2018 with accompanying regulation to improve the energy efficiency of the building stock over the long-term, helping reduce energy costs and tackling fuel poverty."⁶⁰

The aim should be to virtually eliminate poor energy performance as a driver of fuel poverty, while at the same time tackling the other drivers of energy price, incomes and how energy is used in the home. To achieve this it is vital to significantly expand the number of homes in which energy efficiency measures are installed.

⁶⁰ Programme for Government 2016/17

Recommendation – Energy performance 25: The SEEP Programme should include a milestone towards achieving this anti-fuel poverty aim, with all properties of fuel poor households upgraded to at least an EPC band C by 2025 with five-yearly targets set for progress towards EPC band B thereafter.

To significantly reduce energy inefficiency as a root cause of fuel poverty, the energy efficiency rating of the vast majority of Scotland’s housing stock should be brought up to a minimum of EPC band C⁶¹ and beyond.

The statistics illustrate the important influence of energy efficiency on fuel poverty levels. For those who are income poor and who live in a more energy efficient home with an EPC rating of B-C, 66% are in fuel poverty. However, the incidence of fuel poverty among the income poor rises to 99% among those in the least energy efficient properties, EPC rating E-G. For those who are not income poor and who live in a more energy efficient home, 7% are fuel poor, whereas 58% of those who are not income poor but live in the least energy efficient properties are in fuel poverty (see table 2).⁶²

Table 2: Incidence of income poverty and fuel poverty by EPC ratings

EPC	% income poor in fuel poverty	% not income poor in fuel poverty
B-C	66%	7%
D	94%	25%
E-G	99%	58%

If the energy efficiency of the housing stock was to be improved to band C or above, those in fuel poverty would correlate much more closely with those in income poverty.

This is a major undertaking which will deliver much greater societal benefits than tackling fuel poverty alone. Improving the energy efficiency of the vast majority of the housing stock to band C or above has many advantages, but there are some issues in relation to modelling and assessment methods that are worthy of attention and these are set out below.

The EPC rating is a theoretical measure of the CO₂ emissions and energy costs of a property. There is a marked difference between the actual and theoretical emissions, with the actual emissions being approximately 70% of the modelled emissions due to the disparity between models and lived experience (SHCS).

This can be due to the modelled performance not accurately reflecting the real life performance and/or householders not heating their home to the expected levels. Since policy and evaluation are often based on the theoretical emissions, it is important the theoretical modelling is improved to become closer to real life.

⁶¹ The National Institute for Clinical Excellence (NICE) guideline on excess winter deaths and illness and the health risks associated with cold homes has recommended that the energy performance of properties where fuel poor households live should be improved to a minimum acceptable rating – EPC Band C and ideally Band B

⁶² Figures extracted from page 74 Main report SHCS <http://www.gov.scot/Resource/0049/00490947.pdf>

Weaknesses in the RdSAP⁶³, the system on which EPCs are based, should be explored in greater detail and recommendations made to the UK-wide process of updates to SAP and RdSAP to ensure that measures installed to theoretically improve performance result in actual energy savings. Particular attention needs to be paid to the treatment of non-traditional and rural properties.⁶⁴

15% of households report difficulty heating their homes due to draughts (SHCS), the second most common reason. However, the impact of draughts on householder heating patterns is not fully reflected in RdSAP.⁶⁵

There are also concerns that increased airtightness may lead to health problems due to poor air quality.⁶⁶ Appropriate design and ventilation incorporated as part of SEEP measures should be able to overcome these issues, thus providing healthy environments at the same time as ensuring ultra-low heating costs.

Recommendation - Energy performance 26: The SEEP Programme should consider the use of higher standards and incentives to promote new and ‘deep-retrofit’ low energy homes in the social and private housing sectors to help eradicate fuel poverty, reduce carbon emissions and provide other benefits such as jobs and enhanced health and wellbeing.

Setting a target for SEEP of EPC band C must not be seen as a maximum ambition. On the contrary, fuel poverty and carbon reduction commitments mean it is likely that even greater energy efficiency will be required. Consideration should therefore be given as to whether it is more cost effective in overall terms, including re-engagement costs, and taking into account the benefits in terms of eradicating fuel poverty and improving health and wellbeing, to undertake ‘deep retrofits’ where possible.

New approaches to designing low energy homes are becoming more mainstream and affordable. These are extremely well insulated and well-sealed properties, with ventilation controlled mechanically using a heat recovery system and minimal requirements for heating. These homes provide a sustainable solution to the problem of high energy costs, and in some cases can even provide a small income through generation of electricity.

During the course of our work, we visited sites in the Borders with experts from Strathclyde University to see new and refurbished properties designed to Passivhaus⁶⁷ specifications. The cost of building and retrofitting these homes was not much more than traditional properties and all work had been undertaken by local tradesmen. The great benefit was in terms of measured heating, water heating and lighting costs which, for a 3 bedroom house, were returning at around £100 per

⁶³ Reduced Data SAP - Standard Assessment Procedure - was introduced in 2005 as a lower cost method of assessing the energy performance of existing dwellings

⁶⁴ The report, Developing Regulation on Energy Efficiency of Private Sector Housing: Modelling Improvements to the target stock, 2015, Scottish Government, provides a useful summary of concerns related to SAP and RdSAP.

⁶⁵ <http://www.sustainablehomes.co.uk/national-energy-study-2-report>

⁶⁶ <http://www.airqualitynews.com/wp-content/uploads/2015/10/Indoor-Air-Quality-Future-Scenarios-Report.pdf>

⁶⁷ The Passivhaus energy performance standard dramatically reduces the need for space heating/cooling, while providing excellent air quality and comfort. <http://www.passivhaus.org.uk/>

annum (see appendix 4). This is a fraction of the average energy bill in Scotland of £1,334 per annum⁶⁸. Occupants were delighted with their Passivhaus homes.

Other examples include low energy housing solutions demonstrated at BRE's Innovation Park and the factory built modular houses constructed for athletes at the Commonwealth Games. A useful resource is Retrofit Scotland⁶⁹, which provides case studies and best practice information on refurbishments. A new entry to the market is Energiesprong⁷⁰, which delivers deep retrofit, at scale, in a single intervention (within 10 days) guaranteed to operate at a net-zero carbon standard and funded through the energy savings.

As part of SEEP, the Scottish Government should use building regulations, planning requirements and incentives to bring forward new and retrofit designs of affordable housing with such low energy standards. This could achieve triple objectives of large greenhouse gas reductions, fuel poverty alleviation and opportunities for local trades and businesses to be up-skilled in this low energy specialism for delivery in Scotland and to export markets.

Recommendation - Energy performance 27: The SEEP Programme should be designed and implemented according to key criteria provided in this report including meeting households' needs, a targeted approach, and the best use of public funds, all building on the current Home Energy Efficiency Programmes for Scotland (HEEPS).

Recommendation – Energy performance 28: The SEEP Programme should be targeted at those properties for which energy efficiency is the main driver for fuel poverty, with additional weighting on extreme fuel poverty. This will result in, for example, a greater focus on rural and remote rural properties which are disproportionally represented against these criteria. Clear measurement of performance is required.

The SWG has not made recommendations on the detailed design of a future fuel poverty strategy. However, we have specified a range of criteria in section 3.3.1.1 below (including priority for rural and remote households) against which SEEP should be developed and assessed.

3.3.1.1 Criteria for the design and implementation of SEEP

Meeting householders' needs: Fuel poverty is about people. The design and operation of the programme should reflect people's needs and desires.

Timely support for those most in need: People most in need require help now and should continue to get it through a high quality national reactive scheme in place which is accessible, well promoted and of a sufficient scale.

Long-termed planned approach: A complementary planned approach covering all homes with poor energy efficiency to ensure householders not accessing the

⁶⁸ <http://www.gov.scot/Resource/0046/00469235.pdf>

⁶⁹ www.retrofitscotland.org

⁷⁰ <http://www.energiesprong.eu/>

national scheme are included and to prevent fuel poverty developing as householder circumstances change.

Support for householders: Provide government funded impartial advice, based on what people need and want, and in a way that they wish to access.

Delivers across all of Scotland: To ensure that rural communities are fully included in any programme there must be flexibility to ensure that the particular challenges of delivering in rural areas can be overcome.

Extended delivery: To maximise engagement and to support local delivery a multi-year programme within geographical areas is required.

Protection for householders: Energy efficiency works should be of high quality, and acceptable in terms of appearance and long term effectiveness. Sufficient protection and redress should be in place for householders.

Reap the benefits: Support for householders must be included to address the fourth driver of fuel poverty, so that people can make the most of any new heating systems or energy efficiency measures and know how to use their heating controls.

Making the best use of public funds: For those most in need, full public funding support is required. For others, finance and incentives are required to encourage, support and enforce improvement.

Resources to match ambition: Further work is required to establish the overall cost of raising most properties to a band C and options as to the split between public and private finance.

Targeting of funds: Targeting should result in a transparent and equitable distribution that provides an acceptable balance of helping those most in need and benefitting the greatest number.

Ensuring best value: Ensure that competition among suppliers is maintained and that maximum grant levels do not become the minimum price. Choose the most cost effective approach for delivery with a focus on particular types of measures or a whole house approach. Schemes should be delivered in terms of management, procurement, quality, scale and time frames so that best value is obtained.

Most appropriate work: Ensure that the most appropriate measures are installed for each property and that innovation is promoted.

Supply chain: The design of the programme should ensure that wider economic and community benefits are obtained in terms of sustainable jobs, wider community benefit and a competitive suppliers market.

Exceptions: A strict but manageable exceptions system will be required (including abeyances, relaxations and exemptions) that excludes some properties from treatment. There will be an even smaller number of properties where the standard of

construction is so poor and levels of disrepair so high that further works are not appropriate and new build options should be considered.

Evaluation and continuous improvement (see section 5.5 on monitoring and evaluation): Ensure that evaluation and continuous improvement are embedded into the programme from the start.

3.3.2 Regulation of energy performance

Recommendation - Energy performance 29: Introduce regulations for a minimum standard of energy performance at the point of sale and rental for the private housing sector. Such regulation will be an important driver towards eradicating fuel poverty and should be introduced as soon as possible.

Recommendation - Energy performance 30: Regulations should be designed to protect vulnerable households, and be accompanied by appropriate funding and advice to support compliance.

We welcome the Scottish Government's commitment in the Programme for Government 2016/17 that it will "consult on the regulation of private rented sector housing to increase efficiency standards and heat regulations commensurate with the scale of the heat market" and "consult on phased regulation of other existing buildings to bring them up to higher energy efficiency standards..."⁷¹

The Scottish Government has already done considerable work on preparing draft proposals for consultation that would set minimum energy efficiency standards for all private sector houses through the [Regulation of Energy Efficiency in Private Sector Homes \(REEPS\) working group](#)⁷². This work should be developed further for consultation, including detailed mechanisms which are fair and reasonable to consumers. The government delayed its plans to consult on the draft regulations in spring 2015 and we urge the government to seek views as early as possible on regulations for both the private rented and owner occupied sectors.

Minimum standards of energy performance for the private housing stock at the point of sale and rental will ensure the worst-performing stock is improved. As discussed earlier, poor energy performance is strongly correlated with fuel poverty. Regulation will also benefit social housing tenants and providers, by facilitating the upgrade of mixed tenure properties and preventing private owners from blocking reasonable and advantageous improvements. Minimum standards will play an essential role in promoting a market transformation in how we value energy efficiency, and encouraging private investment from homeowners and landlords to support the National Infrastructure Priority on energy efficiency.

The Scottish Government should give consideration as to how to support compliance in 'expensive-to-treat' homes. Other factors such as building conservation will also need to be taken into account. There will also need to be support for owners of long-

⁷¹ Programme for Government 2016/17

⁷² <http://www.gov.scot/Topics/Built-Environment/Housing/sustainable/Energy-efficiency-private-sector-homes/REEPS-Working-Group>

term empty homes, of which there are around 34,000 in Scotland, and support to help private landlords comply with the new standards to ensure tenants can reap the benefits. In all cases, the principle should be that every affected property is improved, with the over-arching aims of ending fuel poverty and reducing climate emissions. Steps should be taken to inform property owners of requirements as soon as possible so that action can be taken well in advance of sale if desired.

It is essential that appropriate mechanisms, safeguards and support are put in place to ensure that regulation does not adversely affect consumers, especially disadvantaged groups. Provisions should be made available to ensure consumers, particularly those who are vulnerable, are able to afford the upgrades and sell their homes. For example, we suggest householders should be able to pass the requirement to upgrade the energy performance on to the purchaser of the property, this being reflected in the agreed sale price, with a requirement that the works are completed within a specified time-frame.

It is worth saying that fuel poverty is not static; encouraging those who are able to pay now to invest in their homes can reduce the numbers needing greater public sector support in the future. This will allow government funds to be focused on those most in need now and in the future.

3.3.3 Energy Company Obligation

Recommendation – Energy performance 31: The Scottish Government should use its new powers in relation to the Energy Company Obligation (ECO) to ensure that ECO supports the objectives of the National Infrastructure Priority on energy efficiency and its cornerstone programme SEEP. This will involve a holistic approach to programme management, using different sources of funding to minimise the cost of getting the maximum energy efficiency measures to eradicate fuel poverty.

The Energy Company Obligation (ECO) is a legal obligation on energy suppliers to improve the energy efficiency of domestic properties. The Scottish Government has new powers under the Scotland Act 2016 to design and implement the ECO with respect to Scotland. The government plans to use these powers from 2018, coinciding with the start of the SEEP programme. The Scottish Government does not have powers over the obligation itself (i.e. who is obligated, scale of ambition or apportionment between GB nations) and whatever the Scottish Government decides must not be to “the detriment of the rest of the UK”.

The proceeds of the obligation will be ‘apportioned’ by the UK Government from commencement (likely 2018) with Scotland receiving a share based on a formula to be agreed between the Scottish and UK Governments. Scotland will therefore, not be able to leverage additional ECO spending in Scotland through Scottish Government programmes as was done in the past. The UK commitment is for £640m per year from 2017-2022 and the expectation is that Scotland will receive around £60m per year. While this funding is significant, it will only account for about 2% of the total costs of the SEEP programme – which the Scottish Government has estimated at £10bn.

There are concerns that the supplier obligation programmes are not well-targeted for Scotland and could do more to address fuel poverty. Furthermore, the impacts of measures upon occupants and their fuel use and affordability has not been measured or monitored.

Distribution of ECO investment has been uneven, with the central belt of Scotland benefiting most.⁷³ Cost limitations and specification restrictions have resulted in a very unbalanced geographic delivery and a failure to address older housing stock and provide measures for solid walls and coombed ceilings, typically found in exposed rural and island locations with concentrations of poverty.⁷⁴

The new powers allow the Scottish Government to decide:

- How to target the obligation: eligibility criteria, targeting the fuel poor, emissions reductions, building types.
- Where to focus activity: rural, urban, all Scotland.
- What measures to prioritise.
- How the obligation is enforced and consumer protection assured.

The Scottish Government should take a holistic approach to ECO programme management, using different sources of funding (and powers) to minimise the cost of getting the maximum measures (and advice, referrals etc) to eradicate fuel poverty. The supplier obligation should not drive programmes but be used flexibly to help delivery the nature and scale of activity necessary to meet SEEP objectives.

Recommendation – Energy performance 32: The Scottish Government should explore the costs and benefits of approaches which would integrate ECO investment into the SEEP programme and include stakeholders, along with Ofgem and energy suppliers, in these discussions.

We believe there could be significant gains to be made if ECO investment could be given to the Scottish Government to administer and complement its own funding for fuel poverty programmes. This could create greater efficiencies in delivery, reduce confusion, and cut costs in bureaucracy. However, we are aware that this solution may not be practical, and it is unclear if it would be allowed under the powers provided under the Scotland Act 2016.

An alternative would be for the Scottish Government to take on the responsibility for delivering the measures provided under ECO, which could then be sold to the supplier for an agreed cost (as per notional costs estimated by the UK Government).⁷⁵ In essence, this would be no different from the trading arrangements which already allow some suppliers to contract out some or all of their obligation to other suppliers. This would be done on a voluntary basis, and suppliers

⁷³ Taking the temperature, 2016, Citizens Advice Scotland
http://www.cas.org.uk/system/files/publications/taking_the_temperature_-_a_review_of_energy_efficiency_and_fuel_poverty_schemes_in_scotland.pdf

⁷⁴ It is worth noting that CERT (Carbon Emission Reduction Target), the previous supplier obligation scheme, initially focused on the central belt too, but the Scottish Government area based programmes were able to compensate to ensure that altogether measures were more evenly distributed across Scotland.

⁷⁵ Citizens Advice consultation response to the Help to Heat consultation, 2016

could still opt to meet the obligation themselves, as long as they meet the Scottish Government criteria for measures and targeting.

We find this approach attractive because it would:

- Provide additional funding into the SEEP 'pot', making the design and administration of the SEEP and the fuel poverty programme simpler and potentially more cost-efficient.
- Be easy for suppliers who do not have a customer base in Scotland to meet their requirements.
- Meet the UK Government requirements of fairness to consumers without much additional cost because delivery costs would be capped and the administrative burden would be minimal.
- Allow others to use existing market approaches, if they wanted.

If the market approach is continued, it is essential that Scottish Government monies are not used to 'subsidise' the suppliers meeting their targets. While the Scotland Act 2016 provisions require that the implementation of a 'Scottish ECO' must not operate to the detriment of the rest of the UK, we believe it is essential that ECO must not operate to the detriment of Scotland.

3.4 How energy is used

The additional fourth driver for fuel poverty relates to how people live in their homes. To maximise the potential of fuel poverty interventions, we need to know that people are getting the most out of their heating systems and adopting the best energy-saving behaviours.

Adopting energy-saving behaviours can make a significant difference to fuel bills by reducing overall demand. With more houses fitted with photovoltaics and solar thermal panels, there is also a need to understand how and when to make best use of on-site generation. Heat pumps also provide a steady temperature all day, rather than the on/off peaks and troughs of heat delivered by a boiler.

There are also wider issues to do with decisions to take up energy efficiency improvements by home owners and landlords. These decisions relate to the cost, suitability and availability of appropriate measures for properties, but also to wider motivations (individual, social and material factors⁷⁶) that can influence these choices.

Finally, there may be issues of lifestyle which have repercussions for vulnerable households in terms of time spent at home and resultant fuel poverty.

3.4.1 Using heating and energy saving technologies

We have chosen to focus on the way people use their heating/comfort systems as a start, particularly given the priority of affordable warmth for the fuel poor (space heating accounts for 73% of modelled energy bills).

⁷⁶ Influencing behaviours: moving beyond the individual, 2013, Scottish Government.

Recommendation – How energy is used 33: The new fuel poverty strategy should acknowledge and address a fourth driver of fuel poverty which is how people use energy in their homes.

There is clear evidence that energy efficiency investments have not always achieved their projected impact in terms of lowering fuel bills and reducing fuel poverty. This can come down to how people use the new systems, and/or to poor quality heating controls and often poorer information on how to use them.

Although most households in Scotland report actively using their heating controls⁷⁷, other research has identified⁷⁸ that many people find heating controls hard to use, are confused about the different controls, and are uncertain over how to best use the timings and settings. In addition, there can be problems such as poor location of controls, difficult to read, small or difficult to use controls or complex interfaces.

Research on the installation of renewable heating systems such as heat pumps revealed a need for follow-up support to supplement any written information, with vulnerable people needing greater support.⁷⁹ Other research on the use of photovoltaics in social housing found that the majority of tenants were not aware of how to use them to reduce their bills.⁸⁰

The lack of knowledge in the use of new heating systems and controls has also been identified in Scottish research as a potential reason for a lack of impact of housing improvement works upon the affordability of energy for occupants⁸¹.

Recommendation - How energy is used 34: The Scottish Government should conduct research to understand the best approaches for support and engagement on the use of heating and energy saving technologies.

There is a clear requirement to develop routes to support and empower householders to take action to manage their heating systems more effectively, and to encourage the development of more intuitive controls and operating systems.

The research should build on the pilot project being undertaken by Energy Saving Trust on behalf of the Scottish Government into home heating advice. This project demonstrated how an increased focus and more targeted or proactive approach to home heating system behaviours could be delivered. It has also highlighted that there is potential to enhance Home Energy Scotland practice with this targeted approach (offering advice on key behaviours to a specific group) and to use the wide reach of this service to drive behavioural change.

⁷⁷ Gilchrist and Craig (2014) Climate Exchange; “Home Energy Efficiency - A review of evidence on attitudes and behaviours”.

⁷⁸ *ibid*

⁷⁹ Hot off the Grid, 2016, Citizens Advice Scotland

⁸⁰ Using Solar PV to tackle fuel poverty, 2014, Changeworks

⁸¹ Curl, A. and Kearns, A. (forthcoming) ‘Housing improvements, fuel payment difficulties and mental health in deprived communities’, *The International Journal of Housing Policy*.

3.4.2 People-centred solutions

Recommendation – How energy is used 35: The new fuel poverty strategy should have the household’s energy needs, and how they access and use fuel at the centre. Any interventions should be based around their particular needs.

Fuel poverty alleviation and related programmes need to ensure that there is a focus on the householder alongside the property. In so doing, how people use energy in their homes will be considered from the very outset (along with financial advice related to fuel bills, income etc.) and not as mere ‘add-ons’ once physical measures have been introduced. In short, people need to be at the centre of a programme, rather than properties.

This person-centred approach represents a shift of emphasis from current energy efficiency and fuel poverty programmes which have primarily focused on improving the energy efficiency of the housing stock through fabric improvements. For example, the current area-based schemes focus on improving poor housing stock (in terms of energy efficiency) in relatively deprived areas; and key reporting metrics are focused on the number of measures installed and not the behaviours of the occupants.

Similarly, although the Warmer Homes Scotland scheme takes a more householder-focused approach (as eligibility is based on the householder and the property), the scheme is primarily focused on installing energy efficiency measures and not behavioural advice. Given this context those involved in the delivery of these schemes will necessarily divert their resources towards infrastructure (i.e. the properties) and not behaviours (i.e. the householders and how they use energy).

We believe there is significant scope to build on existing practice by Home Energy Scotland (HES) and other energy advice providers to develop routes to support fuel poor households to effectively manage the energy used in their homes, along with scope to develop government schemes to better foster efficient home energy behaviours. For example, Warmer Homes Scotland does provide a follow-up visit to homes after the energy efficiency upgrade as part of its quality assurance and this visit could be enhanced to inform behaviours and support fuel cost reduction with the improvements in place.

This approach also responds to concerns from Shelter Scotland and other stakeholders whose money advisers and fuel debt advisers find the management of fuel debt and a lack of understanding on how to effectively use prepayment meters are common drivers for being in fuel poverty.

Shifting to this approach will require an *equal* focus on:

- Behaviour change in terms of energy use
- Increasing energy efficiency of properties
- Income maximisation
- Debt / money advice

This re-framing of the fuel poverty strategy is further discussed in section 4 on collaborative approaches. It should result in monitoring and evaluation methods that collect data on (and give significant weight to) householder engagement, lived experience, behaviour change and financial impacts, thus driving innovation in terms of behavioural support and a transformation of the way fuel poverty programmes are delivered (see section 5.5 on monitoring and evaluation).

Behavioural science and insights are advancing in this area and Scottish Government best practice⁸² in behaviour change highlights that change solutions need to work across multiple contexts (the individual, social and material – ISM Tool⁸³), involve multiple stakeholders in fostering behaviour change, and combine or consider a package of interventions and routes to change that are mutually reinforcing, rather than operating separately.

Such an approach could offer support for all households in a target area or target group, regardless of their property type (and suitability for install). Programmes would become something that fosters ongoing engagement with households through a wider community-based focus and would facilitate a movement towards energy efficiency becoming a norm in communities and across Scotland.

Recommendation – How energy is used 36: The new fuel poverty strategy should include the participation of local, trusted organisations which provide wider support to householders on the use and management of heating systems.

There are a large number of agencies across Scotland funded via a range of sources (e.g. public sector, social landlords, community groups, charitable trusts) and operating through different business models (charities, community groups, social enterprise, local authorities/ housing association etc.) that offer home energy behaviour support and fuel poverty alleviation advice. Some of these organisations work with the Home Energy Scotland (HES) network in terms of referrals, training, and data. This can result in a variety of services across Scotland, though HES provides an overarching national advice service with full geographic coverage across Scotland.

There is significant evidence that the locally-based services offer additional benefits beyond fuel poverty alleviation, including mental and physical health, confidence, peace of mind, employment, and social cohesion⁸⁴. This may be important when we consider that there may be links between social vulnerability and the risk of fuel poverty. On the last occasion that it was studied in the UK, it was found that on average people spent 70% of their time at home. But certain groups, such as unemployed, inactive and retired males had more unstructured time than others.⁸⁵

⁸² The Scottish Government (2013), A User Guide to the ISM Tool

⁸³ Ibid

⁸⁴ See, for example: Scottish Government (2015), Review of Climate Challenge Fund; Ofgem (2014) Warm Home Discount: Review of Consumer Experiences.

⁸⁵ Lader, D., Short, S. and Gershuny, J. (2006) *The Time Use Survey 2006*. London: ONS.

We also know from research in Scotland that around one-in-six adults in deprived communities experience frequent loneliness.⁸⁶ The possibility that certain vulnerable social groups may spend relatively high proportions of their time at home on their own, with consequences for their domestic fuel use and experience of fuel poverty is something that should be explored further, and borne in mind when providing person-centred support to vulnerable households who may benefit from social integration advice and encouragement.

There is also evidence that local, trusted providers are often best placed to offer behavioural advice. The demand for these services demonstrates the need for wider support to help householders to manage heating systems in homes and alleviate debt.

While additional advice and support will mean higher upfront costs, we believe it will lead to better outcomes in fuel bill savings. In addition, cost savings could arise from more efficient client management (via a central contact point) and referral and householder identification could become more efficient.

The new SEEP programme, the smart meter roll out and the rise of remote (internet based) heating and home appliance controls could facilitate appropriate behaviour change. They present a major opportunity to engage with householders to support change through an easy and quick to navigate advice landscape.

4. Collaborative partnerships at the local level

4.1 Importance of local partnerships

The continuing high levels of fuel poverty indicate that we need to be better at identifying, reaching and helping the fuel poor. Fuel poverty does not exist in isolation and those who experience fuel poverty are very often engaged with public services for other reasons.

Increasingly, key local agencies – health, social care, education, housing – are recognising that the services they provide for people need to be better inter-connected to meet a range of needs to improve outcomes for the people they serve. This approach helps ensure that when engaging with one part of public service, people are provided with a package of services to meet the range of needs they have.

In this way, the client does not have to seek multiple services separately for themselves; demonstrate eligibility for services over and over again; or repeatedly explain their circumstances to various organisations, which can cause people to drop out of services before all of their needs are met.

There are efficiencies to be gained for public services from being inter-connected as they:

⁸⁶ Kearns,A., Whitley,E., Tannahill,C. and Ellaway,A. (2015) 'Loneliness, Social Relations and Health and Wellbeing in Deprived Communities', *Psychology, Health and Medicine*, 20:3, 332-344.

- Share information instead of gathering the same information over and over again.
- Provide complementary services that enhance overall outcomes.
- Prevent further demands on public services as part of the 'spend to save' approach.

Community Planning Partnerships, local authorities, and Health and Social Care Integrated Joint Boards (IJBs) have a key role to play in this approach, with social landlords, development trusts and charities acting as community anchors.

Many frontline services are routinely in contact with households who are fuel poor or at risk of fuel poverty. The problem is that when these services connect with individuals with a single focus, e.g. health, social care, fuel supply, benefits, etc., fuel poverty is not a routine consideration by the staff involved, even when the likelihood of fuel poverty is high (e.g. dependent on welfare benefits, poor housing conditions, low paid job). Furthermore, when services tend to work in isolation of each other, there can be confusion over who does what, creating duplication and gaps in services.

Currently, individuals who need more than one type of support are often required to use many routes into services. This is a big issue for those who are vulnerable, and are less able to organise or represent themselves. This can cause confusion and disengagement.

This issue is replicated in national and local government policy where fuel poverty largely sits within the housing division and is not embedded as a key component of a wider cross-departmental approach to tackling poverty, social inclusion, inequalities, health and wellbeing or economic development (see next section).

In some cases, social landlords have been quicker to recognise the link between fuel poverty and other debt problems (including rent arrears) and have integrated energy saving advice into wider household support services. Those in private housing are less likely to benefit from such support unless they request it.

4.2 Achieving wellbeing

There are a growing number of local wellbeing partnerships (e.g. Fife, Highland, Perth and Kinross, and East Ayrshire). These partnerships are responding to local need and are consistent with four main government strategies which support a collaborative approach to eradicating fuel poverty:

Health and Social Care Integration brings together some NHS and local authority care services under one statutory, unitary partnership. The aim is to keep people healthy and at home and prevent hospitalisation or residential care. This means the home needs to be suitable for healthy living – whether in relation to grab rails, ramps, or the ability to achieve a warm home.

Public service reform foresees collaboration across organisational boundaries and a focus on prevention and early intervention, with the aim of tackling inequality and poverty. At the same time this approach saves money for frontline services through efficiencies and addressing issues before more expensive interventions are required.

Community Planning is the over-arching partnership framework for service delivery. The guidance for Community Planning Partnerships emphasises a preventative and early intervention approach, and a focus on addressing inequalities. Local authorities have a duty to initiate and facilitate community planning.

Community Empowerment means supporting communities to do things for themselves and to have their voices heard in the planning and delivery of services.

Recommendation – Collaborative partnerships 37: Local partnerships that are focused on improving wellbeing should be developed and resourced to take a lead responsibility for ensuring the eradication of fuel poverty in their areas. They should be co-ordinated through Community Planning Partnerships and work with national services, such as Home Energy Scotland, as required. Funding for prevention and early intervention should be ring-fenced to support this approach.

Some areas already have strong local partnerships in place, taking a lead on fuel poverty eradication, while others are in development. In all cases they require more resources to provide the leadership, co-ordination, skills and capacity to further wellbeing in their communities. These local partnerships are critical to realising the full potential of national services such as Home Energy Scotland because they are well-placed to identify people in need and make appropriate referrals.

We developed a framework of current actions to address fuel poverty to better understand the strengths and potential gaps or duplications in current systems (see appendix 5). We also set out in more detail the role of Home Energy Scotland here.

Home Energy Scotland (HES) is funded by the Scottish Government to provide an impartial energy advice service, including behavioural advice, referrals for measures, benefits checks and energy bill management. It also provides online tools and videos to help householders. HES provides national coverage through a network of regional advice centres and outreach staff in remote rural and island locations.

The HES network is evolving its practice to provide an even more comprehensive service, touching on all causes of fuel poverty. For example, HES is developing the capability to support tariff switching and is undertaking a pilot project on energy management, supporting households in the use of heating controls, as referenced earlier.

HES has also established relationships to accept referrals for fuel poverty advice and support on a national, regional and local level with a wide variety of partners. These include GP practices, hospitals, NHS frontline staff, local authority housing departments, and a wide range of local community groups. For vulnerable households, HES uses specific referrals and signposting to local outreach services providing in-depth energy and fuel debt advice and advocacy: these services are

typically delivered by local authorities, housing associations and voluntary organisations.

HES has recently launched a referral portal for partner organisations to encourage closer integration of services for a single client across multiple organisations. This allows online referral to HES from partner organisations and for referring organisations to track the outcomes of referrals that they have made.

It is important to build on these efforts with better, and sustained, coordination at the local level throughout Scotland. Without these local partnership arrangements there is a risk that fewer people will be aware of or access HES support. There is also a risk that interventions do not have the desired impacts if you remove the role of the trusted intermediary, whose relationship with the household continues beyond engagement with HES.

Many of the exemplar partnerships on fuel poverty are area specific and dependent on local public services getting to know each other, working together across agencies and getting to know the people they serve. Some challenges exist not least with the insecurities across parts of the third sector which are vulnerable to fast staff turn-over connected with the challenges of short term funding.

Clearly the extent and reach of the local partnerships to help the vulnerable depends on leadership, resourcing, skills and capacity of local organisations. It is vital that funding is ring-fenced for prevention to resource this holistic approach.

4.3 Key components of the local partnership approach

Community Planning Partnerships have already developed partnership working across health and social care, housing, communities, education, police, fire and rescue, etc which provide the opportunity to take a collaborative approach to identifying and addressing fuel poverty. In many cases fuel poverty will only be recognised when services work together to understand the range of challenges people face.

Already there are examples where this approach is working well and could provide lessons for future fuel poverty work – four case studies are provided in section 4.4. The key elements of the local, collaborative approach would be:

- A whole person approach that starts with the individual.
- A focus on what is needed to improve the individual's wellbeing - including education, social care, housing, etc; prioritise and use local services and resources to meet needs.
- That affordable warmth and energy becomes part of a 'Routine Intervention'.
- A multi-disciplinary, multi-agency collaboration that is locally based.
- Rapid feedback to the partnership on action(s) taken to ensure the individual's needs are being met.

The emphasis should be on the simple equipping of frontline services with basic skills in identifying anyone at risk, or potential risk, of fuel poverty as part of a more holistic needs assessment. Routine enquiry and potential intervention within

universal service settings will help ensure that all those at risk of fuel poverty can access support. The Healthier Wealthier Children project⁸⁷ is a good model of using a routine intervention to maximising incomes as part of the universal health service. A simple chart of the proposed approach is given in figure 4.

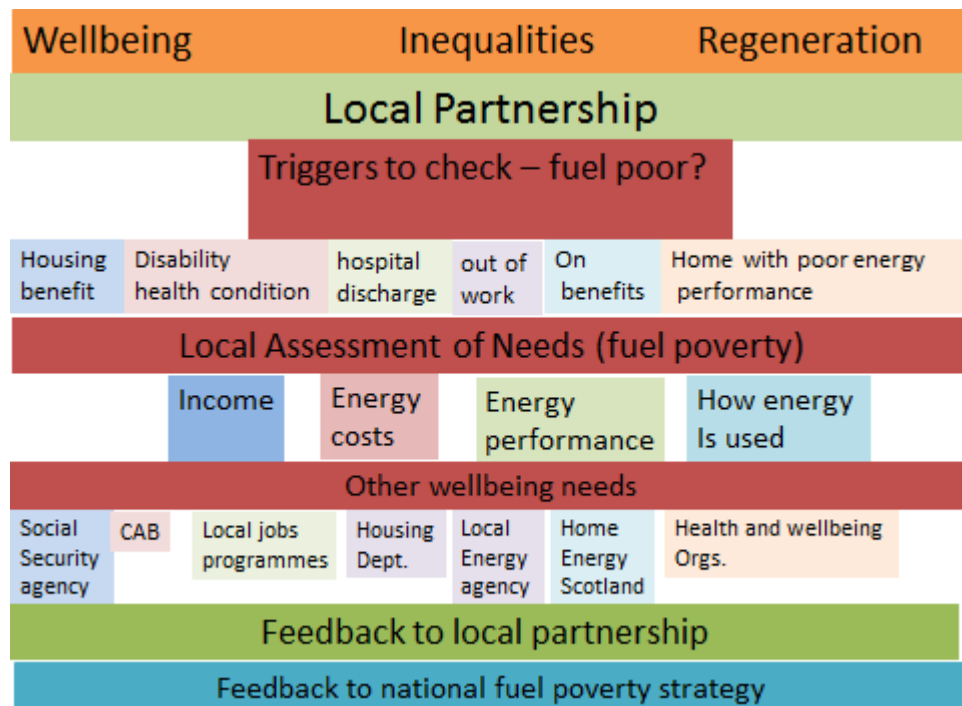


Figure 4: Local partnership approach

There is real potential to maximise efficiency through partnership working, and more flexible use of the existing workforce i.e. fewer people going into homes to do different things and more piggy-backing of tasks and different services. This approach does not imply extra people and services are required, but better use of existing resources with the right support and investment for the longer term.

Partnership approaches will vary across Scotland and should be tailored to the specific needs of the area. However, each should provide a complete and co-ordinated service addressing all four causes of fuel poverty as part of efforts to secure wellbeing and tackle inequalities.

Recommendation – Collaborative partnerships 38: The Scottish Government should work with local government, NHS and other agencies to take a more radical and innovative approach to data sharing to identify the fuel poor and those at risk of fuel poverty in order to trigger fuel poverty assessments.

A data matching programme that supports the local partnership’s fuel poverty work and in particular assists with targeting activity where health benefits can also be achieved should be developed. Lessons could be learned from the current homelessness/health data matching exercise. This will take time and demand resources, but in the long term could provide significant savings.

⁸⁷ http://www.gcph.co.uk/assets/0000/3517/HWC_final_report_FINAL_updated_Aug_2012.pdf

The following data sources provide opportunities for the local partnership to identify the fuel poor and trigger a fuel poverty assessment:

- Council tax rebate data includes details of income, housing costs and council tax band. This could be linked to EPC data for a more complete picture of the household and property.
- Housing benefit data (soon to be housing element of Universal Credit).
- Scottish Welfare Fund grants, free school meals take up, clothing grants and discretionary housing payment claims.
- Energy use data held by the supplier which can highlight unusual patterns of bills. This information could be used to trigger a fuel poverty assessment.
- Department for Work and Pensions (and in the future, the new Scottish Social Security Agency) hold data on households dependent on benefits. This could be part of the Scottish Government's new social security strategy.
- Health data could be used to target those frequently using health services for conditions that could be aggravated by living in a cold or draughty home e.g. respiratory problem), allergies and asthma.

Recommendation – Collaborative partnerships 39: Partnership work at the operational level should be supported by strategic leadership, co-ordinated across portfolios, in central and local governments and be given recognition in the National Performance Framework.

The partnership approach needs to go beyond the operational level and be matched by cross-departmental working at all levels in order to put individual and community needs at the centre of policy and practice. It should operate within the framework of the national fuel poverty strategy to ensure there is an adequate level of support in all parts of Scotland. It will improve health outcomes and help address inequalities, and reduce the burden on public services caused by poor health.

This approach supports:

- The Scottish Government's plan to shift the balance of care from hospitals to home. The potential for this will be limited if people cannot afford the energy to sustain good health and wellbeing in their own home. We believe that where a health or care agency opts for a home based solution then they also have an obligation to ensure that the heating regime in the home is suitable and affordable. In this way, the risk of fuel poverty and addressing it becomes a central part of designing home-based care and health packages.
- The focus on Getting It Right For Every Child (GIRFEC), providing every child with the best start in life: ready to succeed. The Good Places Better Health

process identified “appropriately ventilated, well insulated and affordably heated” homes as important for childhood health and wellbeing outcomes⁸⁸.

- Addressing the Educational Attainment Gap⁸⁹, because children’s education can be marred by living in a cold, damp house when health problems keep them off school, or a cold home means there is no warm, separate room to do their homework.⁹⁰

There is a preventative spend case for taking action on fuel poverty beyond climate change (which is the policy objective this is currently most closely aligned with) i.e. that, in the longer term, this approach will improve health and help address health inequalities. It will also reduce the burden on public services caused by poor health, and should form part of the Scottish Government’s vision for shifting the balance of care from hospitals to home.

The partnership approach advocated here can form part of the wider government focus on early intervention and preventative spend e.g. early years and education where a child’s life chances can be improved if it does not have to go home and study in a cold, damp house. Given these relationships to multiple government objectives, action on fuel poverty should also be reflected in the National Performance Framework.

Recommendation – Collaborative partnerships 40: Local agencies should put in place training and skills development that support frontline staff to identify challenges people face in sustaining good health and wellbeing, including signs of fuel poverty or the risk of fuel poverty, and make appropriate referrals to specialist advice and support services.

Local partnerships need to maximise the opportunity to identify challenges people have to achieving affordable warmth and energy through routine contact and to support them to address these. This should be easier than trying to determine whether someone meets a definition of fuel poverty, by providing an indication of risk to fuel poverty. It will also reduce the pressure on services and resources that are needed to make it happen.

This should be done in the context of working towards a rights perspective: rights to a decent standard of living that promotes good health and wellbeing. It would place a responsibility on all public services to have a clear understanding of what this means and a responsibility to act if they identify people whose life circumstances are preventing wellbeing.

It is possible to build on the training already being developed and delivered across different areas and teams to ensure we achieve sensitive and respectful approach eg. to promote dignity, eradicate stigma, enhance individual and community empowerment.

⁸⁸ <http://www.gov.scot/Topics/Health/Healthy-Living/Good-Places-Better-Health/Findings-Recommendations/HCCR>

⁸⁹ <http://www.gov.scot/Topics/Education/Schools/Raisingeducationalattainment>

⁹⁰ C. Liddle, 2008; and Cutting the Cost of keeping warm: a fuel poverty strategy for England, 2015, DECC

In practice, this means:

- Connecting with individuals and families from a more holistic perspective.
- Analysing the data routinely collected across a range of sectors to identify indicators of fuel poverty.
- Being more radical and innovative about sharing information and data, that when connected, might highlight concerns regarding fuel poverty.
- Checking wherever the risk of fuel poverty seems likely.

One example is making better use of patient discharge plans from hospital. These plans, and the Single Shared Assessment process should be amended to reflect living conditions (which would include consideration of fuel poverty) as an issue in discharge management.

A useful resource could be the training materials developed for the Shelter Scotland Healthy Homes project which helps health and social care workers spot signs of fuel poverty and know how and where to refer patients for help.⁹¹ The HES network is also keen to upskill partner staff to identify the fuel poor.

4.4 Case studies

4.4.1 Healthy Heating Partnership - Fife

The Healthy Heating Partnership was formed to help achieve objectives to eradicate fuel poverty in the Local Housing Strategy. It is made up of NHS Fife, Citizens' Advice and Rights Fife (CARF), Fife Federation of Tenants and Residents Association (FFOTRA), Housing Association Alliance, Cosy Kingdom, and the Fife Housing Partnership. Some examples of innovative approaches at identifying and engaging with those in, or at risk from, fuel poverty are:

Transition to Universal Credit: Housing Management Officers contact all new applicants who are being changed onto Universal Credit to ask how they will manage during the 6 week transition period until they get their first payment. They discuss with the tenant what support the partnership can offer – for example a weekly meter top up until they receive their first payment. During this time the officer will also find out what other support needs they have and make appropriate referrals to other agencies or signpost the applicant towards local food banks, debt relief advice etc.

Back on Track: This project was set up to help 800 tenants who had self-disconnected from the gas service for financial or other reasons. The housing officer worked with the Cosy Kingdom partnership to offer a package of support, including a home visit, to help them get their gas heating back on and assess any other support requirements at the same time. At the home visit a number of areas would be looked at such as energy advice, benefit & tax credit check, debt and income maximisation advice, negotiation with utility providers on the tenants' behalf regarding affordable repayment agreements, advice on cheapest tariffs available and switching, plus the handy man service to install simple measures such as draught-proofing. Any further support requirements (childcare, employment, mental health,

⁹¹ https://scotland.shelter.org.uk/get_advice/advice_topics/healthy_homes

alcohol or drug problems, etc) would be agreed with the tenant and referrals or signposting to the relevant agencies done.

Client example: A tenant who is under a methadone programme and suffers from depression, needs help clearing his debt so he can get his gas service restored. He's worried about his home being warm enough for when his son visits on weekends. The housing management officer worked with the supplier to negotiate repayments, used Back on Track funding to help clear the debt, and applied for Warm Home Discount. Cosy Kingdom installed thermal curtains and low energy lighting to reduce his energy bills. He is now receiving help with other debts, has re-registered for his methadone prescription, and was given some food vouchers.

4.4.2 Improving the Cancer Journey - Glasgow

Improving the Cancer Journey is an integrated health and social care initiative involving Macmillan Cancer Support, NHS Greater Glasgow & Clyde, Glasgow City Council, social care providers Cordia, and Glasgow Life. The partnership aims to help people with cancer meet their needs – whether they are emotional, practical, medical or financial. This would include the ability to afford a warm home and other energy use.

The service starts with the NHS sending a letter to every newly diagnosed patient with cancer. This approach means everyone is engaged; not just people actively seeking information and support, who may already be more empowered than other members of the community.

The letter offers a Holistic Needs Assessment (HNA) to establish what kind of support is required. A link worker from the Macmillan team prepares a care plan (see appendix 6) which clearly sets out the concerns and plan of action, including referrals to existing statutory agencies and support services which help patients self-manage their needs. The service had one year of funding to provide energy audits and advice from the local energy advice service G-HEAT. The funding was also used to repair and upgrade heating systems, purchase efficient white goods, and for lined curtains, insulation and draught-proofing. G-HEAT refers patients to Home Energy Scotland for support from Scottish Government programmes.

4.4.3 Advice Partnership in Renfrewshire and LEAP

The Advice Partnership in Renfrewshire facilitates referrals amongst members to help meet individuals' and families' needs. It includes partners from Renfrewshire Council, NHS, Citizens Advice Bureau, Shelter, Foodbank, housing associations, local mental health and wellbeing organisations, debt relief services and energy advice organisations such as LEAP (Local Energy Action Plan). More recently it established both an online referral system which can share data between agencies and a website backed up with a freephone telephone number which helps people identify their needs and self-refer or be referred to the right organisation (www.advicerenfrewshire.org).

Make it Happen: This LEAP project provides intensive support to vulnerable households. Through one to one visits, the advisors get a really good feel for the day to day challenges that people are facing, often not related to energy advice. They

work with the client to identify the changes that will have most impact on their lives and then together 'make it happen' through practical measures like draught-proofing or referrals for debt relief or other services.

After a home visit, LEAP provides a 'Home Action Report' and will follow up with another home visit to put the practical measures in place. Further follow up calls or home visits are made to make sure people are happy with the outcome and find out if more help is needed. LEAP will also follow up with referrals until the household has had the support they were referred for. They also chase up referral partners if there are outstanding items to progress.

There are plans to establish a data sharing agreement ('local referral pathways') with individuals and families to help pass on referrals to other organisations and both the client and the referral agencies can track progress – e.g. follow up required, visit made, other support required, outcomes, etc.

Client example: Woman's Aid made a referral to LEAP in support of the wider family to improve the situation for the father's home. This would give the mother respite and help maintain a relationship with the daughter and father.

John was desperately seeking resolution to his problems with energy bills ever since his meters were changed, and described himself as being at his wits end. He was worried about his fuel bills, his monthly outgoings along with trying to keep his home warm and cosy enough for his disabled daughter to still be able to stay with him. LEAP arranged a home visit and talked through all the issues with John.

They reviewed the meter readings and worked with Renfrewshire Advocacy Service who helped with getting the meters registered and correct readings on the system. They also installed some draught-proofing to help keep the heat in. In the end, John received a refund plus a goodwill payment from his supplier and all his details are now correctly updated on the system.

4.4.4 Wellbeing and the East Ayrshire Community Plan

Wellbeing is one of three key priorities at the heart of the East Ayrshire Community Plan⁹² and the partnership is committed to working collaboratively to support people to achieve and sustain good health and wellbeing. The partnership has created innovative locality planning arrangements with multi-disciplinary locality teams (a locality could be a school or a GP practice) that take a whole-person approach to provide the public services people need in a seamless way that also promotes their health and wellbeing.

This approach is underpinned by community led action plans which have now been developed in 16 communities. They are the bed rock of local planning arrangements. This is a change from a single service or solution addressing one issue for an individual or household and the services are shaped to fit this agenda.

⁹²<https://www.east-ayrshire.gov.uk/Resources/PDF/C/Community-Plan-2015-2030.pdf>

The development of the Housing Asset Management Framework will contribute to achieving the vision of East Ayrshire's Local Housing Strategy: "Everyone in East Ayrshire can afford to access a quality home that meets their needs and aspirations, and is located within a safe and attractive neighbourhood in which they are proud to live."

The purpose of the Housing Asset Management Framework (HAMF) is to provide a framework for managing the local authority property assets to ensure that East Ayrshire's housing stock meets the present and future needs of tenants, sustainability of tenancies is improved and the best use made of resources. The key objectives of the framework are:

- Ensuring that the Council has a sustainable, quality housing stock within strong and vibrant communities.
- Using resources as efficiently and effectively as possible.
- Maximising resources for further investment in existing and new stock.

This approach will ensure that the cost of fuel is not higher due to circumstances outwith the household's control e.g. poor quality housing or off gas grid. Key elements of the HAMF include:

- Improve existing social housing to match the quality of the new builds (it therefore does not cost more to heat).
- Work with off gas communities to develop local solutions to achieve equity of cost compared to housing on gas grid.

4.4.5 Lessons learned and challenges

- Face to face communication is essential to understand what is really going on in the person's life and clients open up more when they are in their own environment.
- Often fuel poverty is masking many other problems in a person's life and it cannot be tackled in isolation so partnership working is key.
- The biggest challenge is time and resources, as complex cases often take a lot of effort to put the necessary support in place and it can be difficult to keep the customer engaged while this is all happening. Good relationships with customers is paramount if we are to achieve trust and long term solutions to the wider picture of poverty, health, inequality and social value.
- The partners all have different ways of sharing and holding data, and making referrals. Getting data and feedback from the larger agencies in a way that makes it most effective for the individual and family, while keeping the individuals engaged in the process can be challenging.
- Short-term funding: Small third sector organisations are flexible and can provide a big impact for a small investment. However, they are reliant on

grants and year on year funding and this can make it difficult to establish long-term relationships with larger partners.

5. Governance

5.1 Overview

Successful national and local government programmes and policies are based on strong leadership and a clear understanding of policy objectives and how progress will be measured. They also include resources to match the ambition, and transparent processes of accountability, scrutiny and stakeholder engagement.

These governance processes are vital to ensure the programmes and policies are credible and supported by those who will help in their delivery. In relation to the new fuel poverty strategy, we believe that the following governance issues are important:

- Definition, policy objective, and targets
- Accountability and scrutiny
- Consumer protection
- Monitoring and evaluation
- Leadership and resources

The Scottish Government's commitment to a Warm Homes Bill⁹³, with a focus on fuel poverty, provides the legislative vehicle for statutory provisions relating to the new fuel poverty strategy arising from the recommendations in this report.

5.2 Definition, policy objectives and targets

5.2.1 Scottish fuel poverty policy and definition

The current fuel poverty action plan is designed to help meet the Scottish Government's statutory target to eradicate fuel poverty by November 2016. This target is based on the fuel poverty definition set out in the Housing (Scotland) Act 2001: "a person lives in fuel poverty if that person is a member of a household with a low income living in a home which cannot be kept warm at a reasonable cost." This general definition is clarified in the Fuel Poverty Statement (2002): "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 use." Extreme fuel poverty means a household would have to spend more than 20% of its income on energy use.

The definition of a 'satisfactory heating regime' is based on recommendations from the World Health Organisation. 'Household income' is defined as income before

⁹³ Programme for Government 2016/17

housing costs, to mirror the definition used in the UK Households Below Average Income (HBAI) Statistics.

It is now nearly 15 years since the definition was set in Scotland, and some have questioned whether or not the definition is still fit for purpose. In response to these concerns, in 2014 the Scottish Government commissioned, on behalf of the Scottish Fuel Poverty Forum, a review of the evidence in relation to the assumptions underpinning the definition of fuel poverty (e.g. heating regime, under-occupancy, vulnerability and definition of household income) in Scotland. The Forum decided that the conclusions of the report did not “support informed reason to change any of the underpinning values of the definition at this time.”⁹⁴

The SWG was asked to consider a Scottish Government analysis paper⁹⁵ on fuel poverty and income poverty. The paper demonstrates that 42% of the fuel poor are also income poor, while 58% of the fuel poor are not income poor. Some commentators have suggested this paper could have implications for targeting of government resources and setting government policy objectives and targets for the eradication of fuel poverty. The government’s poverty advisor, Naomi Eisenstadt, noted in her report *Shifting the Curve*⁹⁶:

“However, questions have been raised about whether the definition of fuel poverty is helpful in terms of targeting this spend at the poorest. I have seen analysis that indicates that over half of all ‘fuel poor’ households probably wouldn’t be classified as ‘income poor’ in terms of relative poverty measure. This suggests to me that the fuel poverty definition needs to be looked at again - so that future programmes focus more specifically on helping those in fuel poverty who are also in income poverty.”

This fits with her overall recommendation on fuel poverty: “Ensure fuel poverty programmes are focused to support those on low incomes.”

However, others note that the government response to fuel poverty already uses benefit eligibility or low council tax bands as proxies for low income and so already directs resources to those that can be described as poor or in poverty. And some are concerned that targeting on the basis of a simple ‘fuel-poor, income-poor’ matrix may lead to unintended consequences for those on the margins.

5.2.2 Review of current definition

Recommendation – Governance 41: A review of the current fuel poverty definition is required and warranted due to concerns that the current definition is too broad and impedes targeting assistance on those most in need.

Through our investigations and engagement with stakeholders, we have determined that a review is timely and warranted given the Scottish Government’s plans to develop a new fuel poverty strategy and respond to the failure to meet the statutory target to eradicate fuel poverty by November 2016.

⁹⁴ <http://www.gov.scot/Topics/Built-Environment/Housing/warmhomes/fuelpoverty/ScottishFuelPovertyForum>

⁹⁵ SHCS Key Findings 2014

⁹⁶ *Sifting the Curve*, Scottish Government, 2016 p 25. <http://www.gov.scot/Publications/2016/01/1984>

The review is also needed to give a comprehensive and robust response to the issues that have been raised by stakeholders through our investigations and through the Scottish Fuel Poverty Forum. These concerns are listed below.

Table 3: Concerns with current fuel poverty definition⁹⁷

General	<ul style="list-style-type: none"> • There is confusion between fuel poverty as a concept, definition and a measure. • The definition is too broad and can impede targeting and measurement of government resources intended for those most in need. • All conclusions are theoretical and drawn from SHCS statistical analysis which is distant from reality on the ground. • The term ‘fuel poverty’ is too imprecise to cover the range of circumstances to be measured and tends to lead to a focus on incomes and prices at the expense of other kinds of vulnerabilities to fuel poverty.
Income	<ul style="list-style-type: none"> • The definition is based on income prior to housing costs rather than disposable income after housing costs which may result in mortgage-free owner occupiers being more likely to be considered as being in fuel poverty than private tenants with high rents. • The definition does not have a maximum income criterion, so wealthy people in inefficient houses can be classified as fuel poor. • The definition might not reflect what society today considers reasonable expectations for household expenditure on energy as a proportion of income. However, there is a stigma associated with identifying oneself as poor and struggling to pay bills.
Energy costs	<ul style="list-style-type: none"> • The definition is too sensitive to changes in fuel prices alone. • Modelling of energy prices may not reflect actual costs incurred by households.
Energy performance	<ul style="list-style-type: none"> • Temperature regime requirements may not necessarily be appropriate for all age groups – though the evidence is lacking. However, there is good evidence that certain groups may require a greater level of thermal comfort at home, although with the introduction of heating zone controls⁹⁸ this may not be applicable to the whole home throughout the day. • The definition does not directly measure levels of thermal comfort that households deem appropriate for themselves, nor whether those levels are achieved. However, it is based on World Health Organisation (WHO) recommendations (1987) which provide an evidence base. • The definition is more a measure of fuel efficient homes

⁹⁷ With input from discussion paper to the Fuel Poverty Forum by Phil Mackie, NHS.

⁹⁸ Heating zone controls allows you to set different temperatures for different rooms.

	rather than a measure of fuel poverty as it affects health. It leads to a predominant focus on energy efficiency measures as the means to tackle fuel poverty.
How energy is used	<ul style="list-style-type: none"> • There is no attempt to measure or monitor ‘actual’ energy use by the disadvantaged and to compare that to actual household income.

The SWG also considered the advantages of the current definition of fuel poverty in Scotland.

Table 4: Advantages of the current definition of fuel poverty

General	<ul style="list-style-type: none"> • The 10% definition is easy to understand for stakeholders and the public, though its underlying assumptions are complex. • The rationale for the 10% definition as set out by Brenda Boardman in 1991 still stands (twice the average expenditure on fuel against the average national income – which is now 5%⁹⁹).
Income	<ul style="list-style-type: none"> • It recognises fuel poverty as an issue related to, but distinct from, income poverty. • It highlights disadvantage, poverty and exclusion in rural Scotland.
Energy performance	<ul style="list-style-type: none"> • It focuses attention on making homes more fuel efficient, with positive consequences for climate change and potentially household incomes and health.

We also identified some potential risks associated with changing the definition which should be taken into account when undertaking the review. For example, focusing resources only on those who are income and fuel poor may have unintended consequences on the health of individuals, because the measure of income poverty does not always reflect the income requirements to meet basic needs. Also, a change in definition could simply be seen as removing numbers from the problem, while transferring the financial burden to other areas of the public purse (notably the social care system), but not actually solving the problem of not being able to afford heating and other energy use.

Recommendation – Governance 42: A new definition should focus on the desired outcome – affordable and attainable warmth and energy use that supports health and wellbeing; acknowledge fuel poverty as a manifestation of wider poverty and inequalities in society; and be easy to understand and measure.

We believe the fuel poverty definition should meet the following criteria:

- Recognise and name the problem in a way that is easy to understand and measure, and reflects the lived experience of fuel poor households.

⁹⁹ Household Energy Spending in the UK, 2002-2012, ONS,

- Make clear the desired outcome and/or the solution to fuel poverty (e.g. affordable and attainable warmth and energy use).
- Allow the problem to be quantified and progress measured.
- Help to target resources towards those in most need.
- Reflect current society in terms of minimum requirements for an acceptable living standard in terms of energy use.
- Acknowledge fuel poverty as a distinct problem, set within the wider poverty / inequalities /wellbeing agenda.

The definition should encompass a 'rights-based' approach, acknowledging that every household has the right to a healthy, dignified life that allows them to participate fully in society. This in turn means that every household should be able to afford to use adequate levels of fuel to sustain a warm and dry home and a healthy dignified life that allows them to participate fully in society.

The inability to achieve affordable and attainable warmth and energy use amounts to the denial of a basic right, and may be considered as '*affordable warmth deprivation*', of equal importance to other forms of deprivation currently measured by the Scottish Government.

Recommendation – Governance 43: The Scottish Government should commission a review by independent, academic experts as soon as possible with a clearly defined timetable for completion. The Scottish Fuel Poverty Forum should give input to the final research brief and drafts of the review documents.

The review should be a comprehensive review undertaken by independent experts with input from service users and advice agencies who will have a legitimate and practical view on how any definition might guide action.

The research project will need to be sufficiently resourced to ensure the result is credible, robust and thorough. The emphasis should be on agreeing a new definition (or refreshing the existing definition) that is fit for purpose, that will help us know if we are solving the problem and achieving the objective, and has a strong evidence base. We expect the process of review and response by the government would be complete by the end of 2017. Further delay will hold up progress with the new fuel poverty strategy.

The SWG suggests the following components should be included in the research brief:

- Define the desired outcome to be achieved and what indicators¹⁰⁰ could be used to measure progress towards the outcome.
- Ensure that all four drivers of fuel poverty are considered: income, energy costs, energy performance, and how energy is used.

¹⁰⁰ The Quality of Life Indicators from Eurostat may provide a useful reference: http://ec.europa.eu/eurostat/statistics-explained/index.php/Quality_of_life_indicators

- Review existing statutory provisions for the Scottish fuel poverty definition and its current application through national and local government policies and programmes.
- Consider how income should be defined. We are sympathetic to the view that any minimum income standard should take into account the costs of meeting basic needs to participate in society and consider minimum income requirements after both housing and energy costs. The fuel poverty definition should also clarify what is included in household income and if an upper threshold should apply.
- Income measures that reflect the size and nature of the household in relation to energy needs.
- Examine the additional challenges faced by some households, e.g. in rural areas or private rented sector tenants who may have a relatively high income but an energy inefficient home, and families with young children.
- Review the advice on temperature regime and consider consumer perspectives on the temperature regime and what is affordable and attainable warmth and energy use.
- Carry out a health inequalities impact assessment¹⁰¹ on the fuel poverty definition and strategy, including a consideration of what is ‘vulnerability’.
- Consider potential unintended consequences of any proposed changes to the definition (for example shifting the problem elsewhere).
- Include consideration of international examples, as well as the Hills definition used in England¹⁰². Review evidence from England to see if a focus on low income households has helped to target resources for better impact. Take into account previous research for the Fuel Poverty Forum.
- Recommend what further research is required.

Recommendation – Governance 44: The review process should result in a new definition and target with a statutory basis. The Scottish Government should provide for transitional arrangements using the current definition while the review of the definition is underway, so as not to delay progress on helping the fuel poor.

The Scottish Government should, in liaison with the Scottish Fuel Poverty Forum, respond to the review’s findings within a short, but reasonable timescale (as noted above, we would expect a response by the end of 2017) with recommendations on the definition and key indicators for consultation. Any change in the definition should be done for good cause and not to ‘define away’ fuel poverty.

¹⁰¹ <http://www.healthscotland.com/equalities/hiaa/index.aspx>

¹⁰² A new definition of fuel poverty was adopted in England in 2013 following a review by Professor John Hills. This uses an indicator of Low Income-High Costs (LIHC). Observations on the pros and cons of this indicator of fuel poverty are given in appendix 7.

To avoid any confusion, the government should make a commitment to use the existing definition to guide policy and for measuring progress until the review process is complete. Within this context, we believe it would be appropriate to focus on those in extreme fuel poverty and those in groups and geographies known to be most at risk, e.g. rural, benefit dependent, pensioners, and homes with poor energy performance.

5.3 Accountability and scrutiny

5.3.1 Current framework

Current accountability arrangements were established in the Housing (Scotland) Act 2001, which included the fuel poverty target and a requirement for the Scottish Government to issue a fuel poverty statement to parliament, which must be reviewed every four years. The first fuel poverty statement was published in 2002. It clarified the definition of fuel poverty and how it would be measured, and set out how the government plans to meet target by November 2016. The most recent statement was published in December 2014.

In terms of scrutiny, the Scottish Government established the Scottish Fuel Poverty Forum¹⁰³ in 2008 with the following remit:

- Monitor the implementation of the Scottish Government energy efficiency schemes.
- Advise Ministers on further actions required.
- Liaise with the Fuel Poverty Advisory Group for England to develop an appropriate link that will ensure Scottish interests are fed into reserved policy areas.

There are 16 members of the Forum, with representatives from organisations working on poverty, housing, energy efficiency, consumers, vulnerable people, utilities, and observers from Ofgem and the Distribution Network Operators. In 2014, the Fuel Poverty Forum published a review of the Scottish Government's fuel poverty strategy¹⁰⁴.

Beyond the publication of the fuel poverty statement, the issue of fuel poverty is often discussed in parliament, usually in relation to the funding and effectiveness of the fuel poverty and energy efficiency programmes. The Scottish Parliament Economy, Energy and Tourism Committee undertook an inquiry into fuel poverty issues and rising energy prices in 2011/12.

¹⁰³<http://www.gov.scot/Topics/Built-Environment/Housing/warmhomes/fuelpoverty/ScottishFuelPovertyForum>

¹⁰⁴ <http://www.gov.scot/Topics/Built-Environment/Housing/warmhomes/fuelpoverty/ScottishFuelPovertyForum/final-report>

5.3.2 An accountable new fuel poverty strategy

Recommendation – Governance 45: The Scottish Government should work with local councils and other stakeholders to design and implement accountability arrangements for national and local government and other agencies working in collaboration on fuel poverty (e.g. poverty, health, energy and housing). The arrangements should include a statutory basis for the fuel poverty strategy, including targets with requirements to measure progress.

The new fuel poverty strategy should be given a statutory basis and set out clear targets and milestones with regular requirements to measure progress towards fuel poverty eradication. These targets should be developed and agreed with local authorities and other agencies working together to eradicate fuel poverty.

The new target should encompass all aspects of fuel poverty – energy efficiency, incomes, energy costs and how people use energy in their homes. The target should be based upon the definition agreed following the review of the current definition and be developed with national and local partners who will be responsible for delivery.

The strategy should be set in the context of the government making full use of current and new devolved powers, and where the government does not have the relevant powers, exerting as much influence as possible at a UK level to ensure progress is made.

The strategy should be accompanied by a legislative framework which provides for adequate scrutiny including the following:

- The submission of annual progress reports to the Scottish Parliament against the strategy by the Scottish Government.
- The submission of delivery plans every 5 years to the Scottish Parliament by the Scottish Government. These delivery plans should be linked to reporting on Community Planning Partnerships and Single Outcome Agreements.

Recommendation – Governance 46: Establish robust and transparent scrutiny and advisory arrangements to oversee progress of the new fuel poverty strategy so as to enhance trust and credibility.

We believe the following advisory and scrutiny functions are required:

- Exchange of information and best practice to inform and amend programmes.
- Independent advice to Ministers on meeting the fuel poverty target and on the design and implementation of the fuel poverty strategy.
- Independent scrutiny of progress on the fuel poverty strategy.
- Ongoing research to better understand the operation of the four drivers of fuel poverty and how they are impacted by the strategy and individual measures therein.

There have been concerns expressed by stakeholders and members regarding the Fuel Poverty Forum’s ability to provide these functions to a sufficient level. These concerns are summarised in table 5.

Table 5: Summary of concerns – Scottish Fuel Poverty Forum

Lack of information	<ul style="list-style-type: none"> • Insufficient consultation with the Forum by government on policy initiatives. • Lack of monitoring and evaluation of the impact of interventions on fuel poverty making it difficult to evaluate the strengths and weaknesses of the strategy and draw lessons for the future.
Remit too narrow	<ul style="list-style-type: none"> • The Forum, like the policy itself, is focused on energy efficiency schemes as a surrogate for an overall fuel poverty programme that should look at all drivers of fuel poverty. • Expertise on the group does not cover all drivers of fuel poverty adequately. • Limited ability to address co-benefits from addressing fuel poverty.
Level of influence	<ul style="list-style-type: none"> • Not truly independent from government, which provides the secretariat and drafts most reports. • The existing work plan envisages the Forum playing a delivery function which can make it difficult to fulfil a scrutiny role as well. • Limited capacity from members to provide independent and innovative thinking.

We believe the key principles for a scrutiny body are:

- Independence
- Adequate resources, capacity to undertake research
- Ministerial commitment
- Focus on advice and scrutiny rather than delivery
- Statutory basis
- Parliamentary role in scrutiny

It is important that these functions are carried out in an efficient and constructive manner that helps achieve the fuel poverty target and does not become a disproportionate administrative burden. We recommend the following approach for the new strategy as shown in table 6, including the establishment of a statutory body to provide advice and scrutiny and a mechanism for regular exchange of best practice.

Table 6: Scrutiny proposals

Mechanism	Role	Comments
Statutory body	Advice to Ministers on meeting the fuel poverty	Independent Resources for independent

	target. Scrutiny of progress on the fuel poverty strategy. Liaison with SEEP Programme, Delivery Board and the Joint Housing Advisory and Delivery Group.	research Advice linked to statutory requirements Linked to Poverty Commission
Regular reporting by Scottish Government to Parliament	Regular opportunity for parliamentary scrutiny of progress towards milestones and targets. Scrutiny of alignment between budget and targets.	Reporting should be in partnership with Community Planning Partnerships. Could be overly burdensome if too frequent. Could include Parliamentary Committee inquiry and taking evidence from stakeholders.
Fuel Poverty Exchange	Regular exchange of information amongst policymakers and practitioners. Learning from best practice.	Lessons used to inform the fuel poverty strategy and SEEP programme. Regional forums for exchange of information (local authorities, HES, CABs, etc). National standing conference on fuel poverty on a regular basis.

A good governance arrangement should lead to a more successful programme that stays on course to meeting its targets. It will also be more credible and trusted amongst stakeholders and delivery agents.

Recommendation – Governance 47: The existing Scottish Fuel Poverty Forum should be given an important transitional role to any new arrangements for advice and scrutiny and should oversee the development of the new fuel poverty strategy

The Fuel Poverty Forum will have an important role to play in advising national and local governments on the implementation of the recommendations in this report and the report of the Scottish Rural Fuel Poverty Task Force. It will also need to provide oversight of any review of the fuel poverty definition. To help perform these tasks, we believe the membership should be reviewed to ensure it provides expertise on addressing all drivers of fuel poverty and the local wellbeing approach to delivery we have recommended. The Forum should also discuss the concerns raised in this report about its access to information and independent status.

5.4 Consumer protection

5.4.1 Why consumer protection is important

In order to address fuel poverty, consumers – often those in vulnerable situations – need to be able to access services to reduce their energy costs. A robust and easy

to understand journey, with appropriate protections throughout, is needed to support individual consumers when taking these actions.

Any lack or failure of consumer services and protections can have a direct impact on exacerbating fuel poverty. The impacts on consumers can be immediate, such as when vulnerable consumers receive large bills that leave them with major debts, or longer term, if consumers receive poor or insufficient information and advice.

Poor standards of service can also undermine trust in the energy sector in general, and a range of surveys¹⁰⁵ have indicated that levels of trust have been very low for some time. In turn, this can undermine trust in more specific aspects of the energy market. Ultimately, this results in a lack of competition which means that disengaged consumers – often those at greater risk of fuel poverty – pay higher prices for their energy.

Recommendation – Governance 48: The future Consumer Scotland Agency should have a particular duty to consider the needs of fuel poor consumers and take actions to address fuel poverty.

The Scottish Government has new powers for consumer advocacy and advice under the Scotland Act 2016 and will establish a new agency – Consumer Scotland – over the next 2-3 years. This Agency will be able to set up mechanisms to assess the energy market and build an evidence base, and ultimately refer issues to the CMA. There are also plans to review the effectiveness of advice provision, which will support our recommendations in section 4 on collaborative partnerships.

5.4.2. Supporting vulnerable consumers

Section 3.2.1 provides recommendations on the need to provide a comprehensive third party or neutral switching service to ensure all consumers are getting the cheapest and best tariff to suit their circumstances. The section also recommends that fuel poor households should be offered support on billing and debt relief.

These support mechanisms need to reflect consumer concerns and lack of trust in the energy sector. Currently, gas and electricity suppliers are required to meet certain standards of service for their customers¹⁰⁶. However, Citizens Advice research¹⁰⁷, taking into account statistics published by Ofgem, shows that the experience of consumers does not necessarily reflect these standards, with high levels of complaints and evidence of consumer detriment in the sector.

The Citizens Advice report, *The Lost Decade*¹⁰⁸, found high levels of failure to meet the current service standards, the majority of which relate to poor billing practices. Price rises above inflation also had a negative impact upon trust in the sector¹⁰⁹ and

¹⁰⁵See trust chapter in *The Lost Decade: consumer experience of energy billing issues 2005-2015*, June 2015, Citizens Advice

¹⁰⁶<https://www.ofgem.gov.uk/licences-codes-and-standards/standards/quality-service-guaranteed-standards>

¹⁰⁷The Lost Decade, Citizens Advice, June 2015

¹⁰⁸Ibid.

¹⁰⁹<https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf>

Ofgem reported that consumer satisfaction fell from 40% in 2012 to 30% in 2014¹¹⁰. Finally, it found that the most vulnerable consumers are the most likely to be disadvantaged by poor service in terms of billing.

Recommendation – Governance 49: The Scottish Government should support a single contact number for consumers concerned about any aspect of delivery of energy efficiency measures in their homes provided by the public sector or through energy suppliers obligated by the public sector.

Research¹¹¹ has indicated that the delivery landscape for energy efficiency at the UK level is currently complex, with multiple energy efficiency and fuel poverty schemes which can be confusing for consumers. As a result it may be unclear to consumers (or others in the supply chain) where the responsibility lies for the installation of measures.

All consumers should have a single point of contact responsible for addressing any concerns. This would help to develop a more robust delivery regime which can uphold consumer protections. Home Energy Scotland goes some way towards providing this ‘one-stop-shop’ for energy advice.

The new fuel poverty strategy, working through local partnerships, provides an opportunity to simplify the delivery landscape for all four drivers of fuel poverty through a stable, long-term programme.

Recommendation – Governance 50: Monitoring and evaluation of the consumer experience of fuel poverty interventions is essential to confirm that high standards are consistently met during programme delivery.

Consumers need confidence that energy efficiency measures are being promoted and installed in ways which will meet their needs, and effective support should be part of this process. This is particularly important when new technologies, such as renewable or district heating, are involved, and there is evidence that a lack of robust consumer protections can undermine their development¹¹².

As upgrading the energy performance of the housing stock continues, and as less traditional, more complex and more expensive energy efficiency measures are promoted and installed, it is critical that appropriate consumer protection measures are in place to ensure lack of consumer confidence does not create barriers. The main concerns are to ensure that:

- Measures are installed to required standards.
- Measures deliver benefits in practice, and it is clear who to contact if problems arise.

¹¹⁰ <https://www.ofgem.gov.uk/publications-and-updates/complaints-energy-companies-research-report-2014>

¹¹¹ <http://www.cas.org.uk/publications/taking-temperature>

¹¹² <http://www.staticwhich.co.uk/documents/pdf/turning-up-the-heat-getting-a-fair-deal-for-district-heating-users---which-report-399546.pdf>

PAS 2030 is the standard to which all ECO installers of energy efficiency measures must be compliant. However, it only sets out minimum standards, and research by Citizens Advice has highlighted perceived problems with it, including shortcomings in the auditing of installers and inconsistencies in accrediting installers¹¹³. At the same time, PAS 2030 may not be appropriate for small installers, particularly those operating in remote areas or for measures installed in traditional properties.

In terms of the efficacy of measures in practice, there is some evidence¹¹⁴ that consumers need support beyond installation, particularly where non-traditional heating systems like heat pumps are used. Without support, there is a risk that the benefits of new systems will be lost for individuals in the short term (see section 3.4). In all of the above cases, a robust monitoring and evaluation framework which covers the experience of individual consumers in practice would be helpful. This is addressed further in section 5.5.

Recommendation – Governance 51: The Scottish Government should explore ways in which protection could be improved for consumers using unregulated fuels, particularly including those using district heating as well as traditional off-gas fossil fuels.

Fifteen per cent of households are not on the gas grid, and are therefore reliant on off-gas fuels. There is a lack of statutory protection for consumers using alternative forms of heating, such as heating oil, LPG or solid fuel, though there are voluntary industry safeguards and oversight by the CMA and Trading Standards. The Ofgem report *Insights report on households with electric and other non-gas heating*¹¹⁵ provides a useful summary of potential concerns: lack of protections for consumers in debt, lack of access to a mandatory Ombudsman, lack of Priority Services Register type services and no requirement to provide energy efficiency information or advice.

Citizens Advice internal research suggests that consumer satisfaction with the supply of these fuels is generally high. However the payment requirements commonly required mean that cost is a concern for some consumers, and the lack of parallel standards to those for gas and electricity means that consumers can lack protection when things go wrong¹¹⁶.

The former Office of Fair Trading conducted a study of the off-grid energy market¹¹⁷ and concluded that the UK energy market is working well, though not all areas are served by a sufficient number of competitors. Citizens Advice research has found that voluntary protection schemes are not always being implemented to a good standard and there is evidence of significant price variations.¹¹⁸

¹¹³ <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Pye%20Tait%20-%20Research%20into%20quality%20assurance%20in%20energy%20efficiency%20-%20web.pdf>

¹¹⁴ See, for example <http://www.cas.org.uk/publications/hot-grid>

¹¹⁵ <https://www.ofgem.gov.uk/ofgem-publications/98027/insightspaperonhouseholdswithelectricandothernon-gasheating-pdf>

¹¹⁶ The need for regulation of off gas fuels is being discussed by the Scottish Rural Fuel Poverty Task Force

¹¹⁷ Off-grid energy: an OFT market study, October 2011.

¹¹⁸ http://www.cas.org.uk/system/files/publications/off_gas_evidence_to_upload.pdf and forthcoming research from Citizens Advice Wales.

The SWG believes these concerns warrant further investigation and propose three areas for action on unregulated fuels:

- Assess how the voluntary protection schemes are working in Scotland.
- Conduct a market assessment and if appropriate, ask the CMA to look at the issue again but with a focus on areas where there is no competition e.g. remote rural Scotland.
- Explore a principles-based option to reflect the different business structures and sizes.

There is also a lack of statutory protection for consumers using district heating. This is of particular concern as a central driver for district heating is the alleviation of fuel poverty, and it is often used as a replacement for electric heating, to which existing standards apply. District heating and community heating are also unregulated, a situation which should be rectified, especially as we are recommending an expansion of this sector in the future (see section 3.2.4.3 above).

The Scottish Government Special Working Group on Regulation¹¹⁹ has made specific recommendations on regulation to support the development of the district heating sector and to introduce a statutory licensing regime for district heating operators in Scotland. The Heat Trust¹²⁰ is pioneering a voluntary scheme of customer protection to be adopted by district heating operators with many joining. This may provide Scottish Government with experience and guidance, and act as a bridge to a statutory scheme of regulation. We believe regulations should be introduced as part of the government's commitment to introduce a Warm Homes Bill in this parliament.

5.5 Monitoring and evaluation

Monitoring and evaluation (M&E) of government fuel poverty programmes is important for learning lessons and informing the development of existing or new programmes. It provides important evidence to support continued investment, helps us understand why people are still in fuel poverty, and what is working to alleviate and eradicate fuel poverty (or not).

There is concern that current M&E efforts associated with Scottish Government fuel poverty and energy efficiency programmes are inadequate and do not measure the impact of these programmes on fuel poverty (see table 7 for summary of concerns). Current M&E tends to measure activity (numbers of measures delivered, numbers of calls to Home Energy Scotland (HES), numbers of referrals, etc) rather than outcomes (did the activity lift the household out of fuel poverty). There are also estimates of the 'gain in household income' associated with the measures and estimated carbon savings based on modelled savings for the schemes.

There has not been a structured approach to sharing best practice and lessons learned among local authorities. Furthermore, there is little measurement of impact relating to efforts to address the other drivers of fuel poverty – income, energy costs

¹¹⁹ <http://www.gov.scot/Resource/0049/00497892.pdf>

¹²⁰ <http://heattrust.org/>

and how energy is used. There have been recent attempts to address these gaps, for example with an evaluation of the value of benefits secured by people referred by HES¹²¹. However, this is only for HES referrals, so would not take into account referrals from other agencies such as CABs, community groups, and other intermediaries. The Scottish Government is also funding a pilot programme on supporting behaviour change with heating controls which should yield interesting results.

Table 7: Current monitoring and gaps

Current monitoring	Gap/Issue
The fuel poverty programme is mainly defined as an energy efficiency programme, so monitoring is focused on installation of measures.	<ul style="list-style-type: none"> • Does not measure impact on eradicating fuel poverty. • For the most part monitoring does not encompass activities related to income maximisation, reducing energy prices, and improving how energy is used.
The data used to inform policy and scheme development is modelled rather than actual.	<ul style="list-style-type: none"> • There are significant differences between modelled and actual outcomes. This is exacerbated in Scotland by its diversity of geography, climate and housing stock, which does not lend itself well to standard modelling.¹²²
Local authorities take different approaches to M&E.	<ul style="list-style-type: none"> • It is hard to compare results and learn best practice.
Programmes have often been designed quickly to respond to fiscal year constraints	<ul style="list-style-type: none"> • Inadequate time to design in proper M&E.
Impact on health, jobs and other co-benefits are not routinely monitored.	<ul style="list-style-type: none"> • Lack of evidence to support added value of fuel poverty interventions.
There is sensitivity over spending government funding on M&E rather than on measures. Monitoring and evaluation (particularly of impacts) can be expensive and demanding of staff resources.	<ul style="list-style-type: none"> • Getting the right balance of effort between activities on the ground and measuring and learning from the impacts of that activity. • Robust evidence on impacts and outcomes is scarce.

We welcome the Scottish Government’s recent efforts in this area including the intention to conduct a full evaluation of HEEPS to help inform the design of future schemes. We also welcome plans for local authorities to measure the impacts of investment for a sample of homes in the 2016/17 HEEPS programme and plans to evaluate the SEEP pilot programmes.

There is also some evaluation work to assess the co-benefits of energy efficiency upgrades on homes and home occupiers. For example, the Energy Agency is

¹²¹ <http://www.energysavingtrust.org.uk/sites/default/files/reports/Benefits%20evaluation%20report%20FINAL.PDF>

¹²² <http://www.cas.org.uk/publications/taking-temperature>

working in partnership with the NHS in South and East Ayrshire to investigate the benefits of external wall insulation. The project will assess impacts in terms of energy performance, fuel bills, but also health and wellbeing¹²³.

A summary of useful background information is provided in appendix 8. It includes a brief description of current monitoring and evaluation for the HEEPS schemes, a summary of international experience of monitoring energy efficiency and recommendations for best practice.

Recommendation – Governance 52: A monitoring and evaluation framework should be established for the new fuel poverty strategy and for SEEP and results should be reported to the fuel poverty advisory and scrutiny body on a regular basis. It should be developed at the start in partnership with the bodies that are delivering the programme.

The monitoring and evaluation framework should have the following objectives:

- Achieve continuous measurement of improvement.
- Understand the impact of different energy efficiency and fuel poverty interventions.
- Measure all co-benefits of any interventions to address the four drivers of fuel poverty.
- Build the business case for interventions to address the four drivers of fuel poverty.

The monitoring and evaluation framework should be based on an overview of what information is needed to understand if (and how) the strategy is achieving the objective of ‘affordable and attainable warmth and energy use’, looking at all four drivers of fuel poverty. The framework would include quantitative indicators that are monitored on a regular basis, and qualitative measures which are evaluated on a periodic basis (see table 8). These indicators should follow the fuel poverty strategy and be developed in partnership with the bodies that are delivering the programmes.

A coordinated M&E programme is likely to require more funding than is currently allocated to M&E. However, if well-designed, it should more than pay for these costs by identifying the most effective and resource-efficient ways of eradicating fuel poverty. It will also provide evidence for future funding of fuel poverty programmes.

An example of the kinds of indicators that would be required is set out below. It needs to follow the fuel poverty programme design, and should be developed in partnership with the bodies that are delivering the programme at the start. Reasonable time periods for measurement should be set – in other words, not all schemes would be assessed every year against all outcomes.

¹²³ Energy Agency (2016) *Area Based Schemes: Wall Insulation Evaluation 2015-17. Interim Report*. Energy Agency & NHS Ayrshire & Arran.

It should also involve ongoing and periodic quantitative research, e.g. to examine health and wellbeing outcomes before and after person- and property- interventions. It might also involve linking individual health records with service records over time.

Table 8: Measures for a new M&E framework

Monitoring (quantitative, regular)	Evaluation (qualitative, periodic)
Moved out of fuel poverty	Moved out of fuel poverty
Energy efficiency measures installed	Customer satisfaction
Energy saving advice given and acted on	Health impact
Referrals	Local economy impact
Benefits maximisation	Behaviour change impacts
Income maximisation	
Actual and theoretical fuel bill savings	

A list of potential components of the monitoring framework is provided below:

- Activity and impact measures.
- A combination of national and local measurements that can be compared.
- Long term studies to measure impacts on and of behaviour change.
- Sampling should be included to see if there is a ‘performance gap’ – do the real savings / impact match with modelled?
- Partnership approach to monitoring that matches the integrated, collaborative approach necessary to address fuel poverty, and measures the impact of interventions on all four causes of fuel poverty – energy performance, income, energy price and behaviour.
- Other aspects of the fuel poverty programme that should be monitored / assessed include: targeting, eligibility requirements, leveraging of ECO and private investment, appropriateness and quality of works, impact on supply chain and skills.

5.6 Leadership and resources

5.6.1 Scottish and local governments leadership

We have proposed a new approach to achieving affordable and attainable warmth and energy use. There is no doubt this will challenge existing ways of working, and will require strong leadership from the First Minister and her cabinet to be successful. The Scottish Government is strongly committed to addressing fuel poverty as part of its wider poverty and inequalities agenda. Already the SEEP programme is bringing together the housing and energy divisions to work on energy efficiency. Our recommendations go further, bringing together the talents, expertise and resources of the health, communities, and social justice portfolios to bear on eradicating fuel poverty.

Recommendation – Governance 53: The new fuel poverty strategy should be led by a cross-departmental ministerial group, making fuel poverty eradication

a clear component of the health, communities, inequalities, social security, housing, and energy portfolios, with one cabinet secretary accountable for the delivery of the strategy.

This approach is consistent with the Scottish Government's vision for public service delivery which foresees collaboration across organisational boundaries and a focus on prevention and early intervention.

Recommendation – Governance 54: The cross-portfolio approach should be matched at the local level through local wellbeing partnerships with strong leadership from Community Planning Partnerships, local authorities and Health and Social Care Partnerships.

Local government, working with its community planning partners, should be champions for the wellbeing partnerships, making the person-centred approach a priority for all services. Senior management teams should mirror the collaboration and coordination expected on the ground, with success measured against improvements in wellbeing, including affordable and attainable warmth and energy use.

Partnerships should include local Directors of Public Health who have a leadership role in health improvement and reducing health inequalities. For example, the Scottish Public Health Network (ScotPHN) is developing Fuel Poverty Guidance for Directors of Public Health.

Local political leadership and governance is also vital, and this should be recognised in any national arrangements for the fuel poverty strategy. This will ensure accountability to local communities and bring together knowledge of the wide range of local services which interact with fuel poverty policy.

Recommendation – Governance 55: The new fuel poverty strategy should be costed based on requirements to meet its desired outcome – affordable and attainable warmth and energy use for everyone in Scotland - and adequate resources (funding and capacity) made available at a national and local level on a multi-year basis.

The new fuel poverty strategy represents a different way of working and will need to be costed and budgeted accordingly. This will require transparent investment in the local wellbeing approaches to identify and engage with the vulnerable, and direct interventions to help with maximising benefits, switching tariffs, upgrading energy performance of homes, and supporting management of energy – all tailored to the household's needs.

It has been estimated that bringing the energy performance of all homes in Scotland to an EPC band C or above over ten years would cost approximately £10bn with £4.5bn coming from the public sector.¹²⁴ We strongly believe that fuel poor households should not be expected to pay for energy efficiency improvements to their home.

¹²⁴ Existing Homes Alliance Policy Briefing 2015

The strategy will also require investment in more strategic efforts to raise incomes (e.g. living wage, local economic development) and create more affordable sources of energy supply. Public sector investment, regulation and incentives can also be used to lever private funding to achieve the total level of spend required.

Ultimately, this means resources will need to come from several parts of government – the capital budget, health, communities, energy, economic development, housing and local government. This is already happening to some degree with the SEEP programme and will need to be extended to realise the benefits local wellbeing partnerships can bring. This is why the establishment of a ministerial led cross-portfolio group is essential.

5.6.2 Leadership from Ofgem in Scotland

Recommendation – Governance 56: The Scottish Parliament should request an annual strategy and work plan for Ofgem’s activities in Scotland, addressing particular Scottish issues and concerns, including fuel poverty. Ofgem should be recognised as a key contributor to the new fuel poverty strategy.

Under the Scotland Act 2016 Ofgem has new accountabilities to the Scottish Parliament and must “submit reports to, and appear before, committees of the Scottish Parliament”. While Ofgem is already active in relevant stakeholder groups and appears at parliamentary committee sessions, we believe these new powers offer a useful context to broaden Ofgem’s accountability to Scottish society, while maintaining its position as the GB’s independent regulator of energy markets. For example:

- Ofgem should be recognised as a key contributor in the new Scottish fuel poverty strategy. As part of this effort, Ofgem should produce a report on its activities and plans to address fuel poverty in Scotland developed in partnership with stakeholders.

As ongoing objectives:

- Ofgem should pro-actively build fuel poverty alleviation into the developing principles-based regulation – so that it is evidenced throughout the whole of the electricity and gas supply chain including the regulation of renewable transmission and distribution.
- Ofgem should facilitate and promote alternative business models for energy supply in Scotland as discussed in section 3.2.4. Ofgem’s review of innovation funding should include any specific Scottish issues, and the potential for including alleviation of fuel poverty as a criterion for funding in the future.
- Ofgem should act quickly on the final findings of the CMA energy markets review and ensure, and be seen to ensure, that remedies are working for

consumers in Scotland and the fuel poor in particular. If gaps emerge, Ofgem should work with stakeholders to identify further solutions.

6. Conclusion

It is unfair that some people have to pay a 'poverty premium' for fuel simply because of where they live, the standard of housing available to them, or because they are unable to achieve secure or sufficient income. Affordable energy use is a basic need that must be met in order for individuals and families to thrive and enjoy wellbeing.

Fuel poor households suffer from, or are put at risk of, poor health and wellbeing outcomes, lower educational attainment, and are forced to juggle energy bills alongside other essential needs such as food, school uniforms and transport.

This report has explored why current programmes have failed to eradicate fuel poverty. It outlines a bold approach which aims to deliver affordable and attainable warmth and energy use for everyone in Scotland. This approach is based on four high-level recommendations:

The fuel poverty strategy should be firmly based on the principle of social justice and creating a fairer and more equal society.

A Scotland without fuel poverty is a Scotland where everyone lives in a warm, cosy home, has sufficient income for healthy living and access to affordable, low carbon energy. This is achievable through a sufficient supply of good quality affordable housing (all tenures), a distribution of good quality jobs across the country, an effective social security system and substantially more affordable sources of low carbon energy.

Address all four drivers of fuel poverty: income, energy costs, energy performance, and how energy is used in the home.

The new strategy must take a comprehensive approach to addressing all four drivers of fuel poverty. Experience over many years has shown that energy efficiency improvements, while important, will not eradicate fuel poverty. This report includes recommendations on raising incomes, reducing energy costs, and helping households to manage their energy use. In addition, the report recommends that efforts to improve energy efficiency of homes should be enhanced, with the aim of eradicating energy efficiency as a driver for fuel poverty.

Establish collaborative approaches with strong leadership at national and local levels.

The new fuel poverty strategy requires a joined up approach across several portfolios within government. This should take the form of a cross-departmental ministerial group, making fuel poverty eradication a clear component of the health, communities, inequalities, housing, and energy portfolios, with one cabinet secretary accountable to deliver the strategy. The new strategies emerging from government

on a Fairer Scotland, the National Infrastructure Priority on energy efficiency, and the new Energy Strategy are all relevant in this context.

This national leadership needs to be matched and resourced at the local level. Local partnerships focused on creating good health and wellbeing will tackle the full range of challenges causing fuel poverty. This can be achieved through Community Planning Partnerships, Health and Social Care Partnerships and local government. In this way, fuel poverty should become a routine consideration for those providing services to people at risk.

Review the current definition of fuel poverty and establish a policy objective and monitoring programme that addresses all four causes of fuel poverty.

The fuel poverty definition is important for setting policy objectives, targeting of resources and measurement of progress. There are concerns that the current definition of fuel poverty can impede targeting and measurement of impact. We also know that the current monitoring of programmes does not tell us the impacts of interventions on levels of fuel poverty.

We believe the definition and measurement of progress should focus on the desired outcome – affordable and attainable warmth and energy use. It should acknowledge fuel poverty as a manifestation of poverty and inequalities in society; and be easy to understand and measure. A monitoring and evaluation framework should be established at the outset of the strategy, alongside appropriate mechanisms for scrutiny of the strategy.

Final thoughts

This report has provided detailed recommendations on how these broad themes can be taken forward in a new, comprehensive strategy to eradicate fuel poverty. It includes both short term measures, that can give some immediate relief to individuals and families from high energy bills or draughty homes, and longer term strategies that seek to create local employment opportunities and more affordable sources of energy.

It is a bold and ambitious approach that will challenge existing ways of working, but will be much more effective at helping households to enjoy the benefits of a warm, dry home, and to rid our society from a key source of deprivation. It is also a sustainable approach, as it will tackle fuel poverty now and stop it happening for future households.

Appendix 1 - Scottish Fuel Poverty Strategic Working Group

Membership

The Strategic Working Group (SWG) is chaired by Professor David Sigsworth and has 12 members. These individuals were chosen for their expertise and knowledge of fuel poverty and related issues such as health, economic development, and delivery of energy efficiency programmes. The membership includes:

David Sigsworth OBE – Chair of the Fuel Poverty Strategic Working Group. Previously he was the chair of the Scottish Fuel Poverty Forum, and chair of the Scottish Environment Protection Agency. He is also a member of the Scottish Government's Strategic Energy Advisory Board.

Teresa Bray - Chief Executive, Changeworks. Teresa has worked in the third sector for 25 years working with the National Housing Federation and SCVO before taking on her role at Changeworks.

Donna Burnett – Organisational Lead, Income and Work, NHS Health Scotland. Donna worked in employability for 25 years before moving to public health in 2009. She has served on a number of Boards and Management Committees over the years, most recently, the Board of Management for South Lanarkshire College from 2006 to 2016.

Tony Cain – Policy Manager, Association of Local Authority Chief Housing Officers. Tony has worked at director level in a local authority covering strategic control of customer service, equalities, internet communications and advice.

Marion Davis - Policy & Research Advisor at One Parent Families Scotland. Marion has 30 years' experience working in the voluntary sector, in various roles including community development, welfare rights, marketing and communication, project management, senior management and policy & research.

Alan Ferguson - Chair, Scottish Fuel Poverty Forum. Alan is the Director of SHARE and former director of the Chartered Institute of Housing Scotland. Alan has worked in housing policy, campaigning, and education.

Gordon Grant - Expert Independent Advisor. Gordon gives advice to business on change management, industrial relations and the petrochemical and energy industry in general. He was formerly Site Director of INEOS Grangemouth Ltd.

Ade Kearns - Professor of Urban Studies, University of Glasgow. Ade has conducted policy-related research into a wide range of housing, neighbourhood and urban issues and is the Principal Investigator for the GoWell research and learning programme, examining the health and wellbeing impacts of housing-led regeneration.

Norman Kerr OBE - Director, Energy Action Scotland. Norman is also Deputy Chair of the Scottish Fuel Poverty Forum and was a member of the Scottish Rural Fuel Poverty Task Force.

Trisha McAuley OBE - Independent Consumer Expert. Trisha is a consumer expert, a non-executive director and a management consultant. She was formerly the Senior Director for Scotland of Consumer Futures. Trisha has twenty years' experience as a senior leader in consumer affairs in Scotland and the UK, developing consumer policy and advising government, regulators, service providers and businesses.

Craig Salter – Policy Officer, Citizens Advice Scotland. Craig has taken forward work by the Consumer Futures Unit of Citizens Advice Scotland on addressing fuel poverty in Scotland. His experience centres on embedding consumer principles and promoting consumer protections in government policy and throughout the energy industry, as a fundamental tenet of addressing fuel poverty.

Elizabeth Leighton - Expert Independent Consultant, policy advisor to group. Elizabeth provides research and policy advice on housing, fuel poverty, energy efficiency and climate change issues. She is the secretariat to the Existing Homes Alliance Scotland and chairs the Climate Challenge Fund Grants Panel.

Christine McArthur, Energy Action Scotland, Secretariat. Christine has worked at Energy Action Scotland in various administrative roles for 29 years.

In addition, two individuals were co-opted onto subgroups of the SWG:

Alex Hilliam - Principal Behaviour Change Researcher, Changeworks. Alex has experience of a range of behaviour change techniques and has specific experience in the use of the Scottish Government's ISM (Individual, Social and Material) tool.

Liz Marquis – Director, Energy Agency. Liz has been directly involved with improving energy use and insulation for those in fuel poverty in Scotland for 18 years. She is also Vice Convener of Energy Action Scotland.

Remit

The Scottish Fuel Poverty Strategic Working Group's remit was agreed at its first meeting on 27 November 2015. The remit is summarised here:

The group should set out a vision for the eradication of fuel poverty in Scotland, and the main output of the group's work should be a report outlining a new fuel poverty programme. The scope would include recommendations on targets, scrutiny, and delivery, addressing all causes of fuel poverty. It should discuss the principles of the programme in terms of funding and the level of ambition in terms of energy performance. It should also consider what other policies or regulation would complement a fuel poverty programme, for example on minimum standards of energy performance.

Given the new opportunities afforded by the NIP and the development of the Scottish Energy Efficiency Programme (SEEP), a particular focus should be shaping the design of SEEPS in terms of fuel poverty interests. The same applies to new

devolved powers which are only now becoming clear, and how they might be used to eradicate fuel poverty.

Appendix 2: Stakeholder engagement

As part of its work, the SWG engaged with stakeholders who have an interest in fuel poverty policy and programmes.

We held a workshop in June 2016 with organisations that work on poverty and inequalities in Scotland to share our thinking on collaborative approaches to eradicating fuel poverty, and to learn from their experience. The following organisations (excluding SWG members) were involved in this workshop:

- John Dickie, CPAG
- Jamie Livingston, Oxfam
- Ciaran McDonald, Age Scotland
- Jim McCormick, Joseph Rowntree Foundation
- Adam Reid, Scottish Government

We also held a session with stakeholders, including members of the Fuel Poverty Forum, to discuss the SWG's Interim Key Findings report. We also invited their written feedback on the report after the meeting. The following stakeholders were invited:

- Zhan McIntyre - SFHA
- Lisa Glass, Shelter
- Alastair Nicolson, Scottish Enterprise/HIE
- Scott Duncan, LEAP
- Alison Murphy, Macmillan
- Debbie Young, Macmillan
- Peter Kelly, The Poverty Alliance
- Ciaran McDonald, Age Scotland
- Mike Thornton, Energy Saving Trust
- Silke Isbrand , COSLA
- Stephen Cunningham, SHEEN
- John Dickie, CPAG
- Felix Wright, Community Energy Scotland
- David Bookbinder, Glasgow and West of Scotland Forum of Housing Associations

The SWG also had three external presentations at its meetings:

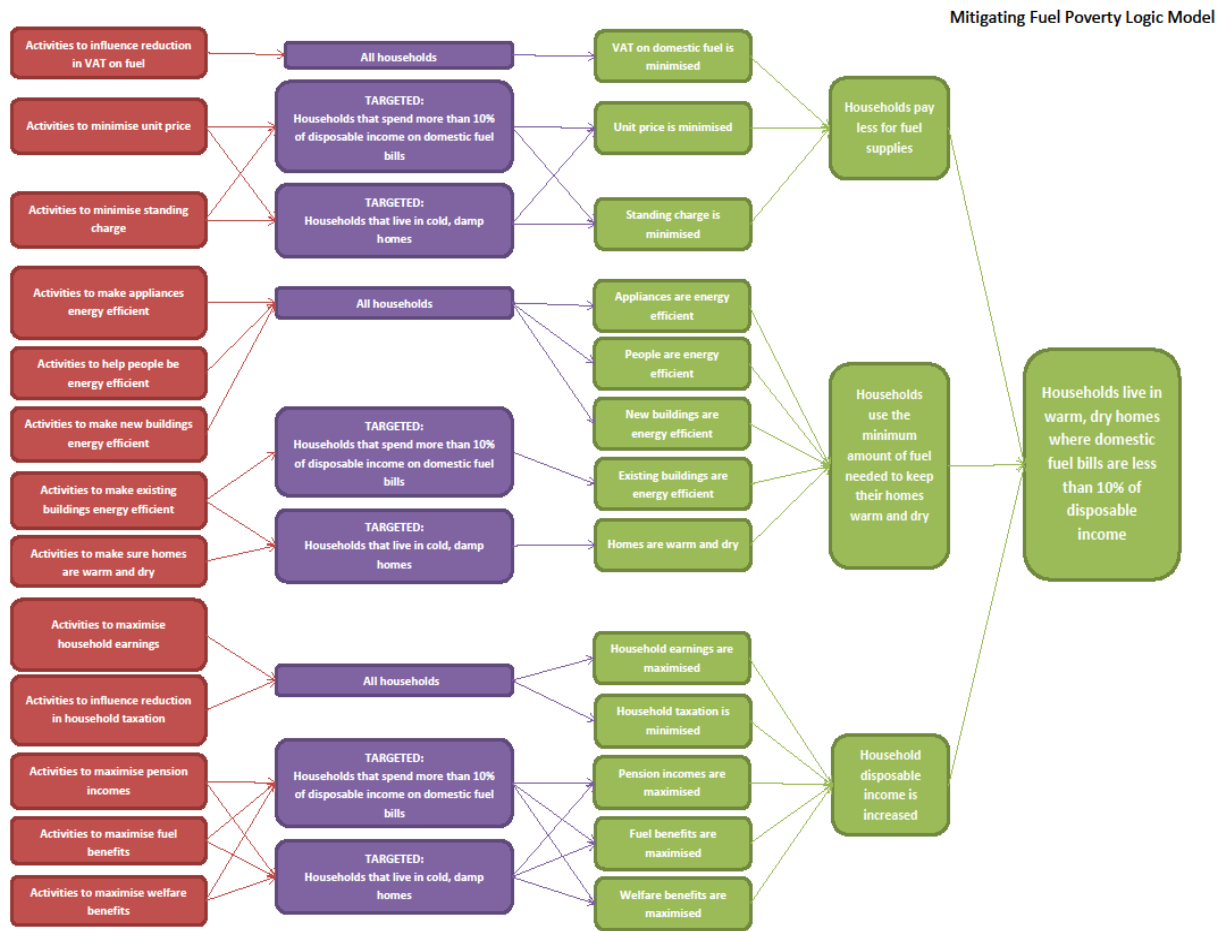
- Naomi Eisenstadt, Poverty and Inequality Advisor to the First Minister
- Eddie Fraser, Director of Public Health and Social Care, East Ayrshire Health and Social Care Partnership

- Robbie Stevenson, Social Strategy Manager, and Raini Scott Stakeholder Engagement Manager, SGN

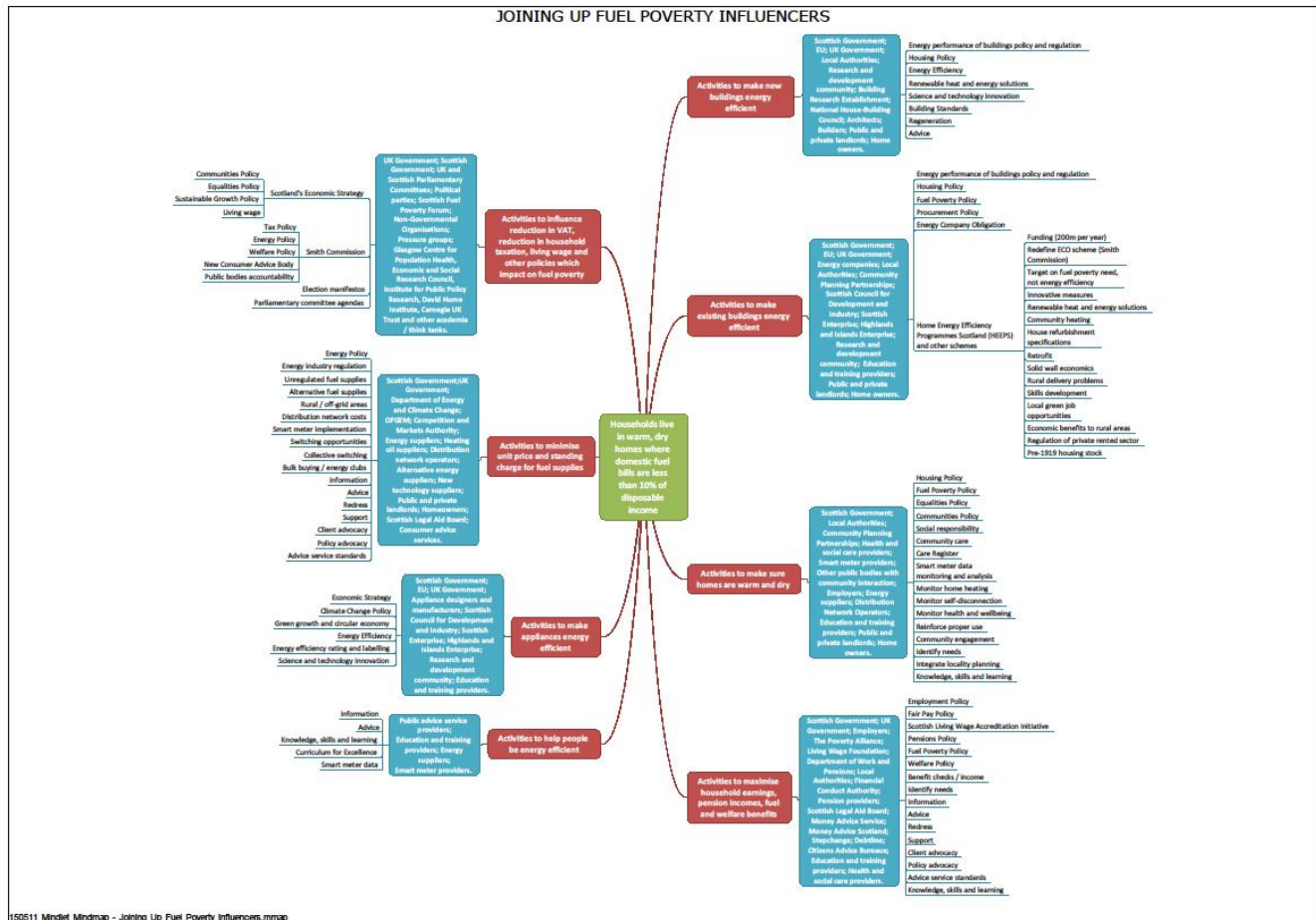
In addition, the Chair and the Policy Advisor for the SWG conducted several external meetings with key organisations:

- Ofgem
- Consumer and Competition Policy Unit, Directorate for Economic Development, Scottish Government
- Dormont Park and Raehills Estate Passivhaus Developments in Dumfriesshire
- Scottish Rural Fuel Poverty Task Force
- Scottish Fuel Poverty Forum

Appendix 3: Mitigating Fuel Poverty Logic Model



Appendix 3 (cont): Joining up fuel poverty influencers



150511 Mindjet Mindmap - Joining Up Fuel Poverty Influencers.mmap

Appendix 4: Dormont Park Passivhaus

DORMONT PARK PASSIVHAUS DEVELOPMENT



SCOTLAND'S LOWEST ENERGY AFFORDABLE HOMES

A DEVELOPMENT OF 8 NEW HOMES COMPLETED IN 2011

- Built on a farm in rural Dumfries & Galloway and Grant aided under the Rural Homes for Rent pilot grant scheme.

FOR LONG TERM AFFORDABLE RENT

- Dumfries & Galloway Council has nomination rights over 4 of the homes to take households from their homelessness list. Short assured tenancies are offered to households in local priority need;
- Built to Housing for Varying Needs standards and to be maintenance to the Scottish Housing Quality Standard;
- Affordable rents guaranteed for 30 years.

BUILT USING MODERN METHODS OF CONSTRUCTION

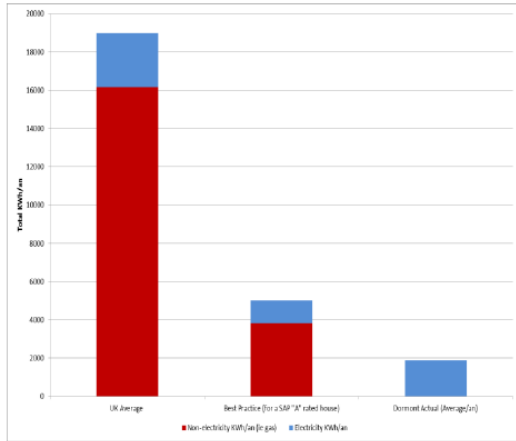
- Closed panel timber frame made in an advanced off-site manufacturing unit and delivered by lorry for erection on site. Enhances build quality and dramatically reduces build time, waste and carbon emissions in construction;



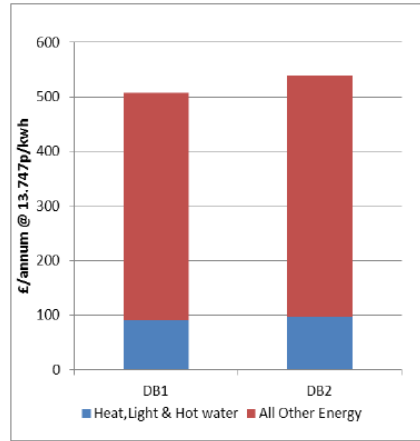
TACKLES CLIMATE CHANGE IMPACTS AND RURAL FUEL POVERTY HEAD ON

- Certified Passivhaus Standard is an exceptionally high standard of energy efficiency, thermal comfort and indoor air quality that is not expected to be required of statutory standards in Scotland until 2019;
- Large, south facing, high spec triple glazed windows for maximum solar gain, super insulation and extremely high levels of airtightness allow heat generated within the house by daily activity to be retained;
- A very efficient mechanical ventilation and heat recovery unit draws moist warm air from the kitchens and bathrooms and passes it through a heat exchanger which warms fresh air from outside and delivers it to the living rooms and bedrooms;
- Hot water is entirely from renewable energy sources via roof mounted solar thermal panels and small log burning stoves using timber from the Estate.
- The resulting very low energy bills effectively remove the threat of fuel poverty from rural households that are off the mains gas grid for the lifetime of these homes. A two year study has shown that the **heating, lighting and hot water for a 3-bedroom (6 person) house cost as little as £100 a year – about a tenth of the average heating cost alone for a similar home in the UK (see chart below) – and that total energy costs were only around £500 a year.** Not only does this increase household disposable income but it makes travel more affordable in a rural area where car dependency is high.

Dormont Park: Annual Energy Consumption Compared with UK Benchmarks



Annual Energy Use of 2no. 3 bedroom Passivhaus



“For the first time in my life I have been able to afford to buy a new cooker”
 “Because we are spending so much less on fuel bills we can now afford to spend more time together as a family”
 “We hadn’t had a holiday in 20 years until this year”

IMPROVED HEALTH OUTCOMES

- Fresh, filtered, warm and dry air leads to better health outcomes.
- “I always had chilblains until I moved here”
 “I used to sit in front of the fire all day just to keep warm. Now I can do things outdoors that I couldn’t do before” (Crohn’s disease sufferer)
 “I’m allergic to everything and suffer from asthma but I haven’t had an attack in nearly 4 years”
 “This is the first winter in all our 38 years of married life in which we have felt warm”

OPPORTUNITY FOR UPGRADING LOCAL SKILLS

- Building to this standard requires skilled trades people which, in turn, improves the local economy

INDUSTRY AWARDS

- Winner of Rural Development of the Year, at the Scottish Home Awards 2012;
- Two Green Apple Environment Awards – for Building and Construction (Scotland) in 2011 and for Scottish Housing Projects 2012;

SCOTTISH GOVERNMENT RECOGNITION

- The Greener Homes Prospectus www.scotland.gov.uk/Resource/0039/00397015.doc
- Inspirational Designs <http://www.scotland.gov.uk/Topics/Built-Environment/AandP/InspirationalDesigns/ProjectType/smallscale/rural/Dormont>

Contact: Jamie Carruthers, Dormont Estate, Dormont, Lockerbie, Dumfriesshire DG11 1DJ Tel: 01387 840222
 Email: jacarruthers@btconnect.com website: www.dormontestate.com

April 2015



Appendix 5: Framework of current actions to address fuel poverty

Low Income Poor Energy Efficient Home	Low Income Energy Efficient Home	High Income Poor Energy Efficient Home	High Income Energy Efficient Home
Action to increase income Action to reduce energy costs Action to improve home energy efficiency	Action to increase income: Action to reduce energy costs	Action to improve home energy efficiency	No income or home energy efficiency action
Whole Population education to improve effective and efficient use of energy to achieve: Energy efficiency Effective energy use Healthy temperature for healthy life – thermal comfort and ventilation			

Actions within current initiatives to tackle fuel poverty

Action	Organisation
Income	
Benefit and tax credit maximisation	Home Energy Scotland and referrals to Citizen Advice Bureaux (CAB), debt advice services
Cold Weather Payments	Department for Welfare and Pensions (DWP), Social Security Agency
Winter Fuel Payments	DWP, Social Security

	Agency
Warm Home Discount	Energy suppliers
Energy Trust Funds – larger energy companies have charitable trusts to support people who are struggling to pay energy bills to reduce or clear debt related to energy consumption.	Energy suppliers
Referral for impartial advice on tariff checks	Home Energy Scotland, CABs
Referrals and signposting to local money and debt advice and to local outreach energy advice and advocacy services through a variety of funds including charitable and local authority budgets.	Home Energy Scotland with referrals to local authorities, housing associations and voluntary organisations
Energy performance	
Specialist advisors provide free and impartial advice over the phone or in the home	Home Energy Scotland
Information, tools and advice videos and case studies	Energy Saving Trust, Scottish Government, local energy advice services
<p>Support for energy efficiency measures:</p> <p>Area Based Schemes (ABS) to install measures, targets fuel poor areas.</p> <p>HEEPS Loans - provides interest free loans of up to £15,000 to owner occupiers and landlords for measures such as boilers and solid wall insulation and connection to the gas grid.</p> <p>Energy Company Obligation (ECO) – a requirement placed on larger energy suppliers to install affordable warmth/ energy efficiency measures-mainly gas boiler replacement and insulation measures.</p> <p>Warmer Homes Scotland - Provides a range of measures to vulnerable homeowners and private sector tenants including: Cavity Wall Insulation; Loft Insulation; Boiler Replacement; External Wall Insulation (solid wall); Internal Wall Insulation (solid wall)</p> <p>Resource Efficient Scotland SME loans: Funded by the Scottish Government, this scheme provides interest free loans of £1,000 to £100,000 to help</p>	Home Energy Scotland, local authorities, Energy Saving Trust

private sector landlords install measures that will improve the energy efficiency of their properties.	
Specialist advisors provide free and impartial advice about renewables over the phone or in the home	Home Energy Scotland, local energy advice services
The Green Homes Network – case studies and visits to find out more about reality of installing measures.	Home Energy Scotland
Interest free loans of up to £10,000 from the Scottish Government for domestic renewables system. This supplements support through the Renewable Heat Incentive and Feed-in-tariffs funded by the UK Government.	Home Energy Scotland
How to use energy	
Information, tools and advice videos and case studies	Home Energy Scotland, Scottish Government, local energy advice services
Pilot project on how to use heating controls	Home Energy Scotland

Appendix 6: Macmillan Care Plan

Completed By: Link Officer

Date: 20/02/2014

Designation: Holistic Needs Assessment Officer

Contact Details: 0141 287 7077

Copies sent to: GP/Client

Next Review Due:

Client A
Bowel Cancer Primary

Level 1: Score 0-3 (Mild Concerns)

Discuss Sources of concern with the patient, include information, contact details and monitor.

Level 2: Score 4-6 (Moderate Concerns)

As above for level 1 and provide information and discuss with a colleague if necessary and signpost to support. Use second level assessment tool if appropriate e.g HADs

Level 3: Score 7-10 (Significant Concerns)

As above in level 1 and 2, and use second level assessment tool if appropriate e.g HADs and refer to specialist services if required.

Overall Score on Distress Thermometer: **(1-10)**

Main Concerns	Score	Description of Concern	Plan of Action
Practical Concerns: Housing	10	Client living conditions are unsuitable for his condition specifically when his treatment has been undertaken.	Referral to Glasgow Housing Association 20.02.14. Client to be rehoused.
Practical Concerns: Money	10	Client will be off work due to condition and will not get sick pay.	Referral to Long Term Conditions & Macmillan Service 20.02.14. Full Benefit Review
Practical Concerns: Caring Responsibilities	10	Client does not want his family to be burdened with his caring responsibilities.	Potential future referral to Cordia Home Care (Client will contact Link Officer when referral to be carried out)

Emotional Concerns; Worry, Fear and Anxiety	10	Client is concerned about his forth coming treatment and surgery.	Signposted Client to his Clinical Nurse Specialist for reassurance regarding treatment.
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NHS Improvement



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Appendix 7 – Other definitions / indicators of fuel poverty

Low Income High Costs Indicator (England)

The SWG considered the Low Income High Costs (LIHC) indicator, which has been used in England since 2013 following the Hills Review.¹²⁵ LIHC defines the problem of fuel poverty as, “a household is considered to be fuel poor if 1) they have required fuel costs that are above average (the national median level); and 2) were they to spend that amount, they would be left with a residual income below the official poverty line. The indicator measures the extent of fuel poverty in society, and the depth of fuel poverty - or the reduction in energy costs - that would lift a household out of fuel poverty.

The following concerns¹²⁶ and proposed improvements¹²⁷ for the LIHC indicator have been identified:

Concerns
<ul style="list-style-type: none">• The application of the low income high costs definition relies on statistics that do not reflect the real situations of households through casework on the ground. Therefore it fails to identify the source of the problem and is a poor guide for action.• The fuel poor/income poor matrix is too simplistic and may have unintended consequences for those who are above the poverty line but struggle to pay their household bills.
<ul style="list-style-type: none">• The LIHC calculation under-estimates the extent of fuel poverty, especially among those in smaller properties, whose fuel costs are not above the median, but who have energy inefficient homes.
<ul style="list-style-type: none">• The LHIC measure does not identify households who have energy bills below the median but who could have still lower energy costs if they could afford to put in place energy efficiency measures.• It does not highlight the effects on affordability of rising fuel prices.
<ul style="list-style-type: none">• LIHC estimates of fuel poverty have a poor correlation with low energy efficiency ratings in properties.• The LIHC indicator fails to identify people in very cold homes and/or with the greatest under-spending on heating.
Improvements
<ul style="list-style-type: none">• Adjust (equivalise) the energy costs measure not by household type but by household size (number of persons) and by dwelling size (floor area).• Use a different energy cost threshold which takes into account cases where the occupant could achieve a reduction (e.g. set at 10%) in energy costs with energy efficiency measures.

¹²⁵ The Scottish Government accepted the Fuel Poverty Forum’s recommendation that the Hills definition should not be adopted in Scotland

¹²⁶ Moore,R. (2012) ‘Definitions of fuel poverty: implications for policy’, *Energy Policy*, doi.10.1016/j.enpol.2012.01.057.

¹²⁷ Moore,R. (2012) *Improving the Hills approach to measuring fuel poverty*. London: ACE/CSE.

International experience

While the SWG was not able to review international experience in tackling fuel and energy poverty, the following reports will be of use in developing the new fuel poverty strategy, including the review of the definition:

- Fuel Poverty in Europe: A rapid evidence review of existing knowledge and approaches, 2013, by Harriet Thomson.
- Fuel Poverty 1991 – 2012: commemorating 21 years of action, policy and research, Ryan Walker, Harriet Thomson and Christine Liddell.
-

The European Commission have published a report on indicators to measure energy poverty which may be useful:

Main report:

<https://ec.europa.eu/energy/sites/ener/files/documents/Selecting%20Indicators%20to%20Measure%20Energy%20Poverty.pdf>

Technical report:

<https://ec.europa.eu/energy/sites/ener/files/documents/Annex%201%20Methodology%20and%20Technical%20Report.pdf>

Appendix 8: Monitoring and evaluation – background information

Current M&E associated with HEEPS and fuel poverty schemes:

HEEPS Schemes	Annual summary delivery report. ¹²⁸
HEEPS:ABS	The Scottish Government requires local authorities to provide quarterly progress reports against agreed programmes of measures installed by tenure. In addition local authorities provide quarterly reports on measures completed under ECO. Ultimately this information should be cross referenced with ECO data from Ofgem to give a more detailed picture of what is happening on the ground.
HEEPS Cashback	Data is published on the EST website on a regular basis. This scheme is now closed. ¹²⁹
Warmer Homes Scotland	Quality assurance inspections of work (sample of approximately 20%). Annual review of WHS against operational and strategic objectives. Temperature monitoring of homes before and after upgrade.

Review of international domestic energy efficiency programmes

A review of international domestic energy efficiency programmes for the Scottish Government found it difficult to assess the impact of the programmes and determine 'lessons learned' due to a lack of robust evaluation. The following problems have been identified in past evaluations of home energy efficiency programmes¹³⁰:

Focus on activity/output rather than impact-related indicators: Often evaluations and government documents provide figures for the amount of money spent and the number of participants rather than the energy savings.

Baseline not defined clearly: It is often not clear how many energy efficiency measures were installed before and after the programme or what the baseline energy use was.

¹²⁸ The 13/14 review of HEEPS Schemes: <http://www.gov.scot/Resource/0046/00466702.pdf>

¹²⁹ <http://www.energysavingtrust.org.uk/heeps-cashback-statistics>

http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171776_354637.pdf

¹³⁰ <http://www.climatexchange.org.uk/reducing-emissions/comparative-review-housing-energy-efficiency-interventions/>

Missing detail and variation in the measures provided: Warmth interventions are very varied, often differing between properties, and yet evaluations often fail to report this detail, or assume that measures are uniform when they are not¹³¹.

Inconsistency in terms of methodologies employed when undertaking evaluations: For example, some evaluations explicitly consider 'rebound effects' and the technological performance gap (where a technology delivers fewer savings than anticipated based on engineering models) but others do not.

The review found some examples of monitoring that were able to demonstrate the 'value for money' aspect of energy efficiency programmes:

The **German KfW loan programme** for helping home owners upgrade the energy efficiency of their property evaluated the following impacts:

- Ex-post evaluations are carried out at regular intervals (usually annually) to assess impact of the energy efficiency improvements on energy performance of the building.
- Significant employment impacts have been found and are evaluated on a regular basis as part of the ongoing programme evaluation.
- Fiscal impacts such as the extent to which the costs of energy efficiency programmes are offset by additional tax receipts, savings in unemployment benefits payments, and other revenue streams generated as a result of the activities promoted under the programme.

The **Warm up New Zealand: Healthy Homes programme** provided grants and loans for the installation of energy efficiency measures and heating systems in homes built prior to 2000. The evaluation found the health benefits of energy efficiency improvements to exceed energy cost savings by far, making improvements in health the most important benefit of the programme, and result in the programme having positive net benefits.

UKERC Literature review on energy efficiency evaluation

A report for UK Energy Research Centre (UKERC – May 2015)) on energy efficiency evaluation¹³² provides some useful insights to bear in mind when designing a monitoring and evaluation programme:

- consider impacts from wider effects such as housing market conditions
- measure economy-wide impacts (co-benefits)
- measure the reach and depth of individual programmes
- include new approaches such as community-led and behaviour change interventions
- measure impacts of specific interventions (e.g. advice, subsidies)

¹³¹ The weaknesses of existing evaluations are summarised in: Curl,A., Kearns,A., Mason,P., Egan,M., Tannahill,C. and Ellaway,A. (2015) 'Physical and Mental Health Outcomes following Housing Improvements: Evidence from the GoWell Study', *Journal of Epidemiology and Community Health*, **69**:12-19.

¹³² www.ukerc.ac.uk/asset/EEBD91B1-C5A0-4F77-BF8B90201FF8A2C7/:

- use innovative combinations of national datasets – eg HEED, household surveys, smart energy data to understand variation in measured results between different households
- multi-disciplinary approach (so all the potential reactions of the householder and the building are taken into account)
- Use multiple methods to measure all effects. – increasingly important given complexity of programmes.



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This publication is available at www.gov.scot

Any enquiries regarding this publication should be sent to us at
The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-78652-541-3 (web only)

Published by The Scottish Government, October 2016

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS80956 (10/16)

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