



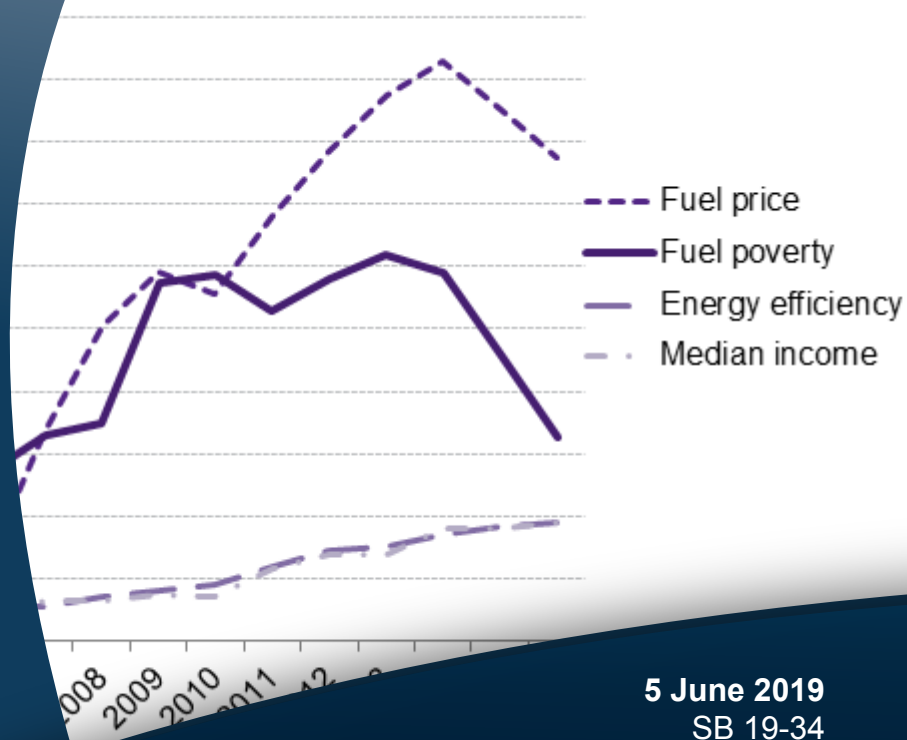
SPICe Briefing

Pàipear-ullachaidh SPICe

Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill: consideration prior to Stage 3

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This briefing summarises the main recommendations made by the Local Government and Communities Committee in its Stage 1 report and the Scottish Government's response. It also looks at the key amendments passed at Stage 2. Stage 3 will take place on 6 June 2019.



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Introduction

The Local Government and Communities Committee ("the Committee") was appointed lead committee for parliamentary consideration of the Bill. Table 1 lists the key dates for parliamentary consideration.

This is a relatively technical bill; therefore [a short glossary of terms is also included](#).

Table 1: Summary of Parliamentary Consideration

Stage	Date(s)
Bill introduced	26 June 2018
Stage 1 - general principles	
Local Government and Communities (LGC) Committee	21 November 2018, 5 December 2018, 19 December 2018
Stage 1 report: LGC Committee	29 January 2019
Delegated Powers and Law Reform Committee - report	28 November 2018
Scottish Government response to Stage 1 report	15 February 2019
Stage 1 Debate	20 February 2019
Stage 2 - detailed consideration	27 March 2019, 3 April 2019
Bill (as amended at Stage 2)	4 April 2019
Stage 3 – final consideration (plenary)	6 June 2019

About the Bill

After considerable consultation, the Scottish Government introduced the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill in June 2017. As is clear from its title, the Bill aims to:

- 1. Set a new target for the reduction of fuel poverty:** The Bill sets out the target of reducing the proportion of Scottish households in fuel poverty to no more than 5% by 2040. Applying the new definition to 2016 data, the rate currently stands at 24%.
- 2. Provide a new definition of fuel poverty:** The new definition calculates the proportion of household income required to maintain a satisfactory level of heating and meet the household's other reasonable fuel needs within the home. It also assesses the extent to which households can then maintain an “acceptable standard of living” once housing and fuel costs are deducted.
- 3. Require the Scottish Government to publish a fuel poverty strategy, and report on its progress every five years.** Within a year of Section 3's enactment, the Scottish Government must publish its long-term fuel poverty strategy setting out an approach to tackling fuel poverty, as well as documenting how it will report on progress towards the 2040 target.

For more background information, as well as analysis of the various provisions included in the Bill as introduced, please see the [SPICe Stage 1 bill briefing](#).

Parliamentary consideration

Stage 1 - key issues raised by the Committee

The Local Government and Communities Committee agreed with the general principles of the Bill at Stage 1. However, there were a number of areas where the Committee felt the Bill could be strengthened. The Committee requested the Government bring forward provisions at Stage 2 relating to the following:

Targets

- the addition of an interim target to help assuage concerns about the length of time between legislation and target date (2040)
- an additional target relating to the eradication of *extreme* fuel poverty
- provisions to ensure fuel poverty is eradicated across all local authority areas, in recognition of continuing regional disparities.

Definition

- recognition of the additional costs faced by island and remote rural households to be included in the Bill, particularly in relation to Minimum Income Standard calculations.

Reporting and monitoring

- 3-year reporting periods rather than the 5-year periods included in the Stage 1 Bill
- the creation of an independent scrutiny body to ensure robust and independent scrutiny of progress towards targets.

Scottish Government response to Stage 1 report

Interim targets

The Government agreed to bring forward amendments at Stage 2 setting out two interim targets. These are:

- that the fuel poverty rate will be no more than 15% by 2030
- by 2030, the median fuel poverty gap will be no more than £350 in 2015 prices.

Extreme fuel poverty

The Government committed to examining the options around defining extreme fuel poverty, with the aim of bringing forward proposals for a separate target at stage 2.

Local targets

The Scottish Government are reluctant to place statutory targets on local authorities. However, they committed to "assess the feasibility and consequences of meeting the 2040 5% target in each and every one of Scotland's local authority areas" and agreed to update the Committee on progress ahead of Stage 2.

Remote rural and island households within new definition

The Government confirmed that it would explore ways of including a mark-up in the Minimum Income Standard calculations for island and remote rural households, and committed to bring forward amendments at Stage 2.

3-year reporting period

The Government informed the committee that it was consulting with COSLA about the Committee's recommendation but were concerned that a more frequent reporting regime could impede delivery of schemes on the ground.

Independent scrutiny body

The Government rejected this recommendation, believing that setting up a statutory body could restrict the flexibility of the Fuel Poverty Advisory Panel. Mirroring concerns raised by COSLA, the Government felt that a new body could "risk diverting limited funding away from the core objective of supporting households out of fuel poverty".

Stage 2 - key amendments

There were 104 amendments lodged at Stage 2. This briefing does not attempt to deal with all of them. Instead, it discusses the main issues associated with the Bill at Stage 1, and how they have progressed through the Stage 2 process.

Target date

There was some disagreement during the March 27th Committee session regarding the Government's preferred target date of 2040. Deputy Convener, Alex Rowley MSP, as well as Andy Wightman MSP felt that the target was not sufficiently ambitious and argued that it should be brought forward to 2032.

The Local Government and Communities Committee's report had acknowledged that there was a difference of views at Stage 1 between those who considered the 2019-2040 period about right and those who thought the deadline should be brought forward:

"Organisations arguing for a 2032 target included West Lothian Council, Citizens Advice Scotland, the Rural and Islands Housing Association Forum, Inclusion Scotland, East Ayrshire Health and Social Care Partnership, the Existing Homes Alliance, and the Highlands and Islands Housing Associations Affordable Warmth Group. Energy UK argued that an earlier date "could help concentrate minds"¹.

The Scottish Government's position on this is that for the target to be met there must be a radical change in the way homes are heated in Scotland, specifically the development and diffusion of cost-effective, low carbon technologies. According to the Government, 2032 is too soon for these advancements to be made. At Stage 1, the Committee had accepted this argument on the condition that the Government bring forward amendments to make some of its interim milestones statutory.

Alex Rowley's amendments changing the target date to 2032 were rejected by 5 votes to 2.

Interim targets

The Government lodged a number of amendments introducing three new interim targets to the Bill. These are that in 2030:

- no more than 15% of households in Scotland are in fuel poverty
- no more than 5% of households in Scotland are in extreme fuel poverty
- the median fuel poverty gap of households in Scotland in fuel poverty is no more than £350 (in 2019 prices).

The year 2030 has been chosen because it is the mid-point between the first fuel poverty strategy being published and the 2040 deadline. The Government intends the interim targets to be "a practical means of maintaining the momentum of the fuel poverty strategy through to the final target date of 2040." ²

The amendments introducing the interim targets were agreed unanimously by the Committee.

Extreme fuel poverty and the fuel poverty gap

As confirmed in its response to the Committee's Stage 1 report, the Government lodged a number of amendments relating to targets for extreme fuel poverty and the fuel poverty gap. These were unanimously agreed by the Committee.

Extreme fuel poverty is now defined in the Bill, and a target has been set to reduce the rate to no more than 1% of Scottish households by 2040. The fuel poverty gap is also defined in the Bill, and a target has been set to ensure that the median gap is no more than £250 (in today's money) by 2040. Please [see the glossary for definitions](#).

Local authority area targets

Graham Simpson MSP lodged a number of amendments aimed at ensuring the 2040 target is achieved in every local authority area. This is to pre-empt the possible situation whereby the target is met nationally whilst rates are still above 5% in some of the less populous areas of Scotland. As discussed above, this was a key recommendation of the Committee's Stage 1 report.

The Government, as well as COSLA, were reluctant to accept statutory targets being placed on individual local authorities; however, Mr Simpson asserted that his amendments put "the onus on the Scottish Government to ensure that the target is met in each council area" ². After some debate, the Cabinet Secretary agreed to support the introduction of the following amendment (although a similar amendment to introduce a 2032 "interim" local authority target was withdrawn):

"The Scottish Ministers must ensure that the 2040 target is met in each local authority area."

The Committee agreed to this amendment.

Definition of fuel poverty - remote rural and island households

A great deal of scrutiny at Stage 1 focussed on the proposed definition of fuel poverty. The method adopted by the Government was generally welcomed by stakeholders and Committee members alike. Particular attention was given to the use of the Minimum Income Standard (MIS) to help identify households really struggling to pay their heating bills.

Nevertheless, evidence heard at Stage 1 highlighted the additional costs faced by remote rural and island households, which stakeholders felt the Bill had not taken into account. Committee Members, as well as Orkney MSP Liam McArthur, agreed and asked the Government to explore options around including an MIS "uplift" for such households.

There was significant correspondence between the Government and the Committee between Stage 1 and the beginning of Stage 2. The [discussion, which can be followed on the Committee's webpages](#), helped influence the Government's amendment, and on the second day of Stage 2 deliberation, the Committee agreed unanimously to the Government's proposal, with some minor changes suggested by Liam McArthur MSP.

The agreed amendments firstly require the Government to define "remote rural area", "remote small town" and "island area". Secondly, they compel the Government to introduce regulations requiring an additional calculation to be made to determine minimum income requirements for households in these areas³.

Definition of fuel poverty - household income considerations for people with disabilities

Jackie Baillie MSP had originally suggested an amendment to the Bill requiring a separate MIS calculation for households where a member of that household has a physical or mental impairment. However, this was considered a very expensive and complex option by both SPICe and the Scottish Government (costed at over £1 million).

After correspondence with Professor Donald Hirsch, Director of the Centre for Research in Social Policy at Loughborough University, an alternative was suggested by Ms Baillie. This requires the Government to deduct any "extra cost" benefits paid to the household, such as Attendance Allowance, Disability Living Allowance and Personal Independence Payments, from household incomes before the 10% of MIS calculation is applied. The Committee agreed with this approach and Jackie Baillie's amendments 99 and 100 were agreed to without division³.

Reporting requirements

The Scottish Government and COSLA expressed concerns about the Committee's desire to see 3-year reporting periods rather than the 5-year periods included in the Bill as introduced. COSLA felt that increasing the frequency of statutory reporting would place additional requirements on local government, which could potentially take resources away from front line services.

Deputy Convener Alex Rowley MSP did not accept these concerns. He lodged amendment 82 changing the reporting period from 5 years to 3, and this was agreed by the majority of the Committee.

Independent advisory panel

At Stage 1, the Committee heard a range of voices calling for an independent scrutiny body to be put in place to provide robust and independent scrutiny of fuel poverty strategies and progress made towards the 2040 and interim targets. As such, the Committee proposed that the already existing Scottish Fuel Poverty Advisory Panel be put on a statutory footing to carry out this role.

As discussed above, the Government initially rejected this suggestion. However, after Committee discussion at Stage 2, the Cabinet Secretary agreed to the concept of placing the Scottish Fuel Poverty Advisory Panel on a statutory footing, and committed to including an amendment at Stage 3.

The original Stage 2 amendment, lodged by Alex Rowley MSP and mostly accepted by the Government, capped the costs of the Panel at £20,000 in any single financial year.

Glossary

Extreme fuel poverty - the cost of meeting the household's assessed fuel needs must amount to more than 20% of the net income that the household has after it has paid its housing costs (rather than the 10% which is required for fuel poverty)

Fuel poverty gap - measures the *severity* of fuel poverty within a household. It is the annual difference between the fuel costs required to meet certain temperatures (as set out in the Bill) and 10% of the household's annual adjusted net income (again, set out in the Bill). In 2015 the median gap was almost £650.

Minimum Income Standard -The Minimum Income Standard (MIS), calculated by Loughborough University's Centre for Research in Social Policy (CRSP) and the Joseph Rowntree Foundation (JRF), aims to define what UK households need for a "minimum socially acceptable standard of living".

Remote rural - Areas with a population of less than 3,000 people, and with a drive time of over 30 minutes to a settlement of 10,000 or more. Remote small towns are settlements of 3,000 to 9,999 people and with a drive time of over 30 minutes to a settlement of 10,000 or more.

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- 1 Local Government and Communities Committee. (2018, January 29). Stage 1 Report on the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill. Retrieved from <https://sp-bpr-en-prod-cdnep.azureedge.net/published/LGC/2019/1/29/Stage-1-Report-on-the-Fuel-Poverty--Target--Definition-and-Strategy---Scotland--Bill/LGC-S5-19-02.pdf>
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