

Fuel Poverty Strategy for Scotland 2018

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Ministerial Foreword



Eradicating fuel poverty is crucial to achieving a fairer, socially just and sustainable Scotland. Realising this goal requires a new and ambitious approach. We have set out in this Draft Fuel Poverty Strategy how we intend to drive progress towards meeting the ambitious targets in the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill.

This landmark piece of legislation is a clear statement of the Scottish Government's determination to ending fuel poverty and tackling the inequalities which result in far too many households being forced to make the choice between having the heating on or cooking their dinner. Scotland is one of the few countries to define fuel poverty, let alone set a challenging goal to reduce it. Our legislation and our long term Strategy will place Scotland amongst the very best in the world in terms of tackling fuel poverty.

We are focussing on tackling poverty through the ambitious and concrete measures outlined in our Fairer Scotland Action Plan and Tackling Child Poverty Delivery Plan, as well as our continued support for sustainable and inclusive economic growth.

However, I am well aware there are other drivers of fuel poverty we have no control over. For example energy prices and policies driven by areas reserved to the UK Government, which make fuel poverty a distinctly different form of poverty to tackle.

Setting the ambitious aim that by 2040, no more than 5% of households in Scotland will be in fuel poverty acknowledges this, by recognising the reality that households can move in and out of fuel poverty as income and energy costs change over time.

The actions we are taking through this Draft Strategy will improve people's lives, provide support to those who need it most and create jobs by giving industry the confidence it needs to invest in the energy efficiency and low carbon heating measures, that will be so crucial to delivering our aims.

Getting this right will be a shared endeavour between national and local government, businesses, the third sector, landlords, tenants, and home owners. We need to develop a detailed delivery plan together; and ensure robust reporting is put in place to be clear on the actions we are all taking to tackle fuel poverty. We are committed to developing this plan in partnership with the Fuel Poverty Advisory Panel, and ensuring that those expected to contribute to local reporting are fully involved in this process.

We are grateful to everyone who has taken part in the consultation which has led to this Draft Strategy's publication. There is no single or quick fix, but as a government we are clear that by working together with our partners we can bring an end to fuel poverty. The actions outlined will be consulted on and reflected in a final Strategy document – including the views of our expert advisory groups. I'm confident that this will result in the most robust and universally recognised strategy to reduce fuel poverty that has ever been brought forward and look forward to working with everyone to end fuel poverty.

A handwritten signature in black ink, appearing to read 'Kevin Stewart', with a long horizontal stroke extending to the right.

Kevin Stewart MSP

Minister for Local Government and Housing

Executive Summary

This Draft Fuel Poverty Strategy contains a number of actions that the Scottish Government will take to deliver our ambition of eradicating fuel poverty. Here are some highlights.

1. We will establish a new statutory definition of fuel poverty that focusses on low income households
2. We will enshrine in legislation a new target that in 2040 no more than 5% of households in Scotland are in fuel poverty.
3. We will put in place non-statutory interim targets and milestones at 2030 and 2040 to measure progress.
4. We will publish a long-term fuel poverty strategy, within a year of commencement of the fuel poverty Bill, and publish a report every 5 years to update on progress.
5. Through Energy Efficient Scotland, we will invest in making our homes – in all tenures – warmer, greener and more efficient, as part of our commitment to remove energy efficiency as a driver of fuel poverty.
6. We will undertake a review of the scheme eligibility for Warmer Homes Scotland, taking account of the new fuel poverty definition in order that we can use this to help target support to those who need it most.
7. As part of the Warmer Homes Scotland eligibility review we will consider the development of a fuel poverty assessment tool.
8. We will increase the flexibility of our delivery programmes by actively engaging with councils to identify opportunities to make our national schemes work better locally.
9. We will report annually on the delivery of energy efficiency measures through our programmes, as is currently done through the Home Energy Efficiency Programmes for Scotland Delivery Report.
10. We will provide advice and support to householders on ways to save energy and improve access to affordable energy, including by switching suppliers.

11. We will establish a public energy company to contribute to tackling fuel poverty and supporting economic development.

12. We will maximise incomes, through increasing the availability of low carbon jobs in local communities and addressing poverty and inequalities through actions set out in our Fairer Scotland Action Plan.

13. We will build on actions agreed at the cross-Ministerial Summit on Fuel Poverty by continuing to seek opportunities to put in place further actions that can be undertaken across portfolios that will complement the fuel poverty strategy

14. We will undertake a review of delivery of the strategy to 2030 and recommend further necessary action to take to meet the 2040 target and associated sub-targets. This would be undertaken by 2031.

15. To ensure robust and effective governance for monitoring progress and providing additional scrutiny of the Strategy over the period to 2040, we will work with two newly established, independently chaired groups: the Scottish Fuel Poverty Advisory Panel; and Partnership Forum.

16. We will work with the Scottish Fuel Poverty Advisory Panel to develop an outcomes framework which we will publish in a Final Fuel Poverty Strategy in 2019.

17. We will ensure the long term Strategy takes account of those with lived experience of fuel poverty by consulting with people with experience of fuel poverty when making any regulations under the new Fuel Poverty Act.

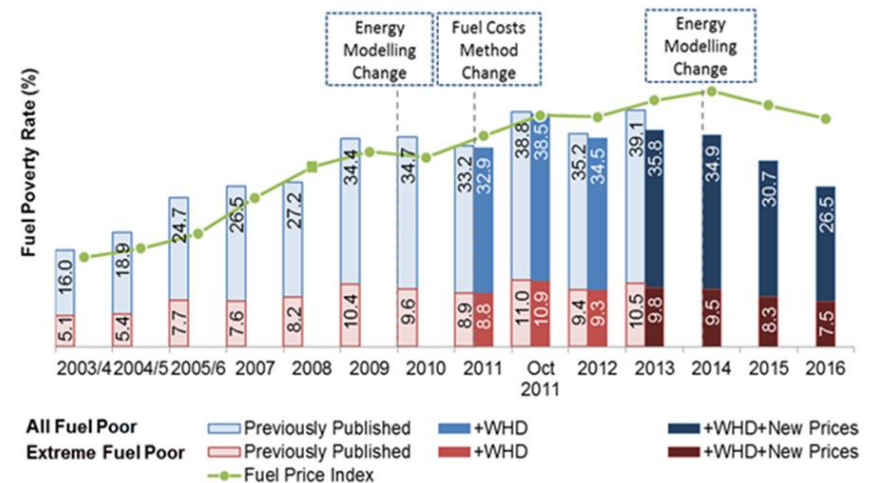
18. We will continue to build on and develop emerging and diverse partnerships across various sectors, to ensure we are engaging proactively and effectively with the most relevant organisations and bodies to maximise reach of this strategy and support to those most in need.

Introduction

As a modern, progressive and compassionate country, it is unacceptable for there to be individuals and families – many with young children – who cannot afford to pay essential energy costs. Fuel poverty can impact on any household and can arise as a result of a number of reasons, often due to factors that the household has no control over. The impact on those households living in fuel poverty, as with any form of poverty and hardship, are multifaceted and directly challenge our belief in a fair and prosperous society for all. For example, people may face adverse health impacts associated with cold, damp homes; and/or mental health stresses created by the financial pressures that they face with unaffordable and high fuel costs. This can lead to additional strains being placed on families and children who live in houses where they are unable to find a warm, well-lit place to do their homework and may, as a result, be less likely to achieve their full potential.

The Scottish Government is committed to ensuring everyone has the right to an adequate standard of living. Our work to reduce fuel poverty and improve the energy efficiency of homes across Scotland aligns with other strategies to tackle poverty, reduce child poverty, improve health outcomes and make Scotland a fairer country. It also supports our commitment to address the underlying economic and social inequalities in our society and give effect to economic and social rights which is the foundation stone for our actions in government, as set out in the International Covenant on Economic, Social and Cultural Rights.

The Scottish House Condition Survey indicates that in 2016 around 649,000 households or 26.5% of Scottish households were in fuel poverty and although this represented almost 200,000 fewer households than in 2014, it remains a challenge. We know that it can affect anyone living in any tenure of housing, in any area of Scotland; young or old; employed or unemployed.



The chart above demonstrates the long-term trend of Scottish fuel poverty levels which, until recent years, has broadly mirrored growth in the fuel price index. Recent reductions in fuel poverty levels have made a difference but it is clear that far too many households still struggle with unaffordable energy costs.

We have invested heavily in improving the energy efficiency of our housing stock. By the end of 2021 we will have allocated over £1 billion since 2009 on tackling fuel poverty and improving energy efficiency. This funding is being used to build on the over 1 million measures delivered through a range of programmes to over 1 million households since 2008.

Further detail on the action we've taken and requirements to report on these under the Housing (Scotland) Act 2001 are set out in Annex A.

The figures we've referred to so far, are based on the definition of fuel poverty set out in the first fuel poverty statement, which was published by the then Scottish Executive in 2002 under section 88 of the Housing (Scotland) Act 2001. The statement¹ used a definition which designated a household as being 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. The statement also set a target date of ensuring, so far as reasonably practicable, that people were not living in fuel poverty in Scotland by November 2016. Expert advice received in spring 2016 from the Scottish Fuel Poverty Strategic Working Group informed Ministers that the 2016 fuel poverty target would not be met and the Parliament was informed at the earliest opportunity.

¹ <http://www.gov.scot/Publications/2002/08/15258/9951>

² <http://www.gov.scot/Publications/2017/11/7715>

In this Draft Strategy, we set out a new definition of fuel poverty that is a direct response to expert and stakeholder views that the existing definition does not focus enough on those households in greatest need. In late 2015 two independent working groups – the Scottish Fuel Poverty Strategic Working Group and Scottish Rural Fuel Poverty Task Force – were set up by Ministers to look anew at the issues and make recommendations to inform the approach to tackling fuel poverty and improving the energy efficiency of people's homes wherever they live in Scotland. Both groups recommended a new approach to tackling fuel poverty, including: undertaking a review of the definition to ensure those most in need, no matter where they live in Scotland, were better identified which would enable better targeting of support, and setting a new target in legislation.

Scottish Ministers agreed to the two group's high level recommendations, including commissioning an independent academic review of the fuel poverty definition. This resulted in proposals for a new definition² which we have agreed, with some minor amendments, following consultation with relevant stakeholders. This proposed new definition and a proposed target to eradicate fuel poverty was consulted on in late 2017. The consultation³ set out an ambition to tackle fuel poverty by addressing the four drivers of fuel poverty (energy prices, the energy efficiency of homes, incomes, and behaviours in the home).

³ <http://www.gov.scot/Publications/2017/11/6179>

Principles underpinning our approach

This Draft Fuel Poverty Strategy builds on the achievements to date in tackling fuel poverty and will be firmly underpinned by the following three principles:

- It is based on the principle of social justice and creating a healthier, fairer and more equal society, irrespective of whether individuals live in urban or rural Scotland, placing people and their needs at the heart of our approach to service design and delivery;
- It addresses all four drivers of fuel poverty: income (earnings and benefits), energy costs, poor energy efficiency, and how energy is used in the home; and
- It sets out a statutory target relating to the eradication of fuel poverty, measured and overseen by Ministers and delivered via partnership structures at a local level. Building on the assets of individuals and communities will be at the heart of this partnership and early intervention and prevention will be crucial to success.

These principles are aligned with those set out by the two expert fuel poverty working groups who undertook a review of our approach in 2016.

A New Approach

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

This significant and new legislation is a key element of the new long-term strategy to eradicate fuel poverty and improve energy efficiency. Through this legislation we aim to:

- Establish a new definition of fuel poverty, the first to apply a Minimum Income Standard, and set out how we will measure levels of fuel poverty;
- Enshrine in legislation a new target that in 2040 no more than 5% of households in Scotland are in fuel poverty; and
- Place a duty on Scottish Ministers to produce a long-term fuel poverty strategy, within a year of commencement of the Bill, and to publish a report every 5 years to update on progress towards the long term target and the plans for the next 5 years. The strategy will set out how delivery of the fuel poverty target will be achieved, including sub-targets and milestones and will propose a monitoring framework to oversee progress in meeting the target.

We are proposing that when the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill is enacted section 95 of the 2001 Housing Scotland Act will be repealed in its entirety – removing the legal basis for the un-used current statutory definition of fuel poverty.

There is already a wide range of legislation which gives powers and duties to the Scottish Government, local

authorities and energy suppliers to improve the energy efficiency of buildings, and reduce emissions associated with their energy and heat supply, across housing, building standards, local government, energy and climate change legislation. We have also committed to develop, if appropriate, a wider Energy Efficient Scotland Bill for later in this Parliament, and this would be the vehicle for any further legislative changes needed to support Energy Efficient Scotland, beyond the fuel poverty provisions contained in the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill.

A new definition of Fuel Poverty

The definition of fuel poverty used in Scotland under this Bill will form the bedrock of our targets and the strategy we put in place to achieve them. Taking account of recommendations from the independent panel that reviewed the Scottish Fuel Poverty definition in 2017, we intend to adopt the following revised definition of fuel poverty:

Households should be able to afford the heating and electricity needed for a decent quality of life. Once a household has paid for its housing, it is in fuel poverty if it needs more than 10% of its remaining income to pay for its energy needs, and if this then leaves the household in poverty.

This is the same simplified definition used by the independent review panel. In the Bill, more technical language is used. In it, a household is defined to be in fuel poverty if:

- the fuel costs necessary for the home in which members of the household live to meet the conditions set out in section 2(2)⁴ of the Bill are more than 10% of the household's adjusted net income⁵, and
- after deducting such fuel costs and the household's childcare costs (if any), the household's remaining adjusted net income is insufficient to maintain an acceptable standard of living for members of the household.

Underpinning the overarching definition, there are some areas where we have made changes to how we will measure the number of households experiencing fuel poverty, including:

- introducing a new income threshold based on the UK Minimum Income Standard (MIS)

⁴ the conditions are that—

- a) the requisite temperatures are met for the requisite number of hours; and
- b) the household's other reasonable fuel needs within the home are met.

- moving the 10% fuel cost to income ratio from a Before Housing Costs (BHC) basis to an After Housing Costs (AHC) basis
- for households that we anticipate to be most affected by the adverse outcomes of living in a colder home, enhancing the temperature regime that will be applied in order to contribute to a healthy, indoor living environment.

The changes are set out in detail in the technical annex. National measurement of fuel poverty will continue to be through the annual Scottish House Condition Survey (SHCS). Although we currently use a state of the art model to estimate a household's required energy consumption as part of estimating fuel poverty, taking account of concerns raised by rural and island stakeholders, we will further review the weather and fuel price information used in the model with the aim of making these more localised where possible.

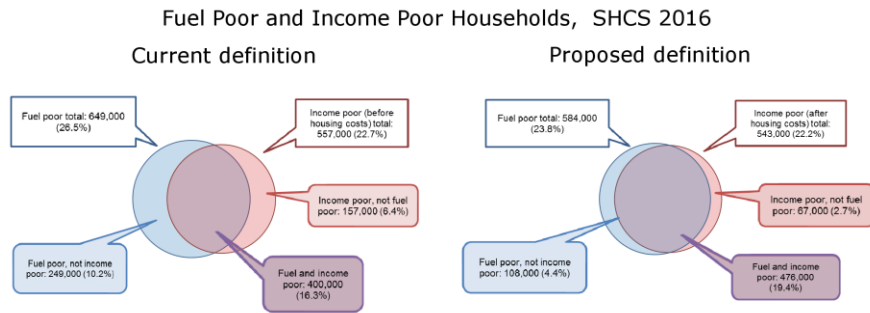
What this definition means

This new definition will:

- focus in on low income households by introducing a new income threshold which will be 90% of the UK MIS after housing, fuel and childcare costs are deducted; and
- help us to better target our resources at those who are most in need of support, no matter where they live in Scotland.

⁵ The net income of all adults in the household, adjusted by deducting housing costs, including council tax, water and sewerage charges and rent or mortgage payments.

The following diagram illustrates the improved targeting which the new definition offers, in comparison to the definition currently being used, and shows how the new definition is much more focussed on those most likely to struggle to pay their fuel bills.



This diagram shows the differences in households who are both fuel poor and income poor under the current and the proposed new definition. Currently, approximately 249,000 or around 38% of fuel poor households are not income poor. Under the proposed new definition this drops to around 18%, demonstrating that the proposed new definition is better aligned with low income.

Initial analysis of the proposed new definition indicates that fuel poverty rates are likely to be highest amongst households:

- in social sector housing and in the private rented sector
- in the most deprived areas

⁶ Poverty and Inequality in Scotland, 2014-17:

- where the highest income householder is female or aged under 35
- where at least one member has a long-term sickness or disability.

In addition, families with children are likely to have a higher rate of fuel poverty than under the current definition, whilst older households are likely to have a lower rate.

These patterns reflect poverty levels more generally⁶ where, on average over the period 2014/15 to 2016/17:

- social and private rented households (over a third) are more likely to be in relative poverty than those who own their property outright or with a mortgage (less than 10%);
- people living in households with a disabled person (24%) are more likely to be in relative poverty than those without (17%);
- children (24%) and working age adults (19%) are more likely to be relative poverty than pensioners (13%).

The new definition therefore supports the targeting of action at those who need it most.

Fuel Poverty Target

In bringing forward this bold new legislation we will set a new statutory target relating to the eradication of fuel poverty, ensuring that:

In the year 2040, no more than 5% of households in Scotland are in fuel poverty.

This is an even more ambitious statutory target than initially proposed in the fuel poverty strategy consultation and takes account of feedback we received through the consultation process.

We also propose to put in place the following non-statutory interim targets to measure progress:

By 2030:

- The overall **fuel poverty rate will be less than 15%**
- Ensure the **median fuel poverty gap is no more than £350** (in 2015 prices before adding inflation)
- Make progress towards removing poor energy efficiency of the home as a driver for fuel poverty⁷

By 2040:

- Ensure the **median fuel poverty gap is no more than £250** (in 2015 prices before adding inflation)
- Remove poor energy efficiency of the home as a driver for fuel poverty⁸

⁷ Standards to be confirmed as part of the Energy Efficient Scotland programme.

The 2030 interim targets are also more ambitious than initially proposed, for consistency with the 5% target for 2040.

The 2040 target date aligns with other Scottish Government action, including targets relating to the Energy Efficient Scotland programme – linking to the multiple aims of this 20 year transformational Programme, including removing poor energy efficiency as a driver of fuel poverty; reducing heat demand, contributing to targets set out in the Climate Change Plan; reducing the carbon intensity of our heat supply; and supporting Scottish jobs.

Setting the fuel poverty target at 2040 will enable it to be achieved in a sustainable way and one that is consistent with other government priorities, such as mitigating climate change.

Achieving the target by this date will require the use of cost-effective low carbon heating technologies. Setting an earlier date for meeting the target would mean that the technologies required to meet it would rely on existing higher carbon heating fuels, which may then require households to implement further upgrades to move to low carbon technology in the future, in order to meet Scotland's climate change targets.

Further innovation in the coming years is needed to drive down the price of low carbon heat technologies. Currently, there is uncertainty on how best to decarbonise the heat supply in Scotland, with decisions on the operation of the gas network reserved to the UK Government. Working with the

⁸ Standards to be confirmed as part of the Energy Efficient Scotland programme.

UK Government, the Scottish Government will undertake research, gather evidence and put in place a credible and deliverable plan for decarbonising Scotland's heat supply. In the absence of this evidence base, there would be a risk of creating an uncertain climate for investment in low carbon heat. Alternatively, if low carbon technologies were utilised, without further time for innovation to drive down cost, then the result would be such that fuel poverty levels may increase due to the current operating costs relating to low carbon technologies

Our initial analysis⁹ of the proposed new definition suggests that, in 2016, the rate of fuel poverty would be 23.8% and the fuel poverty gap would be £648 in 2015 prices. This demonstrates the level of ambition in the target presented.

⁹ The data presented, in this draft strategy, for the proposed new definition is our best available estimate based on the 2016 Scottish House Condition

Survey (SHCS). Further development work is underway as described in the Technical Annex.

Delivering the Strategy

We will achieve these world leading fuel poverty targets by:

- Continuing to grant fund low income households to install energy efficiency measures through our area based and national fuel poverty programmes
- Improving energy efficiency by introducing new standards for all tenures, including through the Energy Efficiency Standard for Social Housing (ESSH), and proposals for new standards in the Private Rented and Owner Occupied sectors
- Providing advice and support to householders on ways to save energy and improve access to affordable energy, including by switching suppliers
- Maximising incomes, through increasing the availability of low carbon jobs in local communities and addressing poverty and inequalities through actions set out in our Fairer Scotland Action Plan, such as encouraging benefits take-up.

Action to address poor energy efficiency

Through our current and future energy efficiency and fuel poverty programmes we will build on the measures already delivered through a range of programmes to over 1 million households since 2008 and are committed to investing half a billion pounds available for fuel poverty and energy efficiency over the four years to 2021. We are continuing our work to make sure as many people across Scotland as possible have a warm, energy efficient home.

We are committed to removing poor energy efficiency as a driver of fuel poverty. The Energy Efficient Scotland programme will be the primary mechanism by which this is achieved. Energy Efficient Scotland takes a cross-sectoral and multi-faceted approach to improving energy efficiency and, by extension, tackling fuel poverty. The Energy Efficient Scotland Route Map¹⁰, published on 2 May 2018, sets out the steps that will be taken through the programme to deliver the transformational change necessary to tackle poor energy efficiency and help meet our Climate Change ambitions.

¹⁰ <http://www.gov.scot/Publications/2018/05/1462>

It also confirms that the programme will help secure an investment in excess of £10 billion over its lifetime, bringing numerous economic benefits for Scotland.



The Route Map re-confirms our commitment to continue to provide grant funding to low income households through our national and area based fuel poverty programmes. It also confirms our intention to set a Long Term Standard for improved energy efficiency in all homes across Scotland. We are proposing that all domestic properties are required to achieve an Energy Performance Certificate (EPC) energy efficiency rating of at least EPC C by 2040 at the latest. Reaching the Long Term Standard will require a mixture of encouragement and regulation that will differ between the social rented, the private rented and the owner occupied sectors.

Social Housing Standards

As a result of the Energy Efficiency Standard for Social Housing (ESSH), homes in the social rented sector are some of the most energy efficient in Scotland. We want to continue the excellent progress that has been made and are proposing new measures in the Route Map to ensure more homes reach a higher standard in that sector.

Private Rented Sector Standards

People living in private rented accommodation generally live in homes that have poorer energy efficiency than elsewhere in the domestic sector. We want to ensure this is properly

addressed and so we are proposing to bring forward regulations to require that, where there is a change in tenancy after 1 April 2020, the energy efficiency of the property will need to be improved.

Owner occupied Sector Standards

We want to encourage not compel home owners to improve the energy efficiency of their homes. So we will work with stakeholders and owner occupiers to encourage the uptake of our offer and supporting local authorities to deliver area based schemes that will see 'end-to-end' support from initial advice through to quality assured installation of measures.

Fuel Poor Household Standards

Due to the depth of fuel poverty experienced in some households we know that reaching EPC C will not be enough to lift all households out of fuel poverty. That is why we are proposing a higher ambition for fuel poor households, regardless of tenure. The Route Map sets out these ambitious targets which will act as a guide for our national and area-based fuel poverty programmes. In practice this will mean maximising the level of improvement possible within limits affordable to the public purse.



Action to increase access to affordable energy

It is critical that all consumers are able to afford adequate heat and power for their homes and also that companies are able to sustainably provide energy to customers. Currently, the domestic energy market charges a premium to loyal customers. It is often the case that these loyal customers are also the least able to pay resulting in a situation where customers more likely to be vulnerable or in fuel poverty subsidise the lower tariffs charged to the better off, more engaged customers.

Consumer engagement will remain important to ensure competitive pressures drive down prices and we are working to promote Scottish consumer engagement.

In November 2016 we launched an impartial switching support service partnership between Home Energy Scotland (HES) and Citrus Energy, to simplify the process for those who don't have the internet or find it hard to navigate comparison sites. Citrus Energy are a social enterprise set up to provide an independent and impartial energy switching service to help Scottish households find the best energy deal from the whole UK energy market specific to their individual energy needs. Since the launch of this partnership between HES and Citrus Energy, 9,635 people have been referred to the service; and on average customers are saving £226 per year. We aim to offer this kind of support to low income households. We recently completed a pilot



project to engage face to face with consumers and help them to switch.

Case study: Home Energy Scotland referred a customer to Citrus and when contacted Citrus established that they had a dual Meter Point Administration Number (MPAN) – a unique 13 digit reference used in Great Britain which identifies each electricity supply point. They also had a restricted meter in an all-electric property. Their pattern of usage was discussed to ensure they were making the most of the off-peak times. It was also established they were on a standard variable tariff. Citrus called their supplier and provided meter readings to confirm the annual energy consumption. Once billing had been corrected, the customer was more than £800 in credit and Citrus arranged for this to be refunded to the customer. Citrus also established that there was a cheaper tariff available with the customer's existing supplier and, with agreement, switched them to that tariff. Based on their previous energy consumption it was estimated that they could save more than £1,600 per year on their new tariff.

We are also exploring a range of additional options to open up access to affordable energy. This includes establishing a public energy company to contribute to tackling fuel poverty and supporting economic development. The aim is to have the new company set up by the end of the current Parliament with a commitment to undertake wide engagement including a formal public consultation during the latter half of 2018. This will ensure all interested stakeholders will have the opportunity to input.

Action to maximise incomes

UK Government welfare cuts are increasing pressure on many household incomes across Scotland. The Scottish Government expect to spend over £125 million in 2018-19 to help relieve the worst impact of UK Government welfare cuts and to support those on low incomes; an increase of over £20 million from 2017-18. This investment allows for key initiatives such as mitigation of the bedroom tax and support for people in crisis through the Scottish Welfare Fund. Welfare cuts impact on the ability of fuel poor households, especially those on lower incomes, to rise above the new 90% MIS income threshold or to reduce their required fuel costs below 10% of their After Housing Cost Income.

We recognise that an effective way to lift people out of fuel poverty is to maximise their incomes, and we would urge everyone to check they are receiving all the benefits they are entitled to.

The Social Security (Scotland) Act, establishing Scotland's first social security system, was passed by Parliament in April 2018. Social Security Scotland, the new agency, will be responsible for the delivery of 11 devolved benefits to 1.4 million people a year, worth around £3.3 billion. Social Security Scotland will clearly have a very important role in making sure that everyone gets the financial support they are entitled to.

This is the most significant transfer of powers since devolution began and establishes a new public service for Scotland. Our system will be rights based, with a range of rights and policies

that stand in marked contrast to the current welfare system including the right to independent advocacy for those who need it; fast-tracked arrangements and no arbitrary timescale for people with terminal illness; the right to have a supporter at all steps of the way, and the right to challenge decisions without having your money instantly cut.

We are agreed that a phased approach is the right way to ensure the safe and smooth transfer of the 11 benefits to be devolved. Our first payments will be made in summer 2018 when the Carers Allowance Supplement is introduced - a 13% increase to the current Carers Allowance.

Among the benefits being devolved to the Scottish Parliament are the Winter Fuel Payment (WFP) and the Cold Weather Payment (CWP). The WFP provides an annual payment of between £100 and £300 to people above the women's state pension age to help them cope with higher heating costs during the winter months. Cold weather payments, as the name suggests, are paid out during periods of particularly cold weather to individuals in receipt of a variety of qualifying benefits. We are committed to protecting the WFP from means testing and will also extend eligibility to families with severely disabled children.

The Scotland Act 2016 also provides Scottish Ministers with very limited powers over some elements of the Energy Company Obligation (ECO) and the Warm Home Discount (WHD). Both these schemes operate under a framework set by the UK Government, but are delivered as an obligation by the big energy suppliers, with ECO offering subsidised installations of home energy efficiency improvements, while

WHD provides an annual rebate worth £140 to vulnerable and low income energy customers. Regrettably, the UK Government has failed to provide any degree of certainty about the future of these schemes beyond the early 2020s. Combined with the severely constrained nature of the currently available devolved powers this uncertainty makes it impossible for us to determine whether creating Scottish versions of ECO and WHD would have real benefits for the people of Scotland. However, we continue to seek clarity from the UK Government about the long-term future of both schemes, along with a dialogue on the nature of the devolved powers, so that more meaningful versions can be delivered in Scotland, which truly align with our efforts to tackle fuel poverty. In the meantime we will continue to participate in the GB wide schemes.

Action to help people use their energy efficiently

As well as improving the physical fabric of homes, it is equally important that we support home owners to change their behaviours so that they can control their heating system helping to reduce spend on energy costs and get the most out of energy efficiency improvements.

Behaviour change is already at the heart of our energy efficiency programmes and will continue to be so as Energy Efficient Scotland is developed and rolled out. The Scottish Government also funds Home Energy Scotland and Resource Efficient Scotland who provide free, impartial and expert advice to property owners on energy saving behaviours. We will explore areas where we can promote behaviour change further and set this out in more detail in the Fuel Poverty Strategy to be published in 2019 under the new legislation.

A Fuel Poverty Strategy for all of Scotland

Our new approach has to be fair for everyone, no matter where they live in Scotland.

A country as diverse as Scotland requires an approach to tackling fuel poverty which reflects those differences, is fair and can be delivered. Our strategy has to reflect the different needs of Scotland's urban, suburban, rural and remote communities. We highlighted in our consultation that addressing fuel poverty in our island communities presents a different set of issues to many other parts of Scotland. Properties in remote and rural areas tend to be more exposed to wind and weather and can be more expensive to heat as the majority are not connected to mains gas supplies and households are reliant on electricity and unregulated fuel types to heat their homes. These issues are already taken account of in the way we define and measure fuel poverty, but our approach to delivering appropriate solutions for those areas must take account of both the challenges and the opportunities that island and remote rural community life presents.

Current delivery of our fuel poverty programmes attempts to compensate for the challenges of delivering solutions in remote and island communities. Our HEEPS: Area Based Scheme distributes funding based on an assessment of need meaning that remote areas, including all island communities, currently receive over three times more per fuel poor household to tackle fuel poverty than the next highest area, on the mainland.

In addition our HEEPS: Warmer Homes Scotland scheme operates a 'National Customer Price' mechanism. This is designed to take into account the additional costs of delivering energy efficiency measures in the islands and other remote regions but ensures that customers in these areas get access to the same quality of service and the same amount of measures that those in the more accessible regions do. It also means customers pay the same rate for additional radiators or for measures which exceed the grant maximums irrespective of where they live. This mechanism ensures contributions are minimised for households in remote areas for recommended measures beyond the standard ones installed by the delivery agent, Warmworks. We have listened to concerns from rural stakeholders about ensuring the scheme is designed to help rural households. We are in the process of introducing new enabling and renewable measures to the scheme, which will directly benefit those in rural communities, including fuel tanks for oil and LPG heating systems, asbestos removal and new renewable measures including ground source heat pumps.

Delivery in urban areas is also challenging. It can be possible to deliver projects at scale in urban areas but there are often deep-rooted issues of poverty and vulnerability to take into account. Our urban communities contain large numbers of properties such as pre-1919 tenements and high rise buildings which may require expensive solutions and projects can involve liaison and negotiation with multiple owners in blocks of properties.

Just as Scotland's Energy Strategy proposes a smarter, more co-ordinated, approach to planning and meeting distinct local

energy needs, our Fuel Poverty Strategy must also take this approach. Through both of these strategies we need to ensure the strong link to national progress remains, and that responses put in place are flexible and proportionate to the challenges raised across Scotland as a whole.

Supporting and delivering local solutions to meet local needs is important to us. This approach could be supported by the proposed framework for Local Heat and Energy Efficiency Strategies (LHEES) which would offer Local Authorities, as part of Energy Efficient Scotland, support and the mechanisms to prioritise the improvement of the building stock in the area – to take a strategic approach as well as plan for low carbon heat.

We want to ensure all of our communities benefit from our programmes and so we will continue to work closely with all local authorities, rural and urban to further explore opportunities that will help ensure our programmes address the needs of all of our communities whilst helping to deliver real reductions in fuel poverty across Scotland.

Developing a fuel poverty assessment tool

We previously made a commitment to review the eligibility criteria of the Warmer Homes Scotland scheme and at that time the Fuel Poverty Forum recommended that, as Ministers had accepted the recommendations of the two fuel poverty working groups to review the current definition of fuel poverty, we postpone that review until after that process had been complete. We will now commit to undertake that review of the scheme eligibility for Warmer Homes Scotland, taking

account of the proposed definition from the independent panel in order that we can use this to help target support to those who need it most. And as part of this we will consider the development of a fuel poverty assessment tool to ensure that our funding goes to those households who need assistance the most. We will take this forward with a view to implementing any changes to the scheme that may be required after commencement of the Bill. We will discuss with the Fuel Poverty Advisory Panel how best to undertake the review, and will ensure that the results of the review will feed into the next tender exercise for the future national scheme and will ensure the development of this meets the objectives of the strategy.

A Strategic Perspective

An Outcomes Focussed Approach

Through the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill we will bring forward legislation which focusses our efforts and drives forward action to reduce fuel poverty. But we recognise that this legislation alone will not deliver all of our aims. Our approach must be more strategic and take account of the range of mechanisms that can be used to target support towards those who need it most.

Of the three traditionally recognised drivers (income, fuel prices and energy efficiency), and the additional influence of how individuals use energy in their homes, it is only the energy efficiency of our properties where the Scottish Government has full control.

This means that a collaborative approach to tackle all drivers effectively is crucial, and we are already working hard to put these approaches in place. For example, energy companies, consumer groups and the statutory bodies such as Ofgem and the CMA are among our key partners in delivering a fairer Scotland. A summit was convened by the Scottish Government in January 2018 to bring together stakeholders to share good practice and identify ways to work collaboratively for the benefit of energy consumers in Scotland.

A number of practical and collaborative actions were identified, including doing more to help customers with restricted meters to get a better deal, helping prepayment customers who are at risk of self-disconnecting and raising the profile of Priority Services Registers.

As well as looking at outputs, we are committed to building on our current approaches to capturing the impact of our efforts to reduce fuel poverty on people and communities by monitoring and measuring outcomes. We currently report annually on the outcomes of our programmes and produce a separate Annual Report on our Warmer Homes Scotland scheme. We have recently begun installing temperature monitoring equipment in properties benefiting from energy efficiency measures under Warmer Homes Scotland which will provide data on the impact of the measures installed. We are also committed to carrying out a comprehensive evaluation of our HEEPS programme to establish how effective it has been in improving the energy efficiency of properties and the lives of householders. Continuing to monitor and report on progress will be a key element of the five yearly reporting, to be developed with the Fuel Poverty Advisory Panel and we will ensure that this is aligned, where appropriate, with the monitoring and evaluation framework to be developed for Energy Efficient Scotland.

In our consultation, we included an outcomes framework and asked for comments on it. Responses to those questions

made it clear that there was broad agreement about the move to an outcomes focussed approach. We want to ensure the framework is an effective tool in helping to identify the relationship between a range of policies and programmes with fuel poverty, and that we fully consider how their contribution can be reflected in the monitoring and evaluation we undertake. We will work with the Scottish Fuel Poverty Advisory Panel to develop the framework which we will publish in a Final Fuel Poverty Strategy in 2019.

Cross portfolio commitments

We recognise that tackling fuel poverty effectively has a number of benefits. Improving the energy performance of homes can have a significant impact on health and wellbeing, particularly on children's respiratory health and therefore healthcare professionals will continue to have an important role in referring people in cold homes to sources of support.



We are committed to reducing health inequalities resulting from living in fuel poverty and encourage collaborative working that will help mitigate the impacts of fuel poverty on

health and wellbeing, and this was set out in a joint Ministerial letter, issued in May 2017, to NHS Scotland Chief Executives and Directors of Public Health.

This Draft Strategy and the Fuel Poverty Bill are supported by a Health Impact Assessment. This provides details and evidence on the effects on health and wellbeing of living in a cold home and of energy efficiency interventions, current partnership engagement with NHS Scotland and how we propose to build on this to help reduce health inequalities for those living in fuel poverty.

In addition, the Scottish Fuel Poverty Advisory Panel membership includes NHS Health Scotland and we will continue to work with them to build on existing and, as necessary, develop new partnerships alongside wider joined-up approaches. This will build on the progress already made, in particular with NHS Health Scotland which, in response to our Fairer Scotland Action Plan, has pledged to work in partnership with NHS Boards to develop national referral pathways between NHS services and local advice services, including the provision of energy advice, to maximise the income of patients.

There are also wider benefits, including reducing social isolation and empowering communities to take ownership of their own energy needs. We have seen evidence of these interventions also supporting growth in the economy by helping to reduce sickness absence for those in work and school; promoting motivation; improving educational attainment; and increasing productivity.

In addition, improvements to the energy efficiency of our homes, and our efforts to decarbonise the heat supply to our building stock helps to address both climate change and fuel poverty objectives. We recognise that the decarbonisation of the Scottish economy must be achieved in a way which delivers an environmentally and socially sustainable economy. To help prepare for this, and to ensure that decarbonisation is a positive experience for our communities, we will establish a Just Transition Commission later this year. The Commission will provide advice to Ministers on how to continue decarbonising Scotland in a fair way that will also help to tackle inequality, poverty and promote a fair and inclusive jobs market.

We are considering the economic impacts of the programmes we are putting in place to deliver our ambitions to eradicate fuel poverty. The Energy Efficient Scotland Route Map confirmed that the Programme has the potential to create a substantial Scottish market and supply chain for energy efficiency services and technologies, with every £100 million spent on energy efficiency improvements in 2018 estimated to support approximately 1,200 full-time equivalent jobs. This will be a boost to the national and local economies.

At a cross-Ministerial Summit on fuel poverty which took place on 6 December 2017, Ministers recognised these wider benefits and agreed to continue to seek opportunities to put in place actions that can be undertaken across portfolios that will complement this strategy and ensure a true cross-government approach is taken to reduce fuel poverty levels. Initial high level commitments are set out in the following table:

1. Support NHS Boards and Health and Social Care Partnerships to build on existing programmes - such as the Links Worker programme - that facilitate access to help for those vulnerable to the poor health outcomes associated with fuel/energy poverty and roll these out on a Scotland-wide basis.
2. The Climate Change Plan will include policies to tackle fuel poverty, thereby also promoting climate justice.
3. Fuel Poverty will be prioritised and supported throughout the Energy Efficient Scotland Programme
4. We have set out our ambition to establish a public energy company to support our efforts to resolve fuel poverty and help to achieve our climate change targets.
5. Put in place a social security system based on the principles of dignity, fairness and respect, that encourages more people, including those on low incomes who may have struggled with their fuel bills, to claim the financial support they are entitled to.
6. Consumer engagement and protection is at the heart of Scotland's Energy Strategy. We will work hard to protect consumers from excessive or avoidable costs and will develop an Energy Consumers Action Plan to ensure that consumers can benefit from the energy transition.
7. We will ensure any proposals taken forward on Local Heat and Energy Efficiency Strategies (LHEES) recognise the potential impact on fuel poor households
8. In collaboration with the enterprise agencies; skills bodies; and industry representatives, explore the opportunities to build on existing expertise and shape a workforce across Scotland, including in rural areas, that is able to deliver on Energy Efficient Scotland objectives.

These cross-government actions set the course for a new approach, but we are clear that they need to be built upon and further developed in collaboration with stakeholders across relevant sectors before we publish a fuel poverty strategy in 2019 under the new legislation. This will ensure we drive forward robust actions that contribute effectively to our aims of eradicating fuel poverty. This isn't a definitive list and we will continue to explore the engagement and impacts of living wage and fair work policies on fuel poverty outcomes. We will also continue to develop the links with emerging poverty eradication workstreams, including through 'Every Child, Every Chance, The Tackling Child Poverty Delivery Plan 2018-22'¹¹, which includes actions to help maximise household incomes and avoid some of the additional costs of the poverty premium. For example, we are committed to introduce a new Financial Health Check Guarantee for low income families with children in 2018. This is a major two year programme with a £1.5 million budget each year. The programme will offer low income parents the opportunity for personalised advice on income maximisation and how to avoid paying the 'poverty premium'. It could help increase incomes by getting those households better access to cheaper deals on energy or other utilities; advice on government programmes that can help; or help with benefits that haven't been claimed in full or at all.

Assessing progress

This draft strategy gives a clear sense of the shape of the fuel poverty strategy to be published in 2019 under the Fuel

Poverty (Target, Definition and Strategy) (Scotland) Bill. Following publication of the Fuel Poverty Strategy in 2019, we intend to publish a report on it every 5 years until 2040. Each report on the strategy must set out the progress that has been made to meet the non-statutory sub-targets, and towards the overall 2040 target, which must be met. This is intended to be both a reflection of achievements to date as well as a forward look, identifying new actions that will contribute to our aims of eradicating fuel poverty.

Reports will be jointly developed and agreed with key partners (including local authorities and Community Planning Partnerships). Through this approach it is our intention to ensure collaboration on reporting progress and to demonstrate collective responsibility for action.

We are acutely aware that technologies and circumstances will change over time. Some technology may make a greater contribution to help meet the eradication target. Some circumstances, including changes in fuel prices and the effects of climate change, may make meeting the target harder. We will undertake a review of delivery of the strategy to 2030 and recommend further necessary action to take to meet the 2040 target and associated sub-targets. This would be undertaken by 2031.

Annual reporting on overall fuel poverty levels will continue through the SHCS. In order to monitor the new definition at the national level, we are collecting new information on childcare costs and the income of other adults in a household

¹¹ <http://www.gov.scot/Resource/0053/00533606.pdf>

(in addition to the highest income householder and their partner or spouse) in the 2018 SHCS. Therefore, from December 2019, the SHCS Key Findings will be able to report fuel poverty rates which are fully aligned with the new definition.

We will also report annually on the delivery of energy efficiency measures through our programmes, as is currently done through the Home Energy Efficiency Programmes for Scotland Delivery Report.

The statistics and SHCS report that will indicate 2040 fuel poverty levels will not be available for at least 12 months after 2040. It is therefore our intention to publish a final report no later than 2042 on the outcome of the strategy and any continuing actions that will be put in place as a result.

Governance: Advisory Bodies

To ensure robust and effective governance for monitoring progress and providing additional scrutiny of the Strategy over the period to 2040, Scottish Ministers have established two new, independently chaired groups: the Scottish Fuel Poverty Advisory Panel; and Partnership Forum. Together these groups replace the former Scottish Fuel Poverty Forum.

The Advisory Panel is a smaller, strategic group which will meet at least four times a year and report to Ministers annually on progress. The Partnership Forum is a broader representative body for the fuel poverty sector, and will meet a minimum of once per year, with the potential to meet a second time within the same year if required.

The main activities of the Advisory Panel include:

- monitoring and reporting on progress of the development and implementation of the Scottish Government's Fuel Poverty Strategy, including the new fuel poverty target;
- supporting and challenging Government at all levels on delivery of its fuel poverty and energy efficiency programmes and efforts to tackle fuel poverty;
- encouraging and fostering a partnership approach to tackling fuel poverty across the public, private and third sectors; and
- monitoring and reporting on the delivery of the Fuel Poverty Strategic Working Group's and Rural Fuel Poverty Task Force's recommendations contained in each group's respective reports.

The main activities of the Scottish Fuel Poverty Partnership Forum include:

- reviewing the annual SHCS results regarding levels of fuel poverty;
- providing a source of expertise that can be called upon to sit on short life working groups on specific issues and provide evidence to the Advisory Panel as required; and
- supporting a co-ordinated approach to tackling fuel poverty across the public, private and third sectors.

Details of membership remit and work plans for both groups are published on the Scottish Government's website and minutes of their meetings will be regularly updated.

Lived Experience

We have listened to feedback that suggested our approach to a new Fuel Poverty Strategy could be improved by taking account of those with lived experience of fuel poverty. We agree that this will be an important part of assessing our progress and will help us determine and mainstream approaches that can best support people living in fuel poverty and to prevent others from experiencing the same hardships. That is why we have ensured the consultation requirements in the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill obliges Scottish Ministers to consult with people with experience of fuel poverty when making any regulations under the Act.

In addition to this, the new governance arrangements we have put in place for the monitoring of progress on tackling fuel poverty, through establishing the new Scottish Fuel Poverty Advisory Panel and Partnership Forum, will mean that those with lived experience directly inform the strategic advice provided to Ministers, and the workplan activities of these new bodies. This is ensured through the diverse membership of the two groups: an organisational representative of The Poverty Alliance, whose own members include individuals with experience of poverty, sits on the Advisory Panel; and a Commissioner of The Poverty Truth Commission, who has direct lived experience, sits on the Partnership Forum.

The Poverty and Inequality Commission have recognised the strong links between policies targeting different forms of poverty. In their recent advice to the Scottish Government on the Tackling Child Poverty Delivery Plan, the Commission

welcomed the proposed changes to the definition of fuel poverty to strengthen the relationship with low income. They also advised that the Scottish Government should continue its work to reduce fuel poverty and ensure that it is focused on supporting those on low incomes.

Partnership working

Our partners, both at a local and a national level, have a critical role in helping us to eradicate fuel poverty. It is through building strong partnerships that we will better identify those who need support most, and deliver it to them in a way that is best suited to their needs. By working closely with our partners, we can create more opportunities to raise awareness and take further action to increase uptake of the support available by effective signposting. And we recognise the importance of flexibility to enable partnership approaches that respond to local needs.

We fund Home Energy Scotland (HES) to provide free and impartial energy advice to all callers via the Freephone hotline number. In addition, HES is the only referral route for households experiencing fuel poverty, to our national energy efficiency schemes.



Our schemes are designed to assist the fuel poor households that may be in the most urgent need of support, and it is for this reason we want as many organisations as possible to partner with HES to ensure that referrals to the help we can offer are accessible and available across Scotland.

Because HES is giving clear and impartial advice on making homes cheaper to heat every day, it is important that the advisors are trained and supported to deliver excellent customer service. HES is now credit rated on the Scottish Qualifications Authority (SQA) Scottish Credit and Qualifications Framework, and as a result they are already benefiting from increased skills and knowledge amongst staff and from greater consistency and control in their training, leading to improved working practices.

Through HES, we already prioritise actively seeking engagement with partner organisations representing interests in health, mental health, early years and carers. As a result, many more locally based organisations now have clear referral pathways to access support to tackle fuel poverty, and there are more organisations we can reach.

We value the knowledge and expertise locally based organisations and community groups have. We want to be a part of strengthening the network of support they can offer the individuals they help, and we will ensure that we continue to identify and engage new partners, particularly in priority areas such as the health sector and families with young children, to make sure more eligible households are made aware of the help they can get.

Respondents to our consultation on the development of the strategy told us that many of our existing partnerships are working well, particularly in terms of the number and range of households accessing the HES services and it is very encouraging that in a recent customer satisfaction survey over 99% of customers were satisfied with the service they received from HES. Respondents to our consultation also suggested ways in which partnership engagement and HES services could be enhanced or expanded, including:

- Closer working with local partners and community-level organisations, to build from their knowledge of local circumstances and how this can support engagement with households who may be less able to access national partners' services. This approach may help to extend the range of and quality of services available to HES customers, enabling more effective referrals between HES and local services.
- More use of outreach and in-person approaches, including use of local organisations that vulnerable households are more likely to engage with as a means of identifying needs and providing fuel poverty advice. We will reflect on the outcomes of the HES Homecare pilot to build in a service of intense support for the most vulnerable clients.
- Improving the customer journey for those who do not speak English as their first language. In addition to services already offered by HES in foreign languages, it was suggested that HES provide multilingual advisors to provide advice and support in the home for vulnerable clients and to extend this service from initial advice through to the installation of any measures available from Scottish Government energy efficiency scheme.

Much of this activity is already underway through the current work plan for HES and will consider how activity in these areas can be driven forward, including as part of the HES contract retender exercise, being taken forward this year.

HES will continue to actively encourage closer partnership working, including exploring the establishment of data sharing agreements with key partners, such as local authorities, community groups and energy advice providers, to support a more coordinated identification process and response to those most vulnerable to fuel poverty. In particular, HES will focus efforts in this way towards those with more limited access to HES services. HES will also explore extending the current provision of multilingual advice and support to ensure everyone in Scotland can access all their services.

HES will continue to raise awareness of their services across local organisations and the wider public, including the delivery of community-based events and/or workshops to provide advice and information to support locally based organisations with particular focus on areas with limited locally-based advice provision. This will ensure the consistency of the provision of energy advice and support to everyone wherever they live in Scotland, and we will set this out in more detail in the Fuel Poverty Strategy to be published in 2019 under the new legislation.

New and emerging partnerships

More proactive engagement to identify and partner with a wider range of organisations is necessary in order to reach the households who are struggling to afford their fuel bills. Through HES we are continuing to develop pathways to make as many local and national partnerships across Scotland as we can, using both a bottom up and top down approach, to ensure we engage with those organisations effectively and maximise reach.

Climate Change

For a number of years, HES has been able to provide support for home energy efficiency projects through the Scottish Government's Climate Challenge Fund (CCF)¹² and this has enabled us to engage with a great number of locally delivered, front facing organisations on fuel poverty issues. The CCF supports communities across Scotland to take action on climate change and make the move to low carbon living. Since 2008, the Scottish Government has made 1,097 awards valued at £101 million to 658 communities through the CCF. Applicants wishing to carry out home energy efficiency projects are encouraged to work with HES on the project, and to request a letter of support from HES to this effect. Having this support from HES will increase the chance of projects being awarded funding.

¹² Climate Challenge Fund:
<https://www.keepsotlandbeautiful.org/sustainability-climate-change/climate-challenge-fund/>

During the period 2009-18, on average 44 letters of support have been issued by HES to CCF applicants per year, resulting in an annual average of 25 projects going on to receive funding. Over the same period, there has been an overall positive upward trend in the number of letters issued, reflecting the positive engagement and strength of partnership working between the two programmes. Last year alone, HES worked with and offered letters of support to 83 CCF applicants compared to only 6 during 2009/10 – 47 of these latest applications were successful and have been awarded CCF funding. In total, since 2009 HES has supported CCF projects whose collective value is equal to just over £22.4 million.

We will continue to strengthen the links between fuel poverty and projects supported by this funding.

Locally Based and Face-to-Face Support

We think it's important that face to face support is available for those who need more assistance. In 2017 we launched a HES Homecare pilot project, targeting face-to-face advice and support in the home to the most vulnerable fuel poor households, in two rural areas, Dumfries and Galloway and Moray. This pilot is an example of how HES continues to develop locally based and delivered support mechanisms that can reach those most in need. A case study demonstrating the real life benefits of this pilot can be found on the Scottish Government's website¹³.

We have encouraged HES to work with locally based organisations to transform the scale of their partnerships. One example of this is the engagement with Home-Start – a charity that helps families with young children deal with the challenges they face:

Case Study: HES initially made contact with Home-Start in Clackmannanshire in September 2017, providing local staff with training on fuel poverty and HES services and putting in place a referral agreement using the HES online referral portal. The Home-Start manager recognised the benefits of this service for other Home-Starts across Scotland and facilitated engagement between their national contact and HES. Since January 2018 HES has been working closely with Home Start at a national level to encourage local engagement in other areas across Scotland. This rapidly resulted in engagement with three additional Home-Start projects in Stranraer, Maryhill and West Lothian. In the first two months of the project HES received 20 referrals from Home-Start projects. This partnership is now well established and continues to grow. Home-Start has also agreed to promote an awareness campaign focussing on lone parents by highlighting the support we offer on fuel poverty to local projects through their own network of contacts and helping to achieve our mutual aims on both fuel poverty and child poverty.

¹³ <https://beta.gov.scot/publications/fuel-poverty-homecare-pilot-case-study/>

Health

Another approach being developed through partnership working by HES involves MacMillan Cancer Support. The two organisations held several meetings during 2016 to discuss what form of engagement would be practical and effective. It was agreed that the point of contact would be 'benefit partnership' workers based in third party welfare rights advice centres, such as Citizens Advice Bureaux, local authority money advice services and similar. These workers specialise in providing advice and guidance on benefits and other practical matters to cancer sufferers and their families. HES provided training at several locations in May 2017 to inform the workers about fuel poverty and the support available from HES and they were encouraged to sign up to and use the HES online referral portal. This partnership has proven to be an excellent route for HES to engage with a variety of advice services and within the first year 160 referrals were received from more than 20 different benefits partnerships.

On wider health engagement, we know that NHS websites are a trusted source of information and so the NHS 24 and NHS information websites are currently featuring HES in a campaign highlighting them as a source of advice to help householders save money on their energy bills and make their home a healthier place to live. This follows on from the success HES have had engaging with the health service and helping patients through having a presence in local GP surgeries across Scotland. For example, since winter 2017 HES have had a monthly advice presence at Craigmillar Medical Group. The surgery found this to be so beneficial to their patients they recently requested they be added to the

online referral portal – becoming the first GP surgery signed up to make regular referrals to HES.

Social Security

It's clear there is scope to build on the success of this approach as the Scottish Government implements the new social security powers devolved to Scotland by the Scotland Act 2016. Social Security Scotland is the agency within the Scottish Government family which is responsible for delivering the devolved benefits. Once fully operational the Agency will provide a local presence across Scotland, providing face-to-face support and advice, supported by centralised administrative functions undertaken by staff in our Dundee headquarters and Glasgow.

Social Security Scotland staff will be in place to help people understand what devolved benefits they are entitled to, help complete applications, support people through the process and take forward any follow up actions relating to their case. They will also work closely with other advice and support organisations to help people access other forms of assistance they are eligible for and ensure that services work together to deliver the best outcomes for our clients.

A partnership between Social Security Scotland and Home Energy Scotland is already being formed. We will continue to work together to develop effective referral routes between the organisations and share best practice.

Wider Engagement & Leveraged Funding

To ensure 'value for money' under our national fuel poverty programme, Warmer Homes Scotland (WHS), Warmworks – who are contracted to deliver the programme on behalf of the Scottish Government – is required to leverage funding from sources other than the core Scottish Government budget in order to increase the number of households that can benefit from the scheme. To achieve this Warmworks are developing strategic partnerships with a variety of different stakeholders, such as Scottish & Southern Electricity Networks 'Enabling Funding'. This fund was set up in November 2016 to help customers in SSEN-supplied areas who require additional work that is not included in the Warmer Homes Scotland grant to be carried out in preparation for their installation.

Warmworks also continues to work with Scottish Gas Networks to ensure households can access the 'Help to Heat' scheme, which offers free or discounted connections to the gas network for households that are in fuel poverty or at risk of living in fuel poverty. In total, the monetary value leveraged into Warmer Homes Scotland through these partnerships – SSEN Enabling Funding, ECO and SGN Connections – during 2016/17 was £931,276. This additional funding is important to the long-term sustainability of Warmer Homes Scotland, particularly given the current economic climate and public sector budget constraints.

The valuable partnerships that Warmworks has developed to continue to improve delivery of the WHS programme delivers wider economic benefits as well that can help to strengthen a local community's economic growth prospects, indirectly building resilience against the likelihood of a household falling

into fuel poverty. For example, as part of its contract to deliver the scheme Warmworks also delivers a range of community benefits, including targets on employment and training. To date, Warmer Homes Scotland has helped to create, secure and support over 300 jobs across Scotland, including the islands. In January 2018, there were 89 modern apprentices involved in the delivery of the scheme.

National Strategic-Level Governance

Widening the scope of organisations we engage with is crucial to the delivery of this strategy and isn't for HES to pursue alone. At a national governance level, the independent Scottish Fuel Poverty Advisory Panel and Partnership Forum groups provide a route for new strategic partnerships to be explored. For example, the independent Chair of these advisory groups has met with the Chair of the Poverty & Inequality Commission to discuss how their groups can best work together moving forward to ensure cross-fertilisation of experience and alignment of advice. The Chairs have agreed to share the groups' work-plans and will each make an effort to attend at least one meeting of the other group per year, where possible.

Members of the Commission were also provided an open offer to meet with any Member of the Advisory Panel, as appropriate, as part of a broader educational process to ensure a shared understanding of the key issues surrounding fuel poverty. The Commission and Advisory Panel will also work collaboratively to inform advice to the Scottish Government on implementation of the Tackling Child Poverty Delivery Plan.

Next steps

This draft strategy outlines a new and robust approach to tackling fuel poverty in Scotland. Supported by new legislative commitments – to be introduced through the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill – the strategic approach we are proposing will establish a new definition of fuel poverty, including statutory and non-statutory targets, to ensure support is provided to those who need it most, no matter where they live. To deliver this we will:

- Continue to promote Scottish consumer engagement in the energy market and work towards ensuring more affordable energy options are available to those most vulnerable to fuel poverty;
- Through Energy Efficient Scotland, invest in making our homes warmer, greener and more efficient, as part of our commitment to remove energy efficiency as a driver of fuel poverty;
- Review the eligibility criteria for our national fuel poverty programme, Warmer Homes Scotland, and consider the need for an assessment tool to facilitate targeting of support according to the new fuel poverty definition; and
- Continue to build on and develop emerging and diverse partnerships across various sectors, to ensure we are engaging proactively and effectively with the most relevant organisations and bodies to maximise reach of this strategy and support to those most in need.

We recognise that other new or revised powers or duties may be needed to ensure delivery and funding the 20 year lifetime of Energy Efficient Scotland, and are inviting comment within the related consultation that accompanies the Energy Efficient Scotland Routemap on what these may be. If it is considered that an Energy Efficient Scotland Bill is needed to implement the programme, the contents of the Bill will be informed by the feedback received from this consultation. The Programme for Government 2017-18 also committed us to consulting further on detailed proposals for Local Heat & Energy Efficiency Strategies (LHEES) and regulation of district heating which we have now done. We are analysing the responses to that consultation which will inform our final approach.

The independent Scottish Fuel Poverty Advisory Panel and Partnership Forum will provide a strong governance mechanism for delivery of our ambitions to 2040. We will work collaboratively with these groups to monitor progress, and will seek their expert advice to develop an outcomes framework that places people at the heart of the Fuel Poverty Strategy to be published in 2019 under the new legislation.

As a government we are committed to tackling all forms of poverty and inequality – we believe that this draft strategy sets the necessary foundations for addressing fuel poverty over the next 20 years, promoting a fairer and more equal society.

This table sets out a high-level timeline of key activities that we will take forward between now and the publication of the Final Fuel Poverty Strategy at the end of 2019 onwards to help realise this ambition.

| What? | When? |
|---|------------------|
| Energy Efficient Scotland launched – including publication of the Route Map and associated public consultations and impact assessments. | 2 May 2018 |
| Fuel Poverty (Target, Definition and Strategy)(Scotland) Bill introduced to Parliament | 26 June 2018 |
| Publication of the Fuel Poverty Strategy Consultation Analysis Report and Draft Fuel Poverty Strategy | 27 June 2018 |
| Energy Efficient Scotland associated public consultations close | 27 July 2018 |
| Fuel Poverty (Target, Definition and Strategy)(Scotland) Bill Stage 1 | Autumn 2018 |
| Fuel Poverty (Target, Definition and Strategy)(Scotland) Bill Stage 1 Debate | Early 2019 |
| Fuel Poverty (Target, Definition and Strategy)(Scotland) Bill Stage 2 | Feb/March 2019 |
| Fuel Poverty (Target, Definition and Strategy)(Scotland) Bill Stage 3 | Spring 2019 |
| Earliest anticipated commencement of Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill | Summer 2019 |
| Updated Energy Efficient Scotland Route Map published, informed by consultation responses | During 2019 |
| Final Fuel Poverty Strategy published, confirming proposals on minimum energy efficiency level and associated stretch targets | End 2019 onwards |

Annex A

The Housing (Scotland) Act 2001

The first Fuel Poverty Statement was published by the Scottish Executive in 2002 under section 88 of the Housing (Scotland) Act 2001.

Legislative requirements of the Housing (Scotland) Act 2001 require Scottish Ministers to update the Fuel Poverty Statement every four years by setting out the measures which the Scottish Government and local authorities have taken, are taking and intend to take for the purpose of ensuring, so far as reasonably practicable, that persons do not live in fuel poverty. The next update must be published by the end of 2018 and we have therefore included it in this Draft Strategy.

This Draft Strategy is clear that, to date, a wide range of activity has accompanied significant Scottish Government investment to drive forward a reduction in fuel poverty levels across Scotland. Given their key strategic role and depth of local knowledge, local Councils continue to be a cornerstone of our ambition to eradicate fuel poverty.

Delivery at a Local Authority Level

All local authorities are making significant efforts to tackle fuel poverty by strategically identifying and prioritising fuel poor areas to deliver a range of insulation measures to private sector properties; making partnerships with a range of organisations; and developing schemes to deliver advice and engage further with householders. From April 2013 to March

2017 Scottish local authorities have spent around £228 million of Scottish Government funding through the Home Energy Efficiency Programmes for Scotland: Area Based Schemes. In 2016/17 alone, under these schemes councils were also able to take advantage of over £8 Million in Energy Company Obligation (ECO) contributions.

In total, across all of our Area Based Schemes between 2013 and 2016:

- over 81,000 energy efficiency measures were installed helping to aid over 77,000 households;
- the gain in household incomes, over the lifetime of the measures installed was estimated to be in the region of £488 million; and
- the estimated CO2 savings over the lifetime of the measures installed was estimated at 2.42 million tonnes.

A number of local authorities are also looking at new and innovative approaches to address fuel poverty, including by introducing renewable technologies; considering local energy supply options; and through creative ways to provide advice and information.

North Ayrshire solar panel retrofit programme

Under this project, tenants and their families in up to 500 Council properties will have rooftop solar panels installed on their properties, which will be installed, owned and supported by the Council. These systems are expected to generate sustainable electricity over a minimum period of 20 years —electricity that can be consumed by tenants at no cost.

Through this programme, North Ayrshire Council aim to tackle one of the underlying causes of fuel poverty by reducing the amount of electricity individual tenants import from the distribution network. Initial estimates project that a typical household could see a reduction of over £100 on their annual electricity bill, with the opportunity to increase this through proactive changes in behaviour.

Scottish Borders Home Energy Hub

Scottish Borders council, alongside Changeworks and using Scottish Government Energy Efficient Scotland pathfinder funding, have set up a local “Drop in shop” for energy efficiency advice in Peebles town Centre. This hub links local residents with home energy advice and funding streams.

Within the first three months of operation, this has led to 67 full home energy check audits by Home Energy Scotland, and an additional 56 households have been engaged at public talks and events.

Whilst it is important to reflect the breadth of activity local authorities have undertaken to reduce fuel poverty in their areas, at this time of change, we want to maintain a focus on the shift to a new approach for the future. We recognise that it has been challenging for Councils to set out the detail of their future plans in advance of clarity on the new Fuel Poverty Strategy; the new fuel poverty definition; and the statutory requirements to be taken forward through the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill. All local authorities have committed to continuing to identify further actions that can be put in place to tackle fuel poverty in their areas, including through the delivery of area based energy efficiency programmes. Going forward, we are committed to working with local authorities and COSLA to develop a new and robust monitoring framework that will demonstrate effectively the activity being taken forward by local authorities and other partners.

Technical Annex

Fuel Poverty measurement

National measurement of fuel poverty will continue to be through the annual Scottish House Condition Survey (SHCS). The SHCS is a nationally representative survey of Scottish households with a sample size of around 3,000 households per year. The design of the survey is such that it provides robust National Statistics on fuel poverty at a Scotland level annually and at a local authority level by combining 3 years' worth of data. The outputs of the survey include modelled required energy consumption and fuel costs for each household to achieve the recommended heating regime based on information available about the dwelling and household characteristics as well temperature, solar radiation and wind speed in the regional location of the property. This data, along with survey information about household income, housing and childcare costs, can be used to determine whether the household is fuel poor, along with the corresponding depth or fuel poverty gap.

The fuel poverty definition

The first Fuel Poverty Statement, that was published by the Scottish Executive in 2002 under section 88 of the Housing (Scotland) Act 2001, set out a definition of fuel poverty, i.e. that a household was fuel poor if energy costs to keep their home sufficiently warm were not less than 10% of their income (informally known as the '10% definition').

As highlighted by the independent definition review panel¹⁴, section 95 of the Act indicated that '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'. However the subsequent Statement made no reference to income levels in setting the definition.

This has been addressed in the new definition of fuel poverty being put forward under the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill.

Underpinning the overarching definition, there are four key areas where we want to provide additional explanation about how we will measure the number of households experiencing fuel poverty.

1. An income threshold

The definition will focus in on low income households by introducing a new income threshold which will be 90% of the UK Minimum Income Standard (MIS) after the MIS costs for fuel, rent, council tax, water rates and childcare are deducted. This removes higher income households from the Fuel Poverty definition, even if they would need to spend 10% or more of household income on required fuel costs. This threshold is also considerably higher, for most household types, than the standard 60% of median income (after housing costs) used to define relative income poverty which ensures households above the income poverty line, that are struggling with their bills, will be captured in the definition.

¹⁴ <http://www.gov.scot/Resource/0052/00527017.pdf>

2. Required fuel costs to income ratio

The 10% fuel cost to income ratio will move from Before Housing Costs (BHC) to be based on an After Housing Costs (AHC) basis. This is a much broader definition than we have had previously and will capture many more households struggling to afford required fuel costs once they have paid their rent or mortgage.

3. Heating regimes

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

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

We will define in regulations to the Bill, the households to which the enhanced heating regime will apply. This is likely to cover those households where:

- a) at least one member has self-reported as having a physical or mental health condition or illness lasting or expected to last 12 months or more;
- b) or, in the absence of the above, at least one member is aged 75 or over.

Part a) is the same criteria as used in the 10% definition. Using self-reported information gathered through the SHCS we are identifying households where members themselves report that they have a condition which may impact on their needs in the home, although we do not ask them to tell us how their condition affects them.

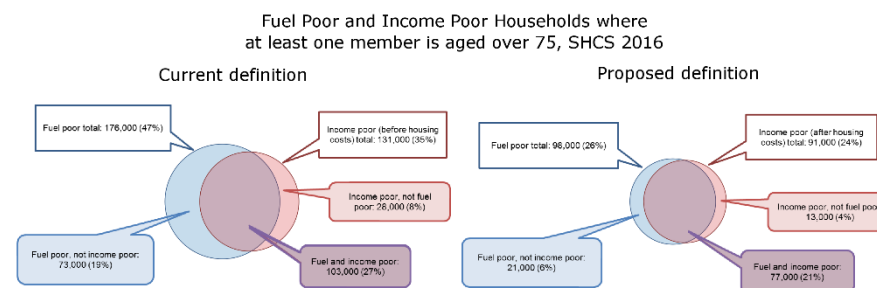
It would be very challenging to define a list of long-term illnesses or disabilities that would indicate a person requires an enhanced heating regime because some medical conditions and disabilities can affect people differently and that means we generally wouldn't categorise individuals with any specific medical condition or disability as making a person 'vulnerable'. Depending on the medical condition or disability, different people might have very different functional ability with some needing a lot of assistance for daily living whilst others may be fully independent, and this can mean they can have different fuel requirements. However, we propose to undertake some additional work to determine whether it is possible to refine part a) further in order to better capture those who are likely to be most affected by the adverse outcomes of living in a colder home.

Part b) represents a change from the 10% definition. More older people than ever before are living healthy, active independent lives, well into their retirement. Therefore, we

believe that an enhanced heating regime for all older people once they reach 60 years of age is no longer appropriate and, as we set out in our consultation, we will increase the age thresholds at which older households are considered to require an enhanced heating regime, based on age alone. The independent panel that reviewed the fuel poverty definition, suggested that a threshold around 75 – 80 years of age may be more appropriate and we have decided to use the lower age of this range so that, for older households, where a person does not suffer from any long-term ill health or disability, we will not consider them as needing this enhanced heating regime until they reach 75 years of age.

This age threshold is also consistent with our approach to our Warmer Homes Scotland fuel poverty scheme. Eligibility criteria for that scheme was agreed with input from key stakeholders, including Age Scotland and Citizens Advice Scotland, to ensure support is focussed on those with low incomes, including the working poor, fuel poor families, plus those aged over 75.

Our analysis of 2015 data indicates that 60% of households with any adults aged between 60 and 74 inclusive will still be classed as needing this enhanced heating regime because of health issues or because they also contain another adult aged 75 or over. Overall, based on the likely definition described above, our current modelling indicates that around 80% of households classified as needing an enhanced heating regime under the existing definition will remain so under the new definition. The following chart demonstrates that the improved targeting of the new definition also applies to those households where at least one member is aged 75 or over.



If any additional medical evidence is brought forward in the future that indicates a different age threshold is more appropriate then we will review this aspect of the definition.

4. Enhancements to the Minimum Income Standard (MIS)

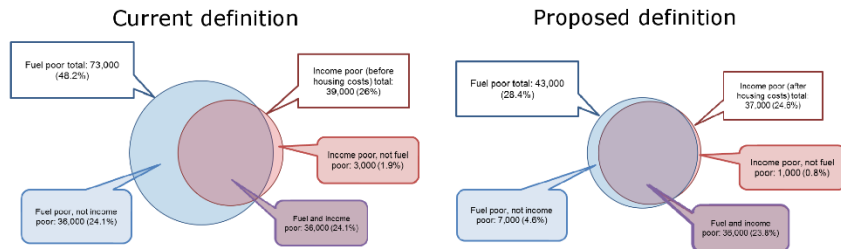
We do not intend to include a specific remote rural enhancement to the new MIS income threshold and we will not include a specific enhancement to the new MIS income threshold for households with members with a long-term illness or disability.

In the interests of transparency and robustness it is important that we maintain consistency with approaches to support the real living wage, where the UK MIS with no additional income enhancements is used. We also describe below the ways in which needs of these households are already taken into account in the measurement of fuel poverty.

For remote rural households, the way fuel poverty is calculated already takes account of regional variations in external temperatures, solar irradiance and exposure to the wind as well as types of stock and information about

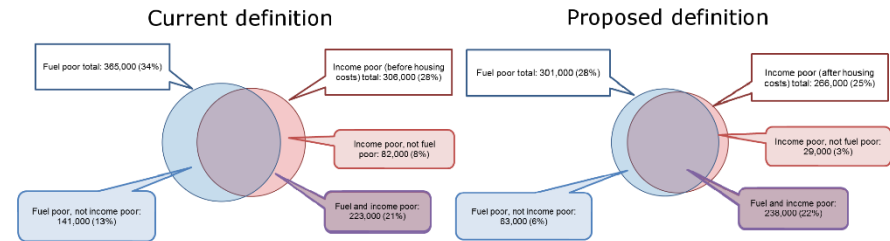
occupants. These can lead to greater energy usage estimates to maintain either standard or vulnerable heating regimes in rural and remote rural areas. In addition, regionalised (North and South Scotland) energy prices are used in the fuel poverty calculation (for mains gas and electricity).

Fuel Poor and Income Poor Remote Rural Households, SHCS 2016



The enhanced heating regime is likely to be applied to many households where a member has a long-term sickness or disability. This results in higher required fuel costs for these households than those for which the standard regime is applied. The required fuel costs for these households will also be higher than under the current definition since the other room temperature for the enhanced heating regime has been increased. These higher fuel costs are both compared to After Housing Cost income and subtracted from household income before the residual is compared to the MIS threshold meaning that, all other things being equal, such households are more likely to be identified as fuel poor.

Fuel Poor and Income Poor Households where at least one member has a long-term sickness or disability, SHCS 2016



Worked Examples

It can be challenging to visualise what a fuel poor household might look like under this new definition. In order to help demonstrate that, we have developed two worked examples which are set out on the following page:

Example 1: A couple with no children living in a home which has an EPC energy efficiency rating of E. The couple's total net income (including income from employment and benefits with council tax, water and sewerage charges deducted) is £20,000 and they pay £5,500 in rent each year. Their annual income after housing costs is therefore £14,500. One member of the couple has a long-term sickness or disability and therefore spends longer in the home requiring heating. This couple is not considered income poor because £14,500 is above 60% median income after housing costs (£13,300 for this household type in 2016/17). However, they would be considered fuel poor under our new definition because their fuel bills are around £2,600 per year leaving a residual income of £11,900 which is below 90% of the relevant MIS threshold (2016) after council tax, water, rent, fuel and childcare costs (£13,348).

Example 2: A single parent with two children, one aged 3 and the other aged 7 living in a home with an EPC energy efficiency rating of C and relying on grandparents to provide childcare. The total net income for the household (including income from employment and benefits with council tax, water and sewerage charges deducted) is £15,000 and they pay £5,000 in rent each year. Their annual income after housing costs is therefore £10,000, below 60% median income for their household type and therefore the family is income poor. Fuel bills for the family are £1400 per year leaving a residual income of £8,600 which is below the 90% MIS threshold of £15,350 for this household type.

Fuel Poverty and Income Poverty

Data is presented in this Draft Strategy compares fuel poverty and income poverty under the current definition with that for the new definition. Under the current definition, net income is calculated before housing costs whereas under the new definition it is calculated after housing costs. This means that different relative poverty thresholds are applied. The relative poverty threshold (60% median income) for a couple with no children before housing costs for 2016/17 is £15,400 and after housing costs is £13,300. The relative poverty thresholds for other household types are calculated from this data by applying appropriate equivalisation scales. It is possible to use the SHCS to determine how fuel poverty and income poverty relate, although there are some caveats meaning the results presented here are approximate and do not reproduce exactly the official measure of income poverty. The diagram for the current definition is different to previously published information as council tax has been deducted from BHC income in line with established income poverty methodology.

Future Developments

Data presented for the proposed new definition, is our best available estimate based on the 2016 SHCS. Further work is in progress to collect information through the 2018 SHCS on the income of other adults (beyond the highest income householder and their spouse) in the household as well as childcare costs. These are not currently accounted for in the data presented. We will also be undertaking analysis of missing survey housing cost data, determining households to which the enhanced heating regime should apply, employing the full 107 MIS thresholds and considering smoothing of the MIS data over time if required.



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