

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

**Equality Impact Assessment – Results**

**June 2018**



**Scottish Government**  
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## EQUALITY IMPACT ASSESSMENT – RESULTS

TITLE OF POLICY	<b>Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and Fuel Poverty Strategy</b>
Summary of aims and desired outcome of Policy	<p>To reduce the number of people living in fuel poverty in Scotland. By setting a statutory long term target that by the year 2040, no more than 5% of households are in fuel poverty we will focus action on reducing fuel poverty and inequalities which impact on people, no matter where they live in Scotland.</p> <p>The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and the fuel poverty strategy will be based on our principles of fairness and equality for all and will be set within the overarching agenda set out by the Fairer Scotland Action Plan.</p>
Directorate: Division: Team	Directorate for Housing and Social Justice Better Homes: Tackling Fuel Poverty Unit

### Executive Summary

The public sector equality duty requires the Scottish Government to pay “due regard” to the need to meet its obligations under the Equality Act 2010.

The Scottish Government therefore undertook an interim [Equality Impact Assessment](#) as part of the process to introduce a new fuel poverty strategy and a Fuel Poverty (Scotland) Bill. The interim EQIA was published alongside the consultation on a new fuel poverty strategy and the consultation document sought comments on the EQIA process.

The findings here are based on the interim EQIA and the formal analysis of both consultation and stakeholder engagement feedback.

Equality legislation covers the protected characteristics of: age; disability; gender reassignment, marriage or civil partnerships, pregnancy or maternity, race, sex, sexual orientation and religion and belief.

The Equality Act 2010 harmonises existing equality legislation and includes a public sector duty (‘the Duty’) which requires public authorities to pay due regard to the need to:

- Eliminate discrimination, harassment, victimisation or any other prohibited conduct;
- Advance equality of opportunity; and
- Foster good relations between different groups – by tackling prejudice and promoting understanding.

This Equality Impact Assessment (EQIA) process has considered the potential impacts of the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and the draft fuel poverty strategy and on each of the protected characteristics.

The evidence gathered and data analysed indicate that overall the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill provisions will have a positive impact on equality issues. The conclusions in the Interim EQIA (based on 2015 Scottish Household Condition Survey data) still hold under the up-to-date 2016 data. Up to date rates of fuel poverty under the current and the proposed new definition of fuel poverty (based on up-to-date 2016 data) are provided in the Table of Characteristics at Annex A.

As a result, it is not considered that any changes to the provisions should be made as a result of the assessment. However, consultation on the interim EQIA identified some issues that have been given careful consideration and these are detailed under Key Findings.

## **Background**

To date, Scottish Government efforts to tackle fuel poverty have focussed on the energy efficiency of people's dwellings. The draft fuel poverty strategy sets out an approach that considers the wider issues of social justice and the health impact of tackling fuel poverty. The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill, to be introduced to Parliament in summer 2018 and the draft fuel poverty strategy, to be published in summer 2018 are both closely linked to the Energy Strategy published in December 2017 and the Climate Change Bill. In addition, the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and the draft fuel poverty strategy will be aligned to the Child Poverty Bill and the Tackling Child Poverty Delivery Plan 2018-2022 published in March 2018.

Energy Efficient Scotland (previously SEEP) will play a key role in achieving our ambition to reduce fuel poverty and tackle climate change and is a core element of the recently published Energy Strategy. Energy efficiency was made a national infrastructure priority in the 2016 Infrastructure Investment Plan and Energy Efficient Scotland will be the delivery vehicle to make this a reality.

An Energy Efficient Scotland Route Map was published on 2 May 2018 and this sets out the steps we will take to achieve the ambitions of the programme, including the investment we are committed to.

The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and the draft fuel poverty strategy which will underpin the Bill are based on principles of fairness and equality for all and reflect the Scottish Government's commitment to addressing the underlying economic and social inequalities in society.

The overarching ambition of the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill is to see more households in Scotland living in well-insulated warm homes, accessing affordable, low carbon energy; and having an increased understanding of how to best use energy efficiently in their homes.

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

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

Households in Scotland are in fuel poverty if:

A household is in fuel poverty if

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

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

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

This new income threshold is considerably higher, for most household types, than the standard 60% of median income used to define relative income poverty<sup>1</sup>.

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

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

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

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

- the MIS thresholds will not be adjusted upward for households living in remote rural areas or where at least one member of the household suffers long-term sick or disability; and
- the enhanced heating regime will not be applied for households with children under 5. However, although this is the current policy position, any final decision on this will be a matter for regulations made under the Bill defining households for which enhanced heating is appropriate as a measurement. If substantial new evidence is brought forward on this issue in the future which indicates the proposed approach disproportionately disadvantages those households with children under 5, the Scottish Government can consider reflecting this in the regulations.

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

Finally, by deducting housing and childcare costs from both household income and the MIS, regional variations are further taken into account. The proposed use of 90% of MIS therefore gives a consistent and simple standard, which accounts for regional variation, and set a minimum income level well above, for most household types, the standard 60% of median income used to define income poverty.

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

## **Equality and Consultation**

A public consultation ran from November 2017 to February 2018. This focused on the proposed new definition of fuel poverty and “A Fuel Poverty Strategy for Scotland”, to inform the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill. In addition, 19 consultation events were held across Scotland and separate meetings were held with island based stakeholders. Ninety one unique responses were received in response to the consultation. The main issues that were raised in response to the consultation were concerns that the proposed new definition of fuel poverty does not take account of increased costs associated with living in rural and island areas and the impact of raising the age threshold for individuals who are likely to require an enhanced heating regime to 75 years of age.

### **Consultation outcomes**

Of the respondents that responded to the equalities question in the consultation, 59% (24 respondents) suggested that there would be a positive impact for people with protected characteristics, while 32% (13 respondents) thought there would be negative impacts and 10% (4 respondents) did not foresee any impacts.

In addition, a total of 56 respondents provided an additional comment. Respondents who took a generally positive view of the impacts of the proposals (around 1 in 5 of those who commented) suggested benefits would include reducing inequality, targeting those most in need and making fuel poverty a priority.

## **KEY FINDINGS - Protected characteristics**

### **Age**

Negative impacts identified with respect to age were sometimes associated with the respondent’s view of the wider negative effects of the proposals for rural and island communities, many of which have a high proportion of older people.

Around 1 in 7 of those who commented on the proposed changes to older households where, if a person does not suffer from any long-term sickness or disability they will not be considered as requiring an enhanced heating regime until they reach 75 years of age to have potentially negative impacts on those between 60 – 75 years and, as not taking account of variations in life expectancy across Scotland.

In addition, the importance of undertaking additional work recommended by the independent Definition Review Panel (i.e. to develop a specific list of health and disability categories, as well as age bands), which would require individuals to need an enhanced heating regime to mitigate the adverse outcomes of living in a cold home was also raised by respondents.

In the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill we have set out the temperature regimes that will be applied under the new definition 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 original 10% definition. Using self-reported information gathered through the Scottish House Condition Survey (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. The impact of a specific medical condition or disabilities can vary significantly, as can their vulnerability to the effect of inadequately heated homes. However, we do propose to undertake additional work to determine whether it is possible to refine part a) of the definition above 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) also represents a change from the original 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. 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 requiring 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, and 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 requiring this enhanced heating regime because of health issues or because they also contain another adult aged 75 or over. Overall, around 80% of households classified as requiring an enhanced heating regime under the existing definition will remain so under the new definition.

If any additional 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, and will be able to bring forward changes to the regulations, without requiring primary legislation.

### **Children under 5 years of age**

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

Respondents suggested that although the fuel poverty strategy consultation noted there is a lack of evidence on the need for a higher temperature for bedrooms of children under the age of 5, no allowance is made for households needing to heat their home for longer periods of time, as they might spend more time at home.

However, although the Scottish Government has decided not to adopt the recommendation of the independent review panel, this is the current policy position; any final decision on this will be a matter for regulations made under the Bill defining households for which enhanced heating is appropriate as a measurement. If substantial new evidence is brought forward on this issue in the future which indicates the proposed approach disproportionately disadvantages those households with children under 5, the Scottish Government can consider reflecting this in the regulations.

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

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

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

This is because, in comparison to the existing definition, the proposed definition has a stronger focus on households with low incomes.

This means that the definition will be more aligned with existing programme delivery but will also result in an increased focus on those needing most assistance from fuel poverty programmes than under the current definition.

In addition, there is a clear link between child poverty and fuel poverty and we will ensure that our plans to tackle both of these issues remain aligned.

Through the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill we are committed to tackling fuel poverty and targeting fuel poverty and energy efficiency measures on those most in need, including low income families with children. As set out in the Tackling Child Poverty Delivery Plan we will take sustained action to boost applications from low income families to Warmer Homes Scotland, our national fuel poverty scheme. This will be achieved by targeted advertising and by partnering with key stakeholder organisations with a specific remit to represent the rights of children and young adults.

## **Disability**

Negative impacts identified centred on the proposal that MIS thresholds will not be adjusted for households where at least one member is long-term sick or disabled.

This was suggested as having the potential to have a negative impact on people with a disability and their carers. The addition of a disability enhancement of £83 a week, as suggested by the independent definition review panel, to the MIS for other living costs faced by disabled people was proposed by consultation respondents, in mitigation.

Where there is a household with a member who suffers long-term sickness or disability, household energy consumption is already estimated based on longer heating hours and higher required temperatures than for other households. This results in higher estimated fuel bills and, under the proposed new definition of fuel poverty; these required fuel costs will be increased further with enhancements to the heating assumptions for such households. These higher fuel costs will then be subtracted from the household's income (along with housing and childcare costs) before the residual is compared to 90% of the Minimum Income Standard threshold for that household type (with the equivalent deductions).

In addition, the recommendation of the addition of a disability enhancement to the MIS for other living costs faced by disabled people would be inconsistent with the broader approach taken by Scottish Government in measuring income poverty and inconsistent with policy towards the national minimum wage and the national living wage.

## Race

It was suggested there may be a positive impact for BME groups as the proposed new definition could allow more BME households to fall within the scope of fuel poverty programmes. It was also noted that outcomes for BME communities must be monitored and recorded to ensure that disparate effects are not missed.

The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill will set a new long term statutory target and a reporting requirement to measure progress in meeting the statutory target that by the year 2040, no more than 5% of households in Scotland will be in fuel poverty.

In addition, Scottish Government currently publish annual progress reports on the delivery of Home Energy Efficiency Programmes (HEEPS) and will continue to do this going forward as a yearly position statement of investment and outputs.

Whilst we do not have fuel poverty data specific to ethnic minority household's data from the Census indicates that such communities are largely concentrated in urban locations. The fuel poverty rate under the proposed new definition for households in urban areas shows a small decrease from 30% to 27%, compared to a large decrease in rural areas from 35% to 20%. In addition, data available from the Households Below Average Income dataset indicates that over a third of people from minority ethnic groups were in poverty after housing costs were taken into account compared with 18% of people from the White – British group. These factors suggest that minority ethnic households may be less likely to fall out of fuel poverty under the proposed new definition and less likely to fall out of the scope of fuel poverty programmes.

The lack of measures to reduce levels of fuel poverty among the Gypsy/Traveller community living in caravans and mobile homes was also highlighted. With the suggestion to work with the community to identify steps that could be taken to reduce fuel poverty including specific work around examining energy prices on some local authority sites. Issues identified as contributing to high energy costs included being unable to switch fuel supplier and the use of prepayment meters.

The SHCS does not cover data on caravans and mobile homes to enable us to provide data on identifying the number within the gypsy/traveller community living in fuel poverty. However, action is being taken to assist all individuals experiencing high energy costs, including those unable to switch energy supplier and those who use prepayment meters.

However, we are working to promote Scottish consumer engagement. We have launched an impartial supplier-switching support service and we have committed to introducing financial health checks to address the poverty premium, help people switch to the lowest tariffs, including those on prepayment meters, and provide advice on reducing energy use. In addition, free and impartial energy advice is available to all households from Home Energy Scotland.

Our HEEPS: Warmer Homes Scotland programme is available to all eligible households in Scotland, including the gypsy traveller community and it can provide assistance for those living in Park Homes.

In addition, as part of the Energy Efficient Scotland (previously SEEP) consultation, published in May 2018, we will also explore whether it is appropriate that action is taken within the programme to improve the energy efficiency of non-traditional accommodation.

## **Pregnancy**

The absence of an impact assessment relating to pregnant women was noted and it was suggested that this is an issue that needs to be addressed urgently.

Reasons given included; health issues and the need for early intervention in tackling inequality as it was suggested that children born into poverty are more likely to continue in poverty and experience additional inequalities.

However, there is no information recorded in either the Scottish House Condition Survey or the census on pregnancy or maternity but we do recognise the need for early intervention in tackling inequality. There is a clear link between child poverty and fuel poverty and we will ensure that the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and the fuel poverty strategy remain aligned and connected to the Child Poverty (Scotland) Bill and to the Tackling Child Poverty Delivery Plan 2018/2022 published in March 2018.

The 90% UK MIS income threshold in the proposed new fuel poverty definition is considerably higher for most household types than corresponding income thresholds used to define child poverty and income poverty (based on 60% of median income). This higher threshold means that households can still be considered fuel poor, even if they are not considered to be in child poverty or income poverty. This will ensure more families with pregnant women or children will be able to benefit from fuel poverty programmes.

## **Recommendations and Conclusion**

The evidence collected over the course of the EQIA process has satisfied the Scottish Government that there is clear support for establishing the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill.

Although some negative impacts were identified by respondents during the consultation process, careful consideration has been given to these and the Scottish Government has found that there the overall aims of both the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and the draft fuel poverty strategy will have a positive impact upon the various protected characteristic groups.

The EQIA process has evidenced that the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill, together with the wider process of implementation and policy design of the fuel poverty strategy that underpins it, will have a positive impact on protected groups and individuals by providing a legislative framework with a new

statutory long term target that by the year 2040, no more than 5% of households in Scotland are in fuel poverty.

We will ensure that every aspect of Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill and fuel poverty strategy is informed by expert policy advice and first-hand experience of fuel poverty. We will achieve this by continuing to work in close partnership with stakeholders, the Scottish Fuel Poverty Advisory Panel and, the Scottish Fuel Poverty Partnership Forum. These groups will also have responsibility for monitoring progress on meeting the new long term statutory target.

## ANNEX A

### EQUALITY IMPACT ASSESSMENT RECORD – Table of Characteristics

*Table 1: Fuel Poverty Rates (2016) comparing the current and proposed new definition*

	Current definition		New definition	
	Number of fuel poor households (thousands)	% of households who are fuel poor	Number of fuel poor households (thousands)	% of households who are fuel poor
<b>Total</b>	649	26.5%	584	23.8%
<b>Household Type</b>				
Older households	311	40.6%	174	22.8%
Families	66	12.2%	118	21.6%
Other households	272	23.8%	292	25.6%
<b>Age of Highest Income Householder</b>				
Under 35	60	15.2%	112	28.4%
35-64	277	21.4%	299	23.0%
35-74	423	24.8%	382	22.3%
Over 65	311	40.8%	173	22.8%
Over 75	165	47.5%	90	26.0%
<b>Long-term sickness or disability</b>				
Yes	365	33.8%	301	27.9%
No	284	20.7%	283	20.6%
<b>Sex of Highest Income Householder</b>				
Male	335	23.1%	289	20.0%
Female	314	31.3%	294	29.4%
<b>Location</b>				
Urban	495	24.3%	484	23.8%
Rural	154	37.3%	99	24.0%
<b>Tenure</b>				
Owned	296	37.1%	140	17.6%
Mortgaged	78	11.1%	81	11.4%
LA / public	127	35.9%	139	39.1%
HA / coop	73	27.1%	108	40.2%
PRS	74	23.1%	116	35.9%
Private	449	24.5%	337	18.4%
Social	200	32.1%	246	39.6%
<b>EPC Band (SAP 2012)</b>				
B-C	137	14.2%	198	20.5%
D	313	29.4%	274	25.7%
E	133	41.8%	80	25.0%
F-G	66	65.7%	32	32.0%
<b>SIMD: Most Deprived 15%</b>				
Yes	114	28.5%	128	32.3%
No	535	26.1%	455	22.2%
<b>Household Income (weekly)</b>				
<£200	263	86.9%	277	89.6%
£200-£300	229	49.3%	204	44.2%
£300-£400	94	24.0%	76	19.5%
£400-£500	27	10.1%	12	4.6%
£500-£700	28	6.4%	10	2.3%
£700+	7	1.3%	4	0.7%



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