

Briefing 15-08 February 2015

Progress Report on the Scottish Fuel Poverty Statement 2002

To: All Chief Executives, Main Contacts and APSE Contacts in Scotland

For information only to England, Northern Ireland and Wales

Key Issues:

The purpose of this briefing is to advise APSE members on the progress made by Scottish Government against their fuel poverty target for 2016 since their last progress report in 2010.

The full report is available [here](#).

This report includes information on:-

- An update on Scottish Government work since 2010
- The work of local authorities to alleviate fuel poverty in their areas
- Increases in energy prices and fuel poverty

1.0 Introduction

The Scottish Government recently released a Progress Report on the Scottish Fuel Poverty Statement 2002. The original publication set a target “to ensure, so far as reasonably practicable, that people would not be living in fuel poverty in Scotland by November 2016.” Fuel poverty is defined in the publication as “a household which, in order to maintain a satisfactory heating regime, 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.”

A great deal of the information on the current state of Scottish housing stock was repeated from the Scottish House Conditions Survey 2013 released earlier this month, which APSE produced a briefing on [available here](#). Here are some of the related headline statistics from the survey:

- There has been a 12.9% increase in the fuel poverty rate since 2010, with an additional 123,000 households considered to be in fuel poverty, with the majority of the increase attributed to steeply rising energy prices.

- Over 1/3 of all Scottish dwellings are now in EPC categories B and C or better (so while thousands of households are benefitting from increased energy efficiency, the increased cost of energy is limiting the effectiveness of the completed measures).

This particular briefing will cover the following sections of the report: the work of the Scottish Government and local authorities, recommendations for further devolution of powers and UK energy price increases since 2010.

2.0 The work of the Scottish Government

Here is a summary of the documents published, consultations, new programmes and funding that have provided assistance on fuel poverty and energy efficiency to Scottish households since the 2010 Progress Report:

Documents published

- **Sustainable Housing Strategy was published¹** – the strategy set out the vision to establish a successful low carbon economy and details the investment and programmes to help achieve this.
- **The first outline draft Heat Vision² and the draft Heat Generation Policy Statement³ were published** – these bring together all policy work going into supporting heat deployment in Scotland (households and industrial).

Consultations

- **Community Energy Policy Statement consultation⁴** – this sets out the benefits which the Government want to see for communities from commercially owned schemes; this was also coupled with the announcement of the Local Energy Challenge Fund⁵, a new strand of CARES providing up to £20 million of grant/loan funding for “major demonstrator projects providing transformative innovative local energy solutions”.
- **Public consultation on future standards** – there are plans in place to hold a spring 2015 consultation on the level and timing of any future standards that might apply to the private rented sector/owner occupied properties.

New programmes and funding

- **Introduction of new programmes and standards** – Home Energy Efficiency Programmes for Scotland (HEEPS) and the new Energy Efficiency Standard for Social Housing (EESHS) were introduced over this period.
- **Home Energy Scotland** – in the period of 2009-10 to 2012-13, almost 830,000 households were offered free energy advice or assistance to ensure Scottish households receive appropriate help, support and any additional benefits they are entitled to.
- **Energy efficiency investment** – over £300 million has been invested in energy efficiency since 2009.

- **Welfare reform** – current and planned funding will result in an investment of around £296 million over the period 2013/14 to 2015/16.

The Smith Commission of 2014

- Information on new devolved powers recommended by the Smith Commission is covered in more detail in section 4.0 – Energy price increases and future devolved powers.

3.0 The work of local authorities

Local authorities have been instrumental key delivery partners for the government’s fuel poverty programmes (Home Energy Efficiency Programmes for Scotland, Universal Home Insulation Scheme and Home Insulation Scheme) and for helping to tackle fuel poverty in other ways including increased energy efficiency of housing, exploring alternative technologies, making stronger links between fuel poverty and health, and generally for being sources of help and advice for householders. A call for responses from the Scottish Government to local authorities found that:

- **Energy efficiency** – all local authorities made use of Government funding to invest in energy efficiency measures and most highlighted their increased energy advice provision for residents with many employing dedicated staff. Most also expressed concerns about reduced ECO availability.
- **Technologies** – a large proportion of local authority respondents were looking into alternative technologies (e.g. district heating networks) and renewable heating opportunities, with some aware of the potential community benefits of renewables projects.
- **Health** – some authorities have projects that link fuel poverty and health such as the prescription bag initiative (to include energy advice service information with all dispensed medicine in disadvantaged areas).
- **The Future** – other responses showed willingness from a number of local authorities to address fuel poverty through new, innovative approaches and through sharing their learning and experiences.

The full report⁶ also mentions some interesting projects being undertaken by local authorities such as Glasgow’s [GoWell](#) programme investigating the impact of investment in housing, regeneration and neighbourhood renewal, and the [Healthy Homes for Highland](#) partnership which is an “easy way for services and organisations to refer people for help and advice through one referral”.

4.0 Energy price increases and future devolved powers

Energy prices have risen far beyond the rate of inflation, with the average energy bill £450 higher than in 2007, with the average UK household dual fuel energy bill reaching £1306 in 2013. A striking example from the report shows that if fuel prices had remained constant since 2002 with the rate of inflation, 2014’s fuel poverty rate would have been around 11% instead of 39%. Ofgem, the Office of Gas and Electricity Markets, referred the UK energy market to the Competition and Markets Authority (CMA) to investigate the nature of competition in energy markets. In July 2014, they published a Statement of Issues shown in the table below

with the four areas they will be assessing over the course of their investigation, which is currently scheduled to last up until December 2015.

Competition and Markets Authority Investigation – UK Energy Market	
Potential ‘Theories of Harm’ in energy markets which adversely affect competition:	
1	Opaque prices and/or low levels of liquidity in wholesale electricity markets
2	Vertically integrated electricity companies harm the competitive position of non-integrated firms to the detriment of consumers
3	Market power in electricity generation leads to higher prices
4	Energy suppliers face weak incentives to compete due to inactive customers, supplier behaviour and/or regulatory interventions

Source: Scottish Government, October 2014

The UK Government recently published ‘Scotland in the United Kingdom: An enduring settlement²⁷’ in January 2015 which detailed the following Smith Commission Agreements that will be translated into law at the beginning of the next Parliament:

- **Benefits** – The Cold Weather Payment, Winter Fuel Payment, Discretionary Housing Payments and a range of benefits for carers, disabled people and those who are ill will be devolved to the Scottish Parliament. This includes complete autonomy in determining the structure and value of these benefits or any benefits/services which replace them. The Scottish Parliament will also have new powers to create new benefits in areas of devolved responsibility (e.g. welfare)⁸. While Universal Credit will remain a reserved benefit, the Scottish Government will be able to change the frequency of payments, vary existing plans for single household payments and pay landlords directly for housing costs; the Scottish Parliament will be able to vary the housing cost elements of Universal Credit including: varying the under-occupancy charge and local housing allowance rates, eligible rent and deductions for non-dependents⁹.
- **Fuel Poverty / Energy Efficiency** – “Powers to determine how supplier obligations in relation to energy efficiency and fuel poverty, such as the Energy Company Obligation and Warm Home Discount, are designed and implemented in Scotland will be devolved. Responsibility for setting the way the money is raised (the scale, costs and apportionment of the obligations as well as the obligated parties) will remain reserved. There will be a formal consultative role for the Scottish Government and the Scottish Parliament in designing renewables incentives and the strategic priorities set out in the Energy Strategy and Policy Statement of which OFGEM must have due regard. OFGEM will also lay its annual report and accounts before the Scottish Parliament and submit reports to, and appear before, committees of the Scottish Parliament.¹⁰”

5.0 APSE Comment

APSE recognises the excellent work being done by the Scottish Government and local authorities to improve the energy efficiency capabilities of Scottish dwellings, but is disappointed to see that despite all of the good work that steep fuel price rises in the UK Energy Market have pulled an additional 123,000 households into fuel poverty since the 2010 progress report. It is APSE’s view that local authorities and their partners in the housing

association sector are best placed to deliver domestic energy efficiency measures to tackle fuel poverty for those households most in need. APSE believes that an area based approach to energy efficiency measures works best and that resources should be targeted initially towards the most hard to treat properties. Local authorities have a good track record and understanding of local housing need and are best placed to prioritise such works. One of the main problems with initiatives such as ECO is that they are often 'single measure' initiatives and energy companies are not necessarily the best placed to determine how resources should be targeted. Changes to ECO following the Chancellor's Autumn Statement in December 2013 had a terrible impact on many local authority planned schemes which is acknowledged in the progress statement. There is a need to pursue a holistic approach based on whole house retrofit, which raise the energy efficiency standards of homes. As well as improving energy efficiency in order to tackle fuel poverty, programmes also need to support tenants and residents to better understand their energy consumption patterns so that they can make informed decisions about their energy usage without having to make difficult choices about eating or heating their homes. Fuel poverty also potentially impacts on other social outcomes including health and educational attainment and so tackling fuel poverty is crucial to improving the quality of life for people and communities in Scotland.

If you would like more information on APSE Energy, APSE's local authority energy collaboration, please visit the APSE Energy tab at www.apse.org.uk or contact Mark Bramah directly at 0161 772 1810 / mbramah@apse.org.uk.

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