

Turning up the Heat

Benchmarking Fuel Poverty in Scotland



About Consumer Focus Scotland

Consumer Focus Scotland started work in October 2008. Consumer Focus Scotland was formed through the merger of three organisations – the Scottish Consumer Council, energywatch Scotland, and Postwatch Scotland.

Consumer Focus Scotland works to secure a fair deal for consumers in both private markets and public services, by promoting fairer markets, greater value for money, and improved customer service. While producers of goods and services are usually well-organised and articulate when protecting their own interests, individual consumers very often are not. The people whose interests we represent are consumers of all kinds: they may be patients, tenants, parents, solicitors' clients, public transport users, or shoppers in a supermarket.

We have a commitment to work on behalf of vulnerable consumers, particularly in the energy and post sectors, and a duty to work on issues of sustainable development.

www.consumerfocus-scotland.org.uk

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The report also incorporates key findings from a study on consumers' attitudes to energy efficiency, carried out for Consumer Focus Scotland by IPSOS Mori. Copies of both original studies are available from Consumer Focus Scotland on request.

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Summary

Consumer Focus Scotland works to secure a fairer deal for consumers, especially disadvantaged consumers, across Scotland. We have a particular interest in, and statutory remit in relation to, consumer energy and fuel poverty issues. The Scottish Government's agreed definition¹ of fuel poverty is that:

A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income (including Housing Benefit or Income Support for Mortgage Interest) on all household fuel use.

Three factors affect consumers' experience of fuel poverty:

- the cost of energy on which the household depends – in turn, influenced by the household's structure and energy needs
- household income
- the energy efficiency of the dwelling

Fuel poverty rates, in Scotland and in the UK, follow a similar pattern to energy prices. After falling in the 1990s, household energy costs more than doubled between 2002 and 2009. Research carried out by Ofgem as part of Project Discovery suggests that UK energy prices will continue to rise in coming years, and the implications are that, unless there are significant increases in income or improvements in energy efficiency, fuel poverty rates will also rise.

The consequences of fuel poverty are severe. Consumers in inadequately heated homes suffer from poorer health, including stress and mental health issues associated with debt, as well as increased risk of respiratory and heart conditions. Consumers struggling to pay bills will be forced to choose between using energy and other essential activities.

As a result, fuel poverty is a key issue for Consumer Focus Scotland, and for our partner organisations in Scotland. However, although there is clear understanding of the scale and importance of the problem, there is also clear recognition that addressing the factors underlying fuel poverty is complex:

- Energy costs are influenced by UK and international markets, and by the levels and systems of charging for additional levies on consumers. Changes in the way additional costs affect consumers require action at UK Government level
- The main structural factors affecting income for poorer households are taxes and benefits. These are determined at UK level; however the Scottish Government can and does carry out work to ensure that consumers claim all of the benefits to which they are entitled. Changes in patterns of income distribution clearly require political commitment and long-term action
- The Scottish Government has greater influence over energy efficiency measures. It has taken a range of actions to improve the energy efficiency of existing housing, and to set higher standards of energy efficiency for new housing. However, the largest single source of funding for energy efficiency is currently the Carbon Emissions Reductions Target (CERT), which is managed on a GB²-wide basis. CERT is driven both by environmental and social concerns

¹ <http://www.scotland.gov.uk/Publications/2002/08/15258/9955>

² Excluding Northern Ireland.

International comparisons show that levels of fuel poverty are higher in the UK than in comparable northern latitude European countries, despite absolute energy costs being higher elsewhere³. This is largely because comparable countries have, historically, had higher standards of energy efficiency. Although energy efficiency standards in Scottish housing have improved significantly in recent years, there remains a problem with houses built before standards were raised.

This background clearly shows the importance for consumers, both in Scotland and other UK countries, of delivering sustained improvements in energy efficiency, complementing more immediate work to reduce energy prices for consumers. However, the divisions of government responsibility mean that different approaches to addressing fuel poverty have been developed in each UK country. We therefore undertook this research in order to answer two key questions which affect the way we represent the interest of consumers:

- Official figures show that the proportion of fuel-poor households is significantly higher in Scotland than in England and Wales. Our aim was to explore the reasons for this – are the reported differences a consequence of real factors, like the effect of the Scottish climate, a result of the way numbers are calculated, or a mixture of both? This is important, because clear understanding of the real position at GB level is essential if we are to better target limited resources at those in greatest need
- In the areas where the Scottish Government has powers to act, we wanted to benchmark the approach taken against that adopted in other UK countries. We wanted to find out how far the Scottish policy response has already delivered solutions to consumers' needs, and also to know more about good practice in other UK countries from which Scotland could learn in the future

In response to these questions, the research found that there are both real and calculated differences in fuel poverty rates within the different UK countries:

- Differences in household income appear to be a significant contributor to the difference in fuel poverty between the countries. In particular, pensioner households in Scotland and Northern Ireland have lower incomes and a markedly greater probability of experiencing fuel poverty than pensioner households in England and Wales. There are smaller, but significant, differences for other vulnerable groups
- There are differences between the way household incomes are measured in Scotland and the other three countries, which are all likely to result in lower reported incomes and therefore raise fuel poverty figures. While none of these differences appears solely to be significant, it may be that together they are having a significant impact on the final figure. Similarly, there are differences in how heating needs and fuel costs are calculated which affect the final figures
- The colder climate very clearly contributes to higher levels of fuel poverty in Scotland. A family in the north of Scotland can spend 68% more on fuel use than the equivalent in the South of England, due mainly to the longer heating season⁴
- The energy efficiency of existing housing stock at national level is not a major reason for the differences between the four countries. However, a step change in the delivery of energy efficiency measures is critical to addressing fuel poverty, as energy prices and

3 'Fuel Poverty in Great Britain, Germany, Denmark and Spain - relation to grid charging and renewable energy' Xero Energy for Highland and Islands Enterprise, available at: <http://www.hi-energy.org.uk/General-Documents/Report%20on%20Fuel%20Poverty%20in%20Relation%20to%20Grid%20Charging%20and%20Renewable%20Generation.pdf>

4 UK Fuel Poverty Monitor 2008: The Wrong Direction: how UK Fuel Poverty Policy Lost its Way, Report by Energy Action Scotland and NEA reviewing the four energy efficiency programmes in Scotland, England, Wales and Northern Ireland, May 2008: <http://www.eas.org.uk/downloads/UK%20Fuel%20Poverty%20Monitor%202008.pdf>

changes in household structure are expected to put further pressure on fuel poverty numbers in Scotland

- Variation between housing types and the sources of energy used by consumers is an important factor in fuel poverty. In rural areas, the high proportion of older houses with solid stone walls, and of consumers without access to mains gas, combines to increase rates of fuel poverty. These issues are more pronounced in Scotland

The division of governmental responsibilities means that it is important to look at the actions taken by the UK Government, because these frame the actions which are most appropriate in Scotland and other UK countries. The research highlights a wide range of actions being undertaken at UK level:

- Measures have been undertaken, and further actions are proposed, to reduce energy costs for targeted groups by creating reduced price tariffs
- Energy suppliers have obligations, most significantly through CERT, to undertake energy efficiency work at GB level
- Changes have been made to the tax and benefits system in order to increase the incomes of disadvantaged consumers

The research also identifies three important points at UK level or in other UK countries, all of which need to be considered when developing policy approaches in Scotland.

Firstly, it is clear that suppliers' obligations represent the single largest source of funding for energy efficiency work available in individual GB countries. It also seems likely that there will be more emphasis on area-based approaches in future funding programmes.

Secondly, there is some blurring of the twin government aims of reducing climate change emissions and addressing fuel poverty. Clear understanding of the impacts of actions against each of these objectives is necessary.

Thirdly, despite the impacts of fuel poverty on health being the central driver of policy, there is surprisingly little evidence of linkage between health strategies and fuel poverty strategies at the point of delivery, in GB countries. Although links are better developed in Northern Ireland, there remains a clear need for a more joined-up approach across Governments in each UK country.

The Scottish Approach

Our research found that the Scottish Government's approach to addressing fuel poverty compares well to other UK countries in a number of respects:

- The Energy Assistance Package (EAP) aims to take a more integrated, holistic approach to fuel poverty. The EAP provides advice to consumers on energy efficiency and on maximising their income through benefit checks. It targets assistance more effectively at those who need it most than has been the case in the past, reflecting evaluation evidence and recommendations made by the Scottish Fuel Poverty Forum. The design of the EAP also aims to address concerns about lack of continuity at the point of delivery between different programmes and organisations, including GB-wide programmes delivered in Scotland. There is evidence that other UK countries will seek to replicate a similar approach in future

- It is notable that the reduction in fuel bills achieved, and the average increases in energy efficiency ratings as a result of the EAP, are significantly greater than those being reported by comparable fuel poverty programmes delivered in England and Wales⁵. Although there were initially concerns that the absolute numbers of households benefiting from EAP support were low, more work has since been carried out to increase take-up of the service⁶
- The Scottish Housing Quality Standard has driven significant improvements in the energy efficiency of social housing. There has been some, but less clear, progress in improving the energy efficiency of owner-occupier and private rented sectors. The Scottish Government has recently consulted on how best to take forward energy efficiency in these and other areas⁷

However, the scale of the problem means that a wider range of actions is needed:

- The resources available for the EAP are such that only a minority of fuel-poor consumers in Scotland will benefit from support in any given year⁸. While the EAP is an essential part of the overall strategy, further work will also be necessary to improve energy efficiency for all consumers, to address existing fuel poverty issues and to help reduce the risk of more households falling into fuel poverty
- Findings from our focus group research also show that, while disadvantaged consumers understand the theory behind energy efficiency, they face a range of practical barriers in making the changes required, some of which may affect take-up of energy efficiency services
- There are strong indications that, in the future, energy efficiency work will increasingly be delivered through area-based approaches. This type of approach has the potential to address some of the concerns raised by consumers, where the process is designed to reflect their needs. Area-based approaches have, in the past, been more developed in England and Wales
- Although Home Energy Conservation Act reporting requirements were more stringent in Scotland than in England in the past, fuel poverty issues do not appear in the majority of Single Outcome Agreements and indicators developed by Scottish local authorities. In England, the equivalent National Indicator Set includes a fuel poverty indicator for local authorities. Reporting against the indicator is mandatory, although only 30 authorities have adopted targets for it
- As at GB level, there is only limited evidence in Scotland of links between the health and fuel poverty agendas at the point of delivery

5 Comparison with outcomes from Warm Front reports, at <http://www.warmfront.co.uk/stakeholder-info.htm>

6 Energy Assistance Package performance statistics, available at <http://www.energysavingtrust.org.uk/scotland/Scotland-Welcome-page/At-Home/Energy-Assistance-Package/Programme-Statistics>.

7 Conserve and Save: A Consultation on the Energy Efficiency Strategy for Scotland, available at <http://www.scotland.gov.uk/Publications/2009/10/07160816>

8 Energy Assistance Package Performance statistics, *ibid*, suggest that just over 5,000 households contact the service each month, and, as EAP is a targeted scheme, not all will be eligible for support. By comparison, the Scottish Government estimated that around 618,000 households were in fuel poverty in 2008

The Way Forward

Consumer Focus Scotland is therefore calling for:

- a consistent approach to the measurement of fuel poverty in all GB and UK countries. Funding streams should, based on this information, more clearly reflect and target the real needs of consumers
- an expansion of area-based approaches to delivering energy efficiency, designed in ways which seek to maximise benefits in terms of both fuel poverty and climate change emissions reductions, so that Scotland is better able to take advantage of future UK funding for this approach
- changes to the indicators reported by Scottish local authorities, to more clearly reflect and drive work on fuel poverty in their areas
- clearer linkage between Scottish Government departments working on health and housing, to ensure a more integrated approach to addressing fuel poverty
- continued improvements in the standards of energy efficiency in the construction or refurbishment of homes in Scotland, comparable with standards in countries which do not experience fuel poverty, despite having harsher climates
- consideration of ways in which the energy efficiency of all housing stock can be further improved, without compromising access to housing

1. Introduction

Consumer Focus Scotland works to secure a fairer deal for consumers, especially disadvantaged consumers, across Scotland. We have a particular interest in, and statutory remit in relation to, consumer energy and fuel poverty issues. The Scottish Government's agreed definition⁹ of fuel poverty is that:

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- household income
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The consequences of fuel poverty are severe. Consumers living in inadequately heated homes suffer from poorer health, including stress and mental health issues associated with debt, as well as increased risk of respiratory and heart conditions. Consumers struggling to pay bills will be forced to choose between using energy and other essential activities.

As a result, fuel poverty is a key issue for Consumer Focus Scotland, and for our partner organisations in Scotland. However, addressing the problem is complex, because there are variations in the degree of government influence over different aspects of fuel poverty:

- Energy costs are influenced by UK and international markets, and by the levels and systems of charging for additional levies on consumers. Changes in the way additional costs affect consumers require action at UK Government level
- The main structural factors affecting income for poorer households are taxes and social security benefits. These are determined at UK level; however the Scottish Government can and does carry out work to ensure that consumers claim all of the benefits to which they are entitled
- The Scottish Government has greater influence over energy efficiency. It has taken a range of actions to improve the energy efficiency of existing housing, and to set higher standards of energy efficiency for new housing

Research carried out by Ofgem as part of Project Discovery suggests that UK energy prices will continue to rise in coming years, and changes in patterns of income distribution clearly require political commitment and long-term action. In addition, international comparisons show that levels of fuel poverty are higher in the UK than in comparable northern latitude European countries, despite absolute energy costs being higher elsewhere¹⁰, largely because comparable countries have, historically, had higher standards of energy efficiency. Although energy efficiency standards in Scottish housing have improved significantly in recent years, there remains a problem with houses built in the past.

9 <http://www.scotland.gov.uk/Publications/2002/08/15258/9955>

10 <http://www.hi-energy.org.uk/General-Documents/Report%20on%20Fuel%20Poverty%20in%20Relation%20to%20Grid%20Charging%20and%20Renewable%20Generation.pdf>

This background clearly shows the importance for Scottish consumers of delivering improvements in energy efficiency in the longer term, complementing current work to reduce costs for consumers in the short term.

However, the divisions of government responsibility for different aspects of addressing fuel poverty mean that there is potential for different approaches in each UK country. We undertook this research to answer two key questions which affect the way we work for consumers:

- Firstly, official figures show that the proportion of fuel-poor households is significantly higher in Scotland than in England and Wales. Our aim was to explore the reasons for this – are the reported differences a consequence of real factors, like the effect of the Scottish climate, a result of the way numbers are calculated, or a mixture of both? This is important, because the biggest single source of funding for energy efficiency is currently the Carbon Emissions Reductions Target (CERT), which is managed on a GB-wide basis. Clear understanding of the real position at GB is therefore essential if we are to better target limited resources at those in greatest need
- Secondly, in the areas where the Scottish Government does have powers to act, we wanted to benchmark the approach taken against that adopted in other UK countries. We wanted to find out how far the Scottish policy response has already delivered solutions to consumers' needs, and also to know more about good practice in other UK countries from which Scotland could learn in the future

1.1 Methodology

This was primarily a desk-based study. An initial literature review was undertaken to gather information on both fuel poverty rates. Although no primary data was gathered, a great deal of secondary analysis was undertaken, largely using publicly accessible material from House Condition Surveys for each UK country. The consultants also worked with the Scottish House Condition Survey team to model the impacts of the Scottish climate and of the higher temperature demands assumed necessary for older people in the Scottish model.

The second part of the study was also informed by the literature review. In addition, interviews were carried out with representative stakeholders from each UK country, to ensure that the findings were up to date and robust.

2. Fuel Poverty Rates and Differences across the UK

2.1 Overview

The first part of our research looked at trends in the number of households experiencing fuel poverty, at the ways numbers are calculated in each country, and the implications for understanding the differences in those numbers.

Figures published by the Department of Energy and Climate Change¹¹ show that some 4 million households were in fuel poverty in the UK in 2007. The long-term trend data show that fuel poverty numbers fell from around 6.5 million households in the UK in 1996¹² to a low estimate of 2 million in 2003, but have subsequently risen.

The fall and subsequent rise was mainly attributed to a similar pattern in the cost of gas and electricity for domestic customers, although other initiatives, such as those to tackle poverty and social exclusion, also played a part. Energy costs rose sharply in 2008, and have fallen only slightly since then – the estimate of 4 million does not take into account these rises, which means the current figure will be significantly higher.

International comparisons show that levels of fuel poverty are higher in the UK than in comparable northern latitude European countries, despite absolute energy costs being higher elsewhere¹³. The consequences of fuel poverty are severe. People living in inadequately heated homes suffer from poorer health, including stress and mental health issues associated with debt, as well as increased risk of respiratory and heart conditions¹⁴.

2.2 The UK Fuel Poverty Strategy

The UK Fuel Poverty Strategy,¹⁵ published in 2001, is the framework document for fuel poverty. It recognises that fuel poverty is more likely to affect certain vulnerable social groups, identified as:

- older householders
- families with children
- households where there is a disabled person resident
- households where there is someone suffering from a long-term illness

11 Annual Report on Fuel Poverty Statistics, Department of Energy and Climate Change, October 2009: <http://www.decc.gov.uk/en/content/cms/news/pn120/pn120.aspx>

12 Fuel Poverty Monitoring Indicators, Annex to the fuel Poverty Statistics 2009, Department of Energy and Climate Change, 2009: http://www.decc.gov.uk/en/content/cms/statistics/fuelpov_stats/fuelpov_stats.aspx. However, the UK Fuel Poverty Strategy published in 2001 quotes a figure of 5.5 million.

13 <http://www.hi-energy.org.uk/General-Documents/Report%20on%20Fuel%20Poverty%20in%20Relation%20to%20Grid%20Charging%20and%20Renewable%20Generation.pdf>

14 Energy Action Scotland, http://www.eas.org.uk/index.php?page_id=83

15 The UK Fuel Poverty Strategy is available at http://www.decc.gov.uk/en/content/cms/what_we_do/consumers/fuel_poverty/strategy/strategy.aspx

People in these higher risk groups are found in more than half of UK households, and have been estimated to account for around 85% of all the fuel poor in the UK¹⁶. In addition, many marginal households move in and out of fuel poverty for short periods, for example while changing jobs or studying. The overall target for the UK Fuel Poverty Strategy is¹⁷:

To ensure that, by 2010, no older householder, no family with children and no householder who is disabled or has a long-term illness need risk ill health due to a cold home.

Once progress has been made on these priority vulnerable groups, the focus will be widened to include those healthy adult householders in fuel poverty. Whilst they are at less risk of ill health, these householders still suffer from the other problems associated with fuel poverty.

Although separate targets exist for each of the Devolved Administrations, the overall aim is that no household in the UK should live in fuel poverty by 2018.

2.3 Fuel Poverty in Scotland

The number of households in fuel poverty in Scotland has changed over time, and shows a similar pattern of a fall to 2002, with a subsequent rise related to increases in energy costs. Table 1 shows trends in the households affected. It also shows the growing numbers of households in extreme fuel poverty, defined as needing to spend more than 20% of household income to meet acceptable standards of warmth¹⁸. The problems faced by these consumers are even more pronounced than for others in fuel poverty.

Table 1: Trends in Households in Fuel Poverty

	1996	2002	2003-4	2004-5	2005-6	2007	2008
Fuel poor	756	293	350	419	543	586	618
Extreme fuel poor	182	71	112	119	173	172	182

Source: Scottish House Condition Survey, 2009

2.4 Rates of fuel poverty across UK Countries

Although the broad trends in fuel poverty rates are similar to those at UK level, there are significant divergences between the recorded rates of fuel poverty in the four UK countries, with a distinct split between rates in England and Wales and those in Scotland and Northern Ireland.

¹⁶ Annual Report on Fuel Poverty Statistics, Department of Energy and Climate Change, October 2009: <http://www.decc.gov.uk/en/content/cms/news/pn120/pn120.aspx>, para 2.2.

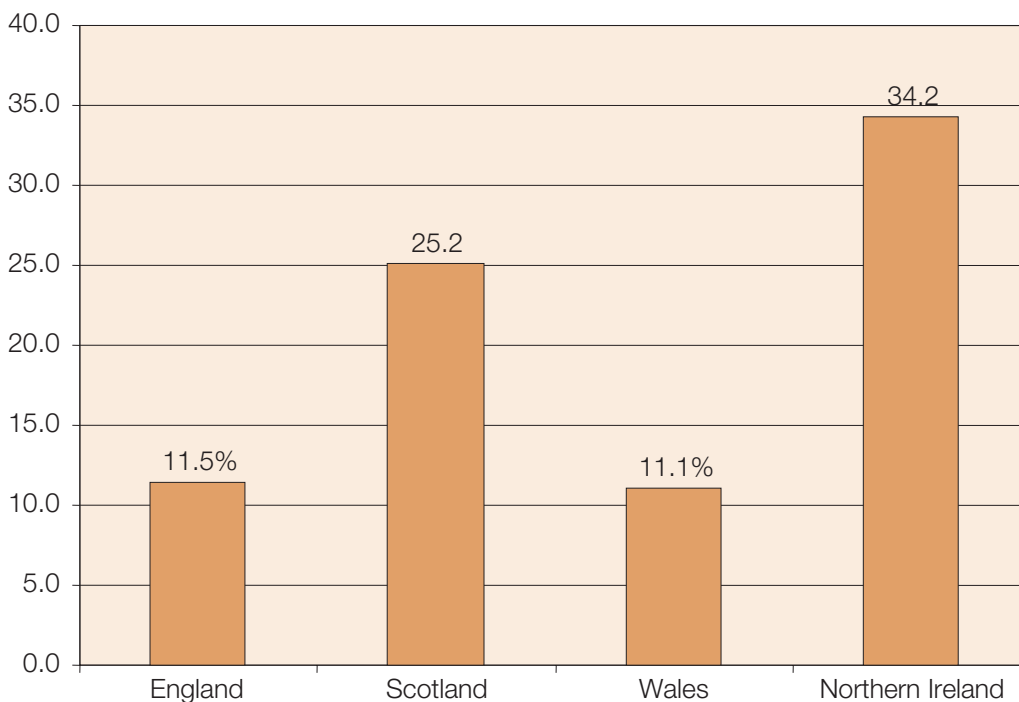
¹⁷ UK Fuel Poverty Strategy, op cit

¹⁸ Taken from Scottish House Condition Survey Key Findings 2007 available at <http://www.scotland.gov.uk/Publications/2008/11/26094921/4>. Note that the Scottish Fuel Poverty Statement (2002) reports the 1996 figure as 738,000 households.

Figure 1 below¹⁹ shows data for 2006, the most recent point for which comparative figures were available at the time this report was being prepared²⁰. Updated figures have subsequently been published for Scotland and England, but only estimates are available for other UK countries after that date.

The graph below shows that the rates of fuel poverty in Scotland and Northern Ireland in 2006 were, respectively, more than double and approximately three times those in England and Wales.

Figure 1: 2006 Rates of Fuel Poverty in the United Kingdom



Source: compiled from House Condition Survey Data for each UK country

The first part of our research examined the reasons for these differences. An early finding was that both ‘measured’ and ‘real’ differences in fuel poverty figures existed.

Measured differences occur because of the way the data has been gathered for the survey, but do not reflect real differences on the ground. For example, household income, which clearly affects the number of households in fuel poverty, is calculated differently in Scotland than in other countries. It is likely that there is a greater difference between the reported rates of fuel poverty as a result.

Real differences between the four UK countries include differences in climate and in the energy efficiency of housing.

¹⁹ Sources: EHCS Fuel Poverty Statistics – Detailed Tables 2006 (Table 1), SHCS Revised Key Findings 2007 (para 48), Fuel Poverty in Wales 2004 (Table B3.2c), Northern Ireland House Condition Survey 2006 (Table 6.12). In all cases unless otherwise stated, the charts presented will express data as a percentage.

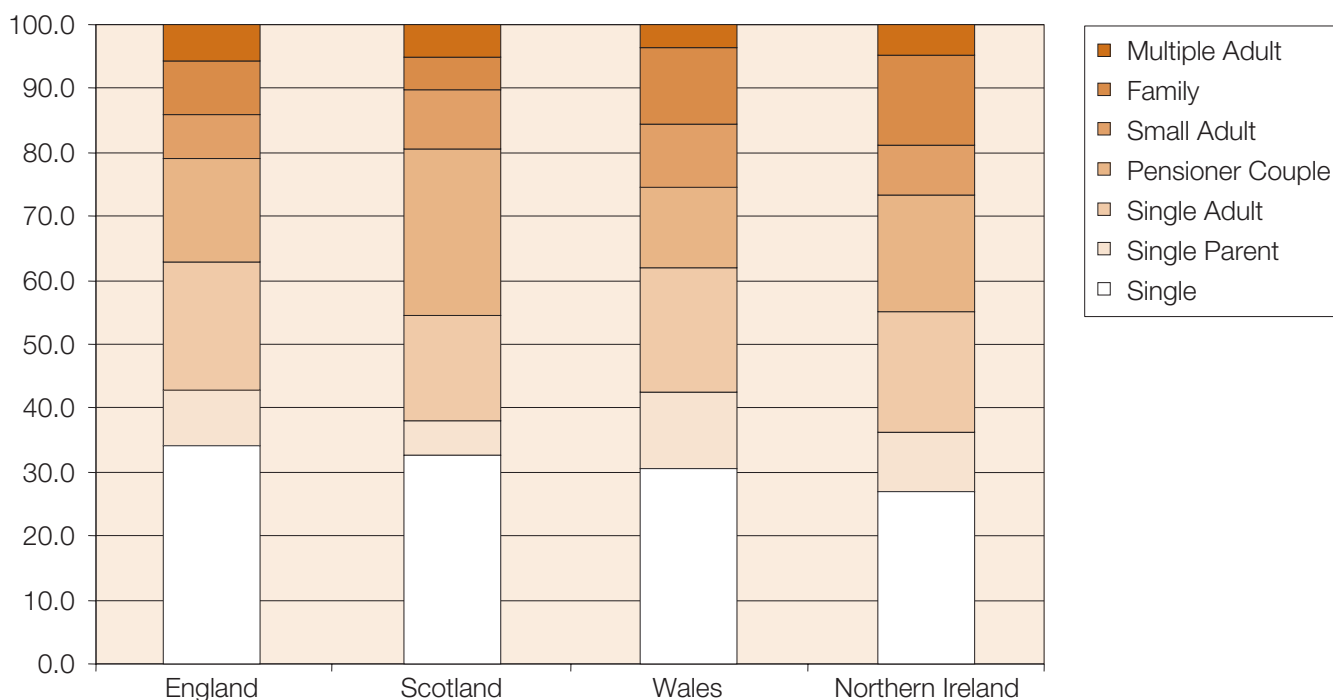
²⁰ The 2007 figures for England were released as this report was being finalised, and the Scottish figures for 2007 became available in December 2009. The figure for Wales will not be available until later 2010 and the reporting timeline for Northern Ireland was not clear.

In order to draw out the detail of these differences, the research team looked systematically at the way fuel poverty numbers are calculated in each country. They examined factors including demographic trends, household incomes, the effect of the Scottish climate, and the effect of different models of calculating fuel poverty²¹. A key finding, explored below, is that there are elements of both measured and real differences under each heading, making it very difficult to describe the real position accurately. However, it is possible to comment on the likely scale and implications of each element discussed.

2.5 Demographic Structures and Groups Vulnerable to Fuel Poverty

Figure 2 below shows the proportions of different groups experiencing fuel poverty in different UK countries. Single Pensioner households dominate the fuel poor in each of the four nations ranging from 27.1% of the fuel poor in Northern Ireland to 34.1% in England. The two other household types that are strongly represented within the fuel poor population are single parent and single adult households.

Figure 2: Distribution of fuel poverty by household type



Source: interpolated from House Condition Survey data

The research looked at household structure in each UK country to find out whether there were significant differences in the demographic structures of different countries. While no significant differences in the proportions of most groups were found, there are more single adult households in Scotland and Northern Ireland than elsewhere. This is important, because households with single adult households generally have lower incomes and are more at risk of fuel poverty.

21 The full research report is available from Consumer Focus Scotland on request. Only those issues which were highlighted as significant are included in this summary publication.

The conclusion from this part of the research was that higher rates of fuel poverty in Scotland are not, for the most part, a consequence of a higher proportion of vulnerable groups in the population as a whole; Scotland does not have a higher rate of fuel poverty among pensioners because there are proportionately more pensioners in Scotland than other UK countries, for example.

2.6 Measurement and Calculation of Household Income

Income differences

Differences in income between comparable groups in UK countries appear to be a significant contributor to the difference in fuel poverty between the countries. Two key findings were that:

- In all UK countries, single pensioners are more likely to be in fuel poverty than other household types. However, single pensioner households in Scotland and Northern Ireland have lower incomes and a markedly greater probability of experiencing fuel poverty than pensioner households in England and Wales. Pensioners in Scotland are two and a half times more likely to be in fuel poverty than in England, and the position in Northern Ireland is even more pronounced
- Single parent households in Northern Ireland, particularly, and also in Scotland, have lower incomes and a much higher probability of experiencing fuel poverty other household types. The rates of fuel poverty in this group are highest in Northern Ireland at 48.3%. The rates in Scotland are almost half this (25.0%) and those in England and Wales are almost half again (13.8% and 13.2%)

Measurement of income

It also became clear that there are a number of differences between how income is measured in Scotland and the other three countries, all of which are likely to result in lower reported incomes and, as a consequence, higher fuel poverty figures. The research therefore looked in detail at the way incomes are calculated. A number of points emerged:

- House Condition Surveys in each country are the main means of gathering information on income. Not surprisingly, survey questions about income and housing costs have a higher rate of refusal than others. Figures for these households are derived from other national sources, and the approaches used to gather this information are not clear
- If declared income is below the income support level expected for that household, surveys in England, Wales and Northern Ireland assume that income is topped up to income support level. In Scotland, however, the reported figure is used. This will clearly widen the gaps in reported incomes, and therefore in fuel poverty, between Scotland and other countries, but the scale of the issue is unclear. While it is possible that some Scottish households are under-reporting their income, it is also the case that some households in other UK countries do not claim benefits to which they are entitled – indeed, many anti-fuel poverty initiatives in all UK countries include an income maximisation service to address this issue
- In Scotland, only earnings of the householder and their spouse or partner are included when calculating household income. Income from, for example, adult children also counts towards the total in England, Wales and Northern Ireland, but is excluded in Scotland on the basis that adult children's income may not be available for household expenses. This is

likely to produce higher fuel poverty figures for Scotland. However, the difference is not likely to be significant, as the proportion of fuel-poor households with multiple adults is small (other than in Northern Ireland)

- Winter Fuel Payments are only added to the income figure in Scotland if the householder has indicated that they have received this payment. These payments are assumed to be received if the household qualifies in the other countries. This will be producing higher fuel poverty figures for Scotland, although, again, the difference is unlikely to be significant
- In Scotland, the cost of Council Tax is reported by the respondent whereas in England, the cost of the Council Tax payment is calculated from a Market Value Survey of the property²². Council Tax is an important deduction that contributes significantly to the fuel poverty calculation, but it is not clear whether this approach produces significant variations between Scotland and other UK countries
- Water and Sewerage charges, which typically form around 25% of the total Council Tax bill in Scotland, are collected at the same time as that tax, and are therefore deducted from income in Scottish calculations. Water and Sewerage charges are levied separately, and are not deducted from income in England, Wales or NI. This approach will lower fuel poverty figures in England, Wales and Northern Ireland, because water and sewerage charges are not an optional cost for the great majority of consumers
- The conclusion of the research was that none of these factors appear on their own to be significant in explaining the difference between fuel poverty numbers in UK countries. However, it may be that together these are having a significant impact on the final figure, as each of these individual factors is likely to widen the gap in reported figures between Scotland and other UK countries. This highlights the need for a consistent approach to gathering and analysing information, so that fuel poverty solutions reflect the real circumstances of those they are designed to assist

2.7 Fuel prices and Payment Methods

There is clearly a strong relationship between fuel prices and fuel poverty. The patterns of falling and rising fuel poverty in all UK countries are closely correlated to energy costs.

The research found no significant differences between the cost of fuels in Scotland, England and Wales for most consumers. There are, in contrast, significantly higher costs for domestic fuel in Northern Ireland, possibly as a result of lack of energy market competition. Higher prices, coupled with high reliance on more expensive heating methods, particularly fuel oil, contribute directly to higher fuel poverty rates in Northern Ireland. Fuel oil is also used for heating in much of rural Scotland.

There were also, until recently, higher electricity costs for consumers off the gas grid, because these consumers were unable to benefit from reduced costs as part of dual fuel offers. This would have a more significant effect on fuel poverty figures in Scotland and Wales, again affecting rural areas in particular, because a higher proportion of houses in both countries do not have a mains gas connection²³. Ofgem has recently introduced changes to energy markets which mean this is no longer the case²⁴.

²² The research was not able to establish what happens in Wales or Northern Ireland.

²³ Energy Action Scotland, http://www.eas.org.uk/index.php?page_id=83

²⁴ Consumer Focus Scotland recognises that many consumers in rural areas use electric heating, the cost of which, in turn is influenced by access to economy 7, economy 10 and dynamic teleswitching tariffs. We appreciate that choice for these consumers remains very limited.

There are also variations in the cost of fuel depending on payment method. There are three generic ways to pay for household energy – direct debit, standard quarterly credit and pre-payment. These are, in general, increasingly expensive for the same energy used by consumers, although some energy suppliers have reduced the differentials between payment methods recently. No account is taken of payment method in the Scottish House Condition Survey, which uses the average cost of fuel. Disadvantaged households are more likely to use expensive methods of paying for their energy. As a consequence, it is likely that the use of an average energy costs figure underestimates the prices paid by disadvantaged consumers, and will therefore underestimate fuel poverty as a result.

The Fuel Poverty Advisory Group (for England) explores the effect of changing tariff or payment method in its 6th Report²⁵. It states that, for 2006, of the 2.4 million fuel poor households in England, 750,000 of them could be moved from fuel poverty by switching to the best deal available to them, usually the cheapest direct debit tariff. This would be especially applicable to ‘marginally fuel-poor’ households, those having to spend just over 10% of income on energy.

2.8 Differences in the Energy Efficiency of Housing Stock

Energy efficiency is measured using the Standard Assessment Procedure (SAP), which gives houses a rating of 1-100; higher numbers reflect better energy efficiency²⁶. The housing stock in Scotland is more energy efficient than the stock in any other UK nation, with an average SAP rating of 57, compared to an average of around 50 in each of England, Wales and Northern Ireland²⁷.

The main reason for the energy efficiency of Scottish dwellings being higher than those elsewhere is likely to be the nature of the housing stock. Scotland has a higher proportion of flats than other UK countries²⁸ (36% of properties as opposed to 17% in England and 9% in Wales). Flats tend to be more energy efficient than houses because they are often smaller and have proportionately less external wall and ceiling area. However, these factors also make it harder to improve the energy efficiency of flats, because standard measures like loft or cavity wall insulation are not practical; there can also be administrative issues associated with improving the energy efficiency of blocks of flats when the agreement of all owners, including landlords, is required.

Another difficulty for Scotland in improving energy efficiency is that, where there are cavity walls, they tend to be wider due to different building codes and practices from those in England. An issue of greater significance in rural Scotland, and also in Wales, is the higher number of solid stone buildings which do not have cavity walls. These, together with some pre-fabricated, steel-framed and timber-framed buildings, are all described as ‘hard to treat’, because the cheaper methods of improving energy efficiency, particularly cavity wall insulation, cannot be used, and alternative approaches are much more expensive.

25 <http://www.berr.gov.uk/files/file45365.pdf>

26 <http://projects.bre.co.uk/sap2005/>

27 House Condition Surveys for each UK country

28 For Scottish figures see Scotland's People. Results from the 1999/2000 Scottish Household Survey. Volume 3: Annual Report. Duddleston et al, NFO System three Social Research and MORI Scotland for the Scottish Executive National Statistics Publication:

<http://www.scotland.gov.uk/stats/bulletins/00115/00115a-01.asp>

and the Estimates of Households and Dwellings in Scotland 2008, General Register Office for Scotland, 2009.:

<http://www.gro-scotland.gov.uk/files2/stats/gros-estimates-of-households-and-dwellings-in-scotland-2008/j1080803.htm>

Differences in the energy efficiency of countries' existing housing stock are not thought to be significant in explaining the different rates of fuel poverty between countries. However, it is important to emphasise that improvements in energy efficiency, alongside improving incomes, are critical in addressing fuel poverty.

This is illustrated by comparison with the position in other northern European countries²⁹, in which fuel poverty problems are much less pronounced, despite those countries having similar or higher energy prices and colder climates. Such countries have had higher standards of energy efficiency in housing for many decades. Following recent improvements, energy efficiency standards for new houses in Scotland are, increasingly, comparable to those in other northern European countries the problems are concentrated in older houses, built before the early 1990s, when standards were raised.

2.9 Climate

The colder Scottish climate clearly contributes to higher costs of heating, and therefore higher levels of fuel poverty in Scotland. A family in the north of Scotland can spend 68% more on fuel use than the equivalent in the South of England, due mainly to the greater need for heating³⁰; Table 2 was published in response to a Scottish Parliamentary Question³¹, and shows how modelled differences in energy costs in different Scottish locations, for a standard 3-bedroom house, compares to Bristol.

Table 2: Differences in Energy Costs across Scotland Compared with Bristol

Location	Postcode	Gas Central Heating	Electric Room Heaters	Gas Central Heating	Electric Room Heaters
		Energy (kWh)		% more than Bristol	
Braemar	AB35 5YL	16,100	9,800	65.2	66.8
Stornoway	HS1 2RN	15,800	9,500	61.8	62.1
Aberdeen	AB11 5QP	15,300	9,200	56.4	57.3
Edinburgh	EH15 1LF	12,100	7,300	23.9	24.2
Dundee	DD2 4PF	12,600	7,600	29.3	29.9
Glasgow	G3 6HB	11,700	7,000	19.7	19.9
Bristol	BS8 1HP	9,800	5,900	-	-

The study team worked with the Scottish Government's Scottish House Condition Survey Team to explore the impact of this issue on fuel poverty. They modelled the effect of climate on fuel poverty by assuming all Scottish houses experienced a similar climate to the English average, which is based on the climate in Sheffield. Using this technique, they calculated that fuel poverty in Scotland, based on 2006 figures, would fall from 25.2% to 22.7%.

29 <http://www.hi-energy.org.uk/General-Documents/Report%20on%20Fuel%20Poverty%20in%20Relation%20to%20Grid%20Charging%20and%20Renewable%20Generation.pdf>

30 UK Fuel Poverty Monitor 2008: The Wrong Direction: how UK Fuel Poverty Policy Lost its Way, Report by Energy Action Scotland and NEA reviewing the four energy efficiency programmes in Scotland, England, Wales and Northern Ireland, May 2008: <http://www.eas.org.uk/downloads/UK%20Fuel%20Poverty%20Monitor%202008.pdf>

31 The Scottish Parliament: <http://www.scottish.parliament.uk/Apps2/Business/PQA/default.aspx?pq=S3W-19556>

This relatively small difference occurs because the majority of the Scottish population lives in the central belt. However, it is clear that those living in rural areas, who are already at higher risk of fuel poverty because of other factors, are also more likely to experience the effects of a severe climate. There are also differences within England, with those in the North East being more at risk than those living in other regions. This illustrates the importance of ensuring that energy efficiency assessments across the UK reflect actual climate conditions.

2.10 Differences in How Energy Use is Modelled

There are two important differences between how energy use is modelled in Scotland and the other three countries.

Firstly, the Scottish model assumes that temperatures for all pensioner households – those in which someone is over the age of 60 are set at 23°C in the living area. Other UK countries use a figure of 21°C. Modelling undertaken as part of this research showed that if the temperature in the Scottish model was also set at 21°C for pensioner households, there would be a reduction in the overall rate of fuel poverty from 25.2% to 22.8%.

The Scottish approach also assumes that, in pensioner households, someone is at home all day. In other UK countries, this information is gathered from a direct question in the survey. In practice, it is likely that there is more variation between pensioner households than is suggested in the Scottish approach; many people over the age of 60 are still in work, or are otherwise active during the day. In contrast, there may arguably be more justification for higher heating requirements among the elderly (perhaps those over the age of 75) or for those whose mobility is restricted, for example.

Secondly, there are differences in the way the size of house relative to size of household is treated in each country. In England, Wales and Northern Ireland, where not all rooms are used in the house ('under-occupancy'), modelled energy bills are reduced. The effect can be dramatic for smaller households, reducing, for example, the theoretical cost of heating a three-bedroom semi-detached house occupied by an elderly couple by around one third. No account is taken of under-occupancy in Scotland.

The research suggested that 32% of all households in England are considered to be under-occupied, and so under-occupancy is likely to be playing a considerable role in the difference between the fuel poverty figures. However, it is also likely that the model understates the actual levels of fuel poverty in England, partly because extra rooms may be used at least part of the time, and partly because empty rooms and unused space are likely to absorb some of the energy used to heat the rest of the house.

A different approach was taken in Scotland in the past. The method used in the 1996 Scottish House Condition Survey was to assume that a 'minimum number of rooms plus one' was heated to take account of these issues.

2.11 Key Points and Discussion

The analysis in this chapter shows clearly that the rates of fuel poverty published for different UK countries vary for two reasons:

- In part, published rates vary because real conditions are different in different countries – most obviously, the Scottish climate means that households have greater heating requirements, and this position is even more pronounced in rural Scotland
- However, it is also clear that the methods used to calculate rates of fuel poverty differ. The net effect will be to increase the differences between the reported fuel poverty rates between Scotland and other UK countries

This is important because public funds to address fuel poverty are limited, and significant sources of support are administered at GB level. Consumer Focus Scotland believes that, where the available support is limited, it should be targeted towards those in greatest need. A consistent approach to the measurement of fuel poverty across UK countries is a pre-condition for accurate targeting of resources. Consumer Focus Scotland is aware that this process may involve changes to the targeting of existing fuel poverty policies and programmes, and we will work to ensure that the implications are clearly understood before any actions are taken.

3. UK Responses to Fuel Poverty

3.1 Overview

This chapter looks at public sector responses to fuel poverty at UK level. Many of the policy decisions which affect Scottish consumers are made at this level, and it is important to understand the UK framework in assessing work in Scotland. In line with the factors which influence fuel poverty (energy needs, prices and household income), the UK Fuel Poverty Strategy (2001) identifies three types of public sector response to fuel poverty:

- energy efficiency - programmes to improve the home energy efficiency of fuel poor households
- fuel costs – continuing action to maintain the downward pressure on fuel bills, ensuring fair treatment for the less well off and supporting the development of energy industry initiatives to combat fuel poverty
- household income – continuing action to tackle poverty, low incomes and social exclusion

The strategy was published at a time when energy costs had been falling consistently. There has, however, been a consistent increase in energy costs since 2002. The numbers of households experiencing fuel poverty have also increased. Gains made in energy efficiency and increasing incomes have been outstripped by rising energy costs: the achievement of the targets set out in the strategy is now further away than when it was published.

Looking forward, it is clear that there will continue to be significant upward pressures on energy costs³², including:

- increasing wholesale costs for fossil fuels as demand rises with economic recovery
- the need for investment in electricity generation capacity and grid infrastructure
- the impact of policies designed to reduce climate change emissions

It is also likely that there will be constraints on public spending over the next few years, which will in turn limit the scope for significant increases in household income, particularly for those dependent on welfare benefits.

Against this background, a strategic approach to improving energy efficiency will be critical to address fuel poverty for those currently suffering its effects, and to reduce the risk of other vulnerable consumers falling into fuel poverty in the future. In addition, significant improvements in energy efficiency of housing are also necessary to meet the commitments of both UK and Scottish Governments to reducing climate change emissions.

In 2009, Consumer Focus sought to quantify the scale of work required to address existing fuel poverty levels in England by improving energy efficiency. The study, *Raising the SAP*³³, modelled the effect of a retrofit programme to bring properties in England up to a target standard of SAP81, or EPC band B³⁴, comparable to standards required for new houses.

³² See, for example, Project Discovery, Ofgem, available at <http://www.ofgem.gov.uk/Markets/WhlMkts/Discovery/Pages/ProjectDiscovery.aspx>

³³ Raising the SAP Tackling fuel poverty by investing in energy efficiency, Report to Consumer Focus by the Association for the Conservation of Energy (ACE) and the Centre for Sustainable Energy (CSE) May 2009: http://www.consumerfocus.org.uk/en/content/cms/publications___repor/publications___repor.aspx

³⁴ The Standard Assessment Procedure (SAP) is a UK-wide method for assessing the energy efficiency of a building. An Energy Performance Certificate (EPC) is produced to give an indication of the heating and lighting costs of a building, and also includes low-cost suggestions for improving the energy efficiency of that building.

Raising the SAP calculated that this approach would remove 83 per cent of fuel-poor households from fuel poverty. However, it also estimated that this would require an annual expenditure of £3 billion for a seven-year period, based on the 2016 target date to end fuel poverty. Although no comparable figures as yet exist for Scotland, *Raising the SAP* does give an indication of the scale of financial resource required to address fuel poverty through energy efficiency; it takes no account, however, of changes in energy costs or of incomes.

In practice, the largest single source of funding for energy efficiency work is that created by obligations placed on suppliers by the UK Government, which is valued at around £1bn each year at present; in addition, a variety of smaller, but still significant, public sector initiatives apply in each UK country. Measures to address fuel poverty in Scotland must therefore take account of the GB context, to ensure both that the best use is made of funding available at GB level, and also that public sector resources in Scotland avoid duplication.

The paragraphs below outline trends in GB-wide initiatives, covering market measures and income measures, before looking in more detail at UK-wide energy efficiency.

3.2 GB Energy Market Measures

The UK Government has not intervened in the market at strategic level unless there is clear evidence of anti-competitive behaviour or market failure. The regulation of the market is carried out by Ofgem; a central part of Ofgem's role is to ensure the market is responsive to consumers' needs, and has undertaken a range of actions in support of this aim. Ofgem promotes the benefits of switching tariff or supplier as a means of reducing costs for all consumers. Ofgem also undertakes a range of activity targeted at vulnerable consumers. As part of its Fuel Poverty Action Programme, Ofgem issued guidance to the energy suppliers about social tariffs, a subsidised tariff specific to each supplier, and made available only to eligible consumers in target groups³⁵. In addition to the social tariffs, suppliers can count other initiatives toward the social spend target, such as:

- other rebates or tariff discounts³⁶
- funding for benefits checks
- funding for partnership work
- energy efficiency measures that are additional to statutory obligations
- the cost of aligning prepayment meters with lower tariffs where this is specifically aimed at vulnerable customers

Ofgem's report *Monitoring Suppliers' Social Programmes 2008-9*³⁷ comments that the identification of fuel-poor customers continues to raise difficulties for targeting support to those customers that most need it. Following a Fuel Poverty Summit in 2008, Ofgem has been working with the government to progress data-sharing arrangements. However, the report notes that some groups, such as low-income families with children below the age of five, continue to be difficult to identify and target.

35 Press Release: Social tariffs must equal suppliers' cheapest deals, Ofgem, 25 July 2008:
<http://www.ofgem.gov.uk/Media/PressRel/Documents1/Social%20Spend%20release%20final.pdf>

36 Historically, suppliers have developed and implemented specific products under this heading. The Energy Bill currently progressing through the UK Parliament is expected to provide mandatory levels of support, in the first instance, for poorer pensioner households.

37 *Monitoring Suppliers' Social Programmes 2008-9*, Report 104/09, Ofgem, 18 August 2009:
http://www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Documents1/Monitoring_suppliers_social_spend_2008_09_final.pdf

Ofgem Energy Supply Probe

In February 2008, Ofgem launched the Energy Supply Probe, which was an investigation into the markets in electricity and gas supply for households and small businesses. The package of remedies subsequently announced is being introduced between October 2009 and July 2010, and includes obligations on suppliers to:

- Improve the information they provide to customers on their bills by stating on each bill the name of their tariff, their annual consumption and illustrated projected cost for the following year. In addition, each consumer will receive an annual statement
- Help vulnerable and indebted consumers who are currently blocked from changing suppliers because of outstanding debts – the level of debt permitted has been increased from £100 to £200, and consumers have been given more time to pay their debts.
- Improve the conduct of sales and marketing activities
- Help small business consumers by providing them with better information regarding the terms and conditions of their contracts
- Improve the transparency of their supply and generation activities

Ofgem's Social Action Strategy and Action Plan also include a number of activities designed to have a positive impact on fuel poverty; the energy summit held in 2008 and the Energy Supply Probe also resulted in commitments to tackle the price differentials between customers using different payment methods, provide clearer information to customers, and introduce more effective data sharing to help with targeting vulnerable customers.

3.2 GB Approaches to Poverty and Social Exclusion

The third GB-wide aspect of work to tackle poverty is closely linked with wider policy to address social exclusion, and this has included a variety of changes to income and benefits systems including the introduction of tax credits and the minimum wage. While there is clearly a relationship between fuel poverty and low income, other research³⁸ has shown that many of the households moving into fuel poverty between 2000 and 2005 were not in income poverty, and as a result, the overlap between income poverty and fuel poverty has become less strong³⁹. The UK Government Energy Bill⁴⁰ makes provision for mandatory social tariffs, building on existing voluntary approaches.

At an individual country level, there is less that the devolved administrations can do, as income tax and benefits policies are set at UK level. However, the individual country grant schemes also provide advice on social tariffs and include a benefits check. Some local projects also include similar support.

3.3 Fuel poverty and health

There are significant links between fuel poverty and the health agenda – indeed the overall aim of the UK Fuel Poverty Strategy is framed in terms of health and wellbeing. More recently, the Welsh Assembly Government's draft Fuel Poverty Strategy⁴¹ highlights the strategic links

38 Cold and Poor: An analysis of the link between fuel poverty and low income, New Policy Institute for eaga charitable trust, July 2008: <http://www.npi.org.uk/reports/fuel%20poverty.pdf>

39 The report quotes the UK Government definition of a household as being in 'income poverty' if its equivalised household income is less than 60% of the average (median) household income. Ibid p13-15

40 To go before the UK Parliament in the 2009-10 session.

41 Available at <http://wales.gov.uk/consultations/environmentandcountryside/fuelpoverty/;jsessionid=1ty1LwQFhGKGZLL1GqR4cbZQ8nxLFw pq5dJkMnXBM5dj8L2p5Gq7!-1718541967?lang=en>

between fuel poverty and health, providing data on excess winter deaths as evidence. There is also strong recognition of links, for example in the guidance on minimum acceptable standards for housing in England and Wales, which references relevant research⁴².

However, there is less evidence of practical work across sectors at the point of delivery. As an exception to this, eligibility for support for energy efficiency services in Northern Ireland was extended to cover families with children under the age of five, on the basis of evidence of health impacts.

3.4 GB-wide Energy Efficiency Measures Delivered by Energy Suppliers

Overview

A key aspect of UK Government policy has been the creation of mechanisms which require larger energy suppliers to take action on energy efficiency. There has been a series of such initiatives; over time, both budgets and the range of measures available have widened. Broadly, recent and current programmes have been directed towards individual households, but there are now indications that future work will take an area-based approach.

Another key point is that programmes seek to combine the two government aims of reducing carbon emissions, while benefiting groups likely to be at risk of fuel poverty. The balance between these aims is not always clear.

Carbon Emissions Reductions Target

The current energy efficiency programme run by suppliers is the *Carbon Emissions Reductions Target* (CERT)⁴³. The range of actions that can be funded under CERT includes those which:

- directly improve energy efficiency
- increase the amount of electricity generated or heat produced by microgeneration
- promote community heating schemes powered wholly or mainly by biomass⁴⁴
- reduce the consumption of supplied energy, such as behavioural measures
- pilot innovative activity that could reasonably be expected to reduce carbon emissions, such as trialling a new technology or means of supplying information to customers

The design of CERT means that energy companies have an incentive to deliver measures at the lowest cost; a minimum of 40% of CERT spend is directed towards a priority group, but that group does not correlate directly with those most likely to be in fuel poverty. The UK Government has recently announced the addition of a super priority group, including poorer pensioners, low income families, and people with disabilities⁴⁵. An evaluation of the effect of measures funded under CERT and predecessor programmes from 2002-2011 was carried out for the UK Government⁴⁶ and concluded that these measures had the potential to remove over 100,000 households from fuel poverty in Great Britain. While welcome, this number is relatively

⁴² See for example Annex E, Selected References and Sources of Further Information, HHSRS Operating Guidance - Housing Act 2004: Guidance about inspections and assessment of hazards given under Section 9 ODPM 2006, available on <http://www.communities.gov.uk/documents/housing/pdf/142631.pdf>

⁴³ An outline of CERT is available at: http://www.decc.gov.uk/en/content/cms/what_we_do/consumers/saving_energy/cert/cert.aspx

⁴⁴ Biomass heat is generating from burning renewable materials, most commonly wood waste.

⁴⁵ DECC news release, June 2010, available at http://www.decc.gov.uk/en/content/cms/news/pn10_075/pn10_075.aspx

⁴⁶ Impact Assessment of Carbon Emissions Reduction Target 2008-2011, May 2007 http://www.opsi.gov.uk/si/si2008/em/uksiem_20080188_en.pdf

small in comparison to the total number of households in fuel poverty, showing the importance of targeting resources more closely.

It is also important to note that CERT is funded by a flat-rate levy on all consumers' bills, of the order of £45 each year for consumers of both electricity and gas⁴⁷. This is around 3.5% of the average consumer's bill, but still represents a significant sum to those in, or at the margins of, fuel poverty, especially for those with smaller energy bills, for whom the CERT charge represents a higher proportion of the total cost.

3.5 Area-based Initiatives

Consultations on the *Community Energy Saving Programme (CESP)*⁴⁸ and on the *Heat and Energy Saving Strategy (HESS)*⁴⁹ were issued by the UK Government in 2009. These documents suggested that, following the end of the CERT programme in 2012, future energy efficiency work funded through suppliers will take an area-based approach.

The rationale behind the change is that 'easy' energy efficiency measures will have been delivered to consumers who are motivated to seek them out by the time CERT comes to an end in 2012. After that, a more intensive approach will be needed, especially given the need to reduce climate change emissions.

Typically, features of an area-based approach are that all households in an area are contacted and offered either free or subsidised insulation measures, together with advice on both energy efficient behaviours and access, if appropriate, to other services such as benefit checks. Where services are delivered with the needs of the consumer in mind, there is potential to address a number of existing barriers around take-up of energy efficiency measures, including the hassle to consumers of identifying contractors and arranging for the work to be carried out. Consumer Focus Scotland has recently published a report detailing good practice in area-based energy efficiency schemes in Scotland⁵⁰.

The consultation document for the Heat and Energy Savings Strategy⁵¹ therefore implies a radical change to existing CERT approaches. It proposes that:

- all homes will, by 2030, receive a 'whole house' package including all cost-effective energy saving measures, plus renewable heat and electricity measures as appropriate
- all lofts and cavity walls will be insulated where practical by 2015
- new ways to provide financial support will be developed, so people can make more substantial energy saving and renewable energy improvements to their homes through mechanisms that allow costs to be more than offset by energy bill savings
- it proposes that: government considers whether a new delivery model is needed, to allow a more coordinated approach to rolling out improvements to homes and communities, house-by-house and street-by-street

CESP can be described as a pilot programme for this approach, which will run between October 2009 and December 2012.

47 <http://www.ofgem.gov.uk/Media/FactSheets/Documents1/updatedhouseholdbills09.pdf>

48 <http://www.communities.gov.uk/publications/planningandbuilding/communityenergysaving>

49 <http://hes.decc.gov.uk/>

50 Energising Communities: Learning from Area-Based Energy Efficiency Projects in Scotland, available at <http://www.consumerfocus.org.uk/scotland/publications/reports>

51 See Heat and Energy Saving Strategy Consultation http://hes.decc.gov.uk/supporting_documents

A variety of activities have been delivered through area-based approaches with emphasis varying, depending on the area concerned and agencies involved, on fuel poverty, financial savings and reductions in climate change emissions. Evaluations⁵² suggest that impacts on fuel poverty can be significant, depending on programme design, and can have benefits compared to centralised approaches in engaging consumers who might not otherwise contact such services, or who might be excluded from support if they do make contact.

However, there may also be tensions between the needs of reducing emissions and addressing fuel poverty – improved energy efficiency for fuel poor households is likely to result, at least in part, in consumers using the same amount of energy to achieve greater comfort, not necessarily to use less energy. In addition, there may be questions about the areas to be targeted; a focus on reducing emissions would tend to suggest that areas with high energy use (so likely to be better-off consumers) would receive attention first^{53 54}, and these areas would not always coincide with areas with high rates of fuel poverty.

Consumer Focus Scotland believes that more detailed consideration of this issue is necessary, particularly in Scotland, for the following reasons:

Firstly, the 2007 Scottish House Condition Survey data showed that fuel poverty rates in some rural local authorities were already in excess of 30% and, in the case of Western Isles Council (Eilean Siar), significantly higher at 49%⁵⁵. At these levels, an area-based approach has the potential to be more efficient and effective than a centralised programme which seeks to engage individual, targeted consumers, because of the associated economies of scale and transport. As part of the reason for higher rates of fuel poverty in these areas is dependence on heating oil and LPG, there will also be significant carbon savings.

More widely, trend data for changes in household structure⁵⁶ shows that the Scottish population is aging, and also that the number of single-person households is growing. Both of these groups are vulnerable to fuel poverty, and there is an argument – especially in the context of rising energy costs – that the widespread installation of low-cost energy efficiency measures will help avoid rising rates of fuel poverty in future.

However, the current UK Government approach CESP uses Indices of Multiple Deprivation to target area-based approaches. Such measures are not always useful when looking at deprivation in rural areas⁵⁷, because disadvantaged rural consumers often do not live in disadvantaged communities. Therefore, large-scale area-based approaches to improving energy efficiency could result in those in rural and remote areas being ignored or left to last. In addition, concentrating on areas of deprivation may in fact disadvantage those in fuel poverty; there has been a marked improvement in the energy efficiency of social housing in recent years, and so the proportion of the fuel poor living outside deprived areas has risen.

52 Review of the market for CESP community partnerships, Centre for Sustainable Energy and Association for the Conservation of Energy, November 2008: <http://www.ukace.org/publications/ACE%20Research%20%282008-12%29%20-%20Review%20of%20the%20market%20for%20CESP%20community%20partnerships.pdf> and Achieving Our Potential, WWF Scotland, October 2009 http://assets.wwf.org.uk/downloads/achieving_our_potential.pdf

53 Detailed relationships between income and carbon footprint in the UK are being explored in current research by the Centre for Sustainable Energy, supported by the Joseph Rowntree Foundation.

54 Those with high energy needs in inefficient houses – a group targeted by the existing Energy Assistance Package are an exception to this.

55 Scottish Government data shows that, in 2007 before significant price rises, fuel poverty rates in Eilean Siar were at 49%. Rates in Aberdeenshire, Argyll & Bute, Dumfries & Galloway, Highland, Orkney, Perth & Kinross, and Shetland were all 30% or over. <http://www.scotland.gov.uk/Topics/Statistics/SHCS/LA0407>

56 See, for example, Chapter 2 of Conserve and Save <http://www.scotland.gov.uk/Publications/2009/10/07160816>

57 See, for example, comments at <http://www.scotland.gov.uk/Topics/Statistics/sns/ufcgyufdt/SNCSIMDWebDevelopmentBlog>

3.6 Pay As You Save

The UK Government has recently announced its commitment to implement a Pay As You Save scheme (footnote ref: DECC news release http://www.decc.gov.uk/en/content/cms/news/pn10_063/pn10_063.aspx), which will enable many consumers to install energy efficiency measures and pay back the investment over time through their bills, while still benefiting from lower costs.

While this approach is likely to bring benefits for better off consumers, there are two concerns⁵⁸

- Firstly, FPAG suggest that, as many of those in fuel poverty under-heat their homes at present, the potential for savings to pay back the loans will be limited.
- Secondly, potential investors may be less interested in lending to poorer households because of the risks involved.

3.7 Key Points

The division of government responsibilities in relation to fuel poverty means that it is important to look at the actions taken by the UK Government, because these frame the actions which are most appropriate in Scotland and other UK countries. The research highlights a wide range of actions being undertaken at UK level:

- Measures have been undertaken – and further actions are proposed - to reduce energy costs for targeted groups by creating reduced price tariffs.
- Changes have been made to the tax and benefits system to increase the incomes of disadvantaged consumers.
- While these measures are welcome, it is clear that longer-term price rises are likely, and that more emphasis on energy efficiency work is necessary in response. Energy suppliers have obligations to undertake energy efficiency work at GB level.

The research also identifies three important points at UK level, all of which need to be considered when developing policy approaches in Scotland:

Firstly, it is clear that suppliers' obligations represent the single largest source of funding for energy efficiency work available in individual GB countries. It also seems likely that there will be more emphasis on area-based approaches in future funding programmes.

Secondly, there is some blurring of the twin government aims of reducing climate change emissions and addressing fuel poverty. Clear understanding of the impacts of actions against each of these objectives is necessary.

Thirdly, despite the impacts of fuel poverty on health being the central driver of policy, there is surprisingly little evidence of linkage between health strategies and fuel poverty strategies at the point of delivery, in GB countries. Although links are better developed in Northern Ireland, there remains a clear need for a more joined-up approach across government.

58 Explored in the Fuel Poverty Advisory Group 8th annual report, (2009) about its effectiveness in relation to fuel poverty

4. Fuel Poverty Initiatives in Scotland

4.1 Overview

The Scottish Fuel Poverty Statement was published by the Scottish Executive in August 2002⁵⁹. It reflected the approach set out in the UK Fuel Poverty Strategy and drew on advice provided by the Fuel Poverty Advisory Group, established to advise the Scottish Executive on its forward strategy.

The Statement sets a target to eliminate fuel poverty, as far as is reasonably practicable, by November 2016. The overall aim was to have reduced fuel poverty by 30% from the 2002 figures by 2006, and it includes a commitment to set further targets for 2010 and onwards using the new stock condition survey data.

It is clear from Chapter 2 that key areas of policy around incomes policies and energy pricing are outwith Scottish control. However, there are ways in which the Scottish Government can address fuel poverty directly both now and in the future, by:

- maximising benefits from current and future GB programmes
- providing information and grants on energy efficiency and heating improvement measures
- promoting benefits take-up and support
- advising on energy tariffs
- supporting area based initiatives and local action
- setting higher energy efficiency standards for new buildings
- improving housing standards in social and private housing
- requiring local authorities to address fuel poverty in their areas

4.2 CERT in Scotland

In 2008, the Scottish Government, following research carried out by the Energy Savings Trust, established the Scottish CERT Strategy Steering Group. It was made up of representatives from the Scottish Government, the energy supply companies, Ofgem and the Energy Savings Trust. Reviews of CERT and predecessor programmes had shown that annual spending and savings were around 22% lower than what would be expected on a pro-rata basis, equating to a loss of around £18 million of CERT spend per annum there is no obligation on suppliers to deliver minimum amounts of activity in each of the countries. The group developed a strategy⁶⁰ to address this issue, identifying a number of ways that CERT activity and spend in Scotland could be maximised by:

- improving delivery structures, including the promotion of area-based schemes, to ensure that mainstream CERT spend on measures such as cavity wall insulation in Scotland is as easy and cost effective as possible for energy supply companies

59 The Scottish Fuel Poverty Statement, Scottish Executive, 2002: <http://www.scotland.gov.uk/Resource/Doc/46951/0031675.pdf>

60 Securing our share: A CERT Strategy for Scotland, The Scottish Government, June 2009
<http://www.scotland.gov.uk/Publications/2009/06/12132543/0>

- removing duplication between CERT and the Scottish Government's fuel poverty programmes
- focusing on measures to provide opportunities for CERT in relation to hard-to-treat and off-gas-grid homes, which are covered by CERT but which form a greater proportion of all homes in Scotland

4.3 Grants and Insulation Programmes until April 2009

Scotland had two main grants programmes which ran until April 2009:

Warm Deal

Between its inception in 1999 and 2008, the Warm Deal programme insulated 279,743 homes, at an investment cost of over £378 million. It provided:

- a grant up to £500 for a package of insulation measures to households in receipt of one of a range of passport benefits across a wide range of consumers. The package of measures included: cavity wall insulation, loft, tank and pipe insulation, draught proofing, four energy efficient light bulbs and energy efficiency advice
- a smaller grant up to £125 for pensioner households not on benefit
- a benefits health check

Central Heating Programme

Between its launch in 2001 and the end of March 2008, the Central Heating Programme delivered 96,496 systems. When launched, the programme was available to all private sector households with at least one occupant aged 60 or over without a heating system, or with a heating system that had irreparably broken down. It was extended in 2004 and then again in 2007 to include upgraded heating for targeted households with partial or inefficient systems. In May 2008, eligibility was revised again. Those who qualified were:

- pensioner households who had never had a central heating system (linked heating to two or more rooms)
- pensioner households in receipt of the Guarantee Element of Pension Credit or over 80 years old who had a system broken beyond repair

The package of measures included insulation and a benefits entitlement check, in addition to the central heating system itself.

4.4 Energy Assistance Package (EAP)

In 2008, the Scottish Fuel Poverty Forum was re-established, with the remit of reviewing progress towards the 2016 target⁶¹. The review highlighted the need for reform of the grants programmes to remain on track to meet the target, particularly in the light of rising fuel prices. It recommended reform of the Warm Front and Central Heating Programme grants schemes to improve targeting on fuel poor households, and also emphasised the benefits of a system which brought together energy efficiency and income maximisation advice. The Forum also took into account the findings of the CERT Strategy Steering Group, which had identified duplication between the Warm Deal and Central Heating programmes and potential CERT activities.

The design of the Scottish Government's Energy Assistance Package (EAP), managed by the Energy Saving Trust, clearly addresses these issues⁶². The EAP brings together four services through a single contact number for Scotland, transferred automatically to regional providers:

1. energy advice is available to everyone
2. benefits checks and advice on social energy are provided for those on low incomes or who are having problems heating their homes
3. pensioner households and those on benefits are referred to energy providers for support through their CERT programmes
4. enhanced energy efficiency measures are available to the most vulnerable households, supported by Scottish Government funding. Target groups were originally defined as those who live in an energy inefficient home with a SAP rating of less than 38, equivalent to an Energy Performance Certificate (EPC) rating of F or G. This criterion was widened in November 2009 to include E-rated houses, equivalent to a SAP rating of 54 or lower⁶³. Eligible consumers living in these houses must also
 - be aged 60 or over and have never had central heating
 - be aged 60 or over and in receipt of a qualifying benefit
 - have a child aged under 5 and are in receipt of a qualifying benefit
 - have a disabled child aged under 16 and are in receipt of a qualifying benefit
 - be pregnant and in receipt of a qualifying benefit

In most cases, the maximum public sector grant is £4,000 although in some cases, if this is not enough to bring the home up to a reasonable level of energy efficiency, it may be up to £6,500. The following table shows the outcomes delivered by the EAP from its launch in April 2009 until the end of March 2010:⁶⁴

61 Scottish Fuel Poverty Forum Annual Report 2009-10

62 Energy Assistance Package: <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/access/FP/eap>

63 Scottish Government news release <http://www.scotland.gov.uk/News/Releases/2009/11/03162106>

64 <http://www.energysavingtrust.org.uk/scotland/Scotland-Welcome-page/At-Home/Energy-Assistance-Package/Programme-Statistics>

Table 3: EAP Outcomes Delivered April 2009 to February 2010

Estimated outcome of help during year to March 2010 (excludes legacy Central Heating Programme and Warm Deal)	TOTAL	AVERAGE (For those helped)
Increase in income, all households helped (£ per annum)	£2,419,747	
Increase in income for pensioner households (£ per annum)	£1,655,500	£1,681
Increase in income for families and other non-pensioner households (£ per annum)	£764,247	£2,241
Reduction in annual fuel bills from switch to social tariffs (£)	£255,313	£118
Reduction in annual fuel bills from switching payment type (£)	£31,056	£128
Reduction in fuel bills due to energy efficiency measures (£ per year over lifetime of measures)	£295,616	£115
Increase in energy efficiency of homes receiving stage 4 measures (SAP points)	n/a	30
Reduction in carbon dioxide (tonnes CO2 over lifetime of measures)	393,868	47

Source: Scottish Fuel Poverty Forum Annual Report 2009-10

The research compared outcomes from the EAP to those generated by parallel fuel poverty programmes in England⁶⁵, and found that the benefits per household from the EAP compare well. A related finding was that there are difficulties in comparing the effectiveness of initiatives to address fuel poverty generally, because the coverage, monitoring and reporting timescales for individual projects and programmes vary considerably.

The budget for the EAP in 2009-10 was just over £60m⁶⁶. No formal targets for the number of consumers benefiting from different stages were published, because the change of approach from previous programmes was judged to make it difficult to set targets. The intention is to develop targets for future years, based on actual performance in 2009-10.

In practice, the absolute numbers of households benefiting from the EAP were initially lower than hoped, but take-up has grown throughout the autumn and winter of 2009-10. Contacts and outcomes are shown in the following table:

⁶⁵ Warm Front annual reports, available at <http://www.warmfront.co.uk/stakeholder-info.htm>

⁶⁶ <http://www.scotland.gov.uk/News/Releases/2009/02/27103532>

Table 4: Energy Assistance Package: Outcomes

	Estimated to end March 2010
Households in contact about the Energy Assistance Package	69,348
Households taking up offers of help	67,144 households (114,080 people)
Energy saving advice (incidences – some households asked for advice more than once)	81,933
Income maximisation referrals (people)	11,095
– Resulting in increased income (pensioner households only)	1,326
Social tariff referrals (by household fuel)	20,055
– Resulting in move to social tariff	2,167
– Resulting in payment type switching savings	243
Households referred for stage 3 (energy efficiency measures)	9,263
– Resulting in installations of insulation by March 31st	2,576
Households referred for stage 4	15,066
– Improvements to building fabric (2009-10 budget)	Up to 1,500
– Improvements including heating system measures (2009-10 budget)	At least 11,500
Referred for other CERT schemes (callers self-identified as fuel poor but not eligible for stages 3 or 4)	4,400

Source: Energy Savings Trust (www.est.org.uk)

Energywatch Scotland, one of Consumer Focus Scotland’s predecessor organisations, contributed towards the Scottish Fuel Poverty Forum’s review, and Consumer Focus Scotland is now a member of the Forum. We believe that the rationale behind the design of the EAP and the approach of targeting limited resources at those in greatest need remains valid, and we are working to encourage further take-up of the services offered. However, we also appreciate that, given the limited resources available under the EAP, there will be a need for further measures to promote energy efficiency, to address fuel poverty more widely, and to reduce the risk of fuel poverty for consumers in the future.

Our research on attitudes to energy efficiency among disadvantaged consumers are also relevant here. The findings from focus group work show clearly that, although there are high levels of understanding of the theory of energy efficiency, consumers identify barriers associated with the process of installing appropriate measures. These barriers included convenience, cost, and lack of detailed understanding of the benefits of different energy efficient behaviours, as well as issues around the process of installing insulation or other measures, and identifying and dealing with contractors.

It is possible that area-based programmes can have advantages over centralised services in addressing these barriers, because they offer the chance to provide tailored advice for consumers in their own homes. They can also remove, or at least reduce, issues around the hassle of dealing with installation work.

More widely, work to improve the energy efficiency of all housing in Scotland will be necessary, especially when the need to reduce climate change emissions is taken into consideration. Area-based schemes offer a means, in line with social marketing theory, to generate momentum for energy efficiency work at community level.

4.5 Area-based Approaches and the Home Insulation Scheme

The Home Insulation Scheme (HIS) is the first Scottish Government led area-based programme in Scotland, although a number of other such schemes have been run with ad-hoc funding,⁶⁷ including support from the Scottish Climate Challenge Fund⁶⁸.

The HIS was launched in May 2009, and is managed by the Energy Savings Trust⁶⁹. The scheme offered to help up to 100,000 households, at a cost of £15m. Local authorities submitted bids for projects in their areas.

Consumer Focus Scotland believes that, in terms of addressing fuel poverty, there are both advantages and possible drawbacks to area-based programmes. Positively, there is some evidence that targeted area-based programmes⁷⁰:

- have high rates of take-up, especially where offering free measures regardless of household income
- engage communities as a whole, generating momentum which can help identify and engage consumers who might not otherwise access centrally provided services
- assist those in fuel poverty who would not otherwise qualify for assistance under closely targeted schemes
- provide opportunities to discuss energy use with individual consumers tailored to their personal circumstances

On the other hand, there is an argument that area-based programmes, especially those aiming to reduce carbon emissions as the primary goal, direct resources to consumers other than those in greatest need.

It is, however, clear that the future direction of GB-wide programmes means that more area-based work is likely. Consumer Focus Scotland believes that there may be a case for more area-based work, particularly in rural areas where rates of fuel poverty are significantly higher at local authority level, and where there will also be economies of scale from concentrating work for contractors. We are therefore carrying out further research to explore these issues in more detail, and we will use the results to help inform the design and targeting of area-based approaches in the future.

67 WWF Scotland, *Street by Street, House by House* conference report, forthcoming

68 Climate Challenge Fund projects, as the name suggests, tend to focus on carbon reduction to greater extent than on fuel poverty, but a number of projects monitor impacts against both indicators. A list of project is available at <http://www.infoscotland.com/gogreener/33.html>

69 <http://www.energysavingtrust.org.uk/scotland/Scotland-Welcome-page/At-Home/Home-Insulation-Scheme>

70 See, for example, http://scotland.wwf.org.uk/what_we_do/changing_the_way_we_live/low_carbon_homes22/street_by_street/

4.6 Building Standards and Energy Efficiency

The table below, taken from the 2008 Scottish House Condition Survey⁷¹, shows the distribution of different levels of energy efficiency across housing types in Scotland.

The data show clearly that private sector housing, and in particular the private rented sector, is significantly less energy efficient than housing in the social sector. In addition, other data in the survey show that improvements in the social sector have been faster than in the private sector. It is important to note, however, that the private rented sector accounts for only around 10% of all homes in Scotland (approximately 230,000) – the absolute numbers of poorly rated houses in the owner-occupier sector remain higher.

Table 5: Energy Efficiency Across Housing Types on Scotland

Tenure	Poor	Moderate	Good	Total	Unweighted sample size
Owner occupier	3	53	43	100	1962
Private-rented	10	51	40	100	265
LA / other public	1	34	64	100	418
HA / co-op	2	28	70	100	361
Prvte sector total	4	53	43	100	2227
Social sector total	1	32	67	100	779

Extract from Table 9, Scottish House Condition Survey Key Findings 2008

The Scottish Government has recently published *Conserve and Save: A Consultation on the Energy Efficiency Strategy for Scotland*.⁷² A substantial part of the consultation document explores issues around energy efficiency in the housing sector. It provides background on recent activities undertaken to improve the energy efficiency of all housing, together with possible approaches and mechanisms for improvements in the future, particularly in relation to the Private Rented Sector.

Consumer Focus Scotland agrees that the data shows action is required, although we would want any forthcoming regulation to take into account possible wider effects on the housing market – we would not support regulation which had the unintended side effect of restricting housing supply. We are currently carrying out research to explore possible options for regulation of all housing sectors, including both the private rented and owner occupier sectors, taking into account experience from other countries.

71 <http://www.scotland.gov.uk/Publications/2009/11/23090958/0>

72 <http://www.scotland.gov.uk/Publications/2009/10/07160816>

4.7 New Buildings

The Scottish Building Standards Agency carried out an international comparison of energy standards in building regulations in 2007.⁷³ The research found that minimum standards applying in Scotland at that time would not meet minimum standards in the Nordic countries, but that the differences in standards were explained largely by the climates of the countries concerned. It is also important to note that Scottish building standards specify an outcome, in terms of the carbon dioxide emissions per square metre of the house, rather than providing detailed specifications for building materials or construction techniques. This approach is taken to encourage innovation; there are, however, ‘backstop’ measures which require minimum levels of energy efficiency for each element of the building, such as windows or wall insulation.

For these reasons, making direct comparisons is not straightforward. However, it is clear that, over the last 20 years, there has been progressive improvement in energy efficiency standards required of new homes.

This process is continuing, following the Sullivan Report⁷⁴ which recommended staged increases in energy standards in 2010 and 2013 to meet an aim of net zero carbon emissions for space heating, hot water, lighting and ventilation by 2016.

The Scottish Government has announced that, from October 2010, new building standards for homes and non-domestic buildings will reduce carbon emissions by 30% beyond current standards – this is slightly more stringent than standards in England and Wales, which require a 25% reduction in emissions. These changes for new housing will reduce both climate change emissions, and the risk that householders will suffer fuel poverty. However, for the most part, building regulations have no influence over the energy efficiency of existing buildings, other than in the case of refurbishment.

4.8 Social Housing: the Scottish Housing Quality Standard

The Scottish Executive’s consultation paper *Modernising Scotland’s Social Housing*, issued in March 2003, set out proposals for national standards based on a minimum set of quality measures for all houses in the social rented sector (‘the Scottish Social Housing Standard’)⁷⁵. In 2004, Scottish Ministers announced they would bring in a cross-tenure Scottish Housing Quality Standard,⁷⁶ which, among other aspects, requires housing to be free from serious disrepair and dampness, energy efficient, healthy, safe and secure.

Guidance notes were later issued which clarified the energy efficiency requirements. The overall aim is to bring properties up a minimum SAP rating of 50, or of 60 for off-gas-grid housing; new housing, on current standards, would score at least 80 on the same scale. Local authorities and registered social landlords are required to ensure their stock meets the standards by 2015. The guidance also recognises that local authorities will have a role to play in

73 International Comparison of Energy Standards in Building Regulations: Denmark, Finland, Norway, Scotland and Sweden

74 A Low Carbon Building Standards Strategy For Scotland (The Sullivan Report). Report of a panel appointed by Scottish Ministers, Chaired by Lynne Sullivan, 2007, Scottish Building Standards Agency:
http://www.sbsa.gov.uk/pdfs/Low_Carbon_Building_Standards_Strategy_For_Scotland.pdf

75 Modernising Scotland’s Social Housing. A consultation paper, Scottish Executive, 2003:
<http://www.scotland.gov.uk/consultations/housing/mssh.pdf>

76 Scottish Housing Quality Standard (SHQS) <http://www.scotland.gov.uk/Resource/Doc/47210/0030182.pdf>

encouraging private landlords to bring their own properties up to the same standards. The positive effect of the Scottish Housing Quality Standard (SHQS) can clearly be seen in the gains in energy efficiency recorded in the social housing sector between 2002 and 2005/06, although it is noticeable that there have been only very limited changes since that date: however, the increase in properties rated ‘good’ shows that social landlords have often exceeded the minimum standards set by the SHQS⁷⁷.

Table 6: Social Housing in Scotland by Energy Efficiency:

All figures are percentages				
	poor	moderate	good	all
2002	6	51	43	100
2003/4	2	43	56	100
2004/5	2	35	63	100
2005/6	1	32	67	100
2007	2	32	66	100
2008	1	32	67	100

Extract from Table 8, Scottish House Condition Survey, 2008

4.9 The Role of Local Authorities

The Home Energy Conservation Act (HECA) 1995 placed a duty on all GB local authorities to devise strategies that would result in significant improvements in the energy efficiency of their housing stock. In Scotland, HECA was introduced with a requirement to report progress to the Scottish Executive every two years – a more stringent reporting requirement than that in other UK countries.

Although there is no statutory requirement to deliver energy efficiency improvements, HECA has, at the least, raised the profile of energy efficiency. The most recent summary of progress across Scotland was published in 2005⁷⁸. It was recognised that the figures provided would underestimate the total work carried out because of the difficulty in collating information from the private sector; only one local authority attempted to record private sector figures. There is therefore likely to be a significant overlap between the activities reported under HECA and the outcomes recorded in social housing.

In England, the new National Indicator Set includes a fuel poverty indicator for local authorities. Reporting against the indicator is mandatory, although only 30 authorities have adopted targets for it. In Scotland, local authorities agree a basket of indicators through the Single Outcome Agreement process. The Improvement Service has collated the indicators most commonly used, but no indicator on fuel poverty appears in that list; local authority level data is, however, available from detailed analysis of the Scottish House Condition Survey.

⁷⁷ A SAP rating of 50-60 would equate to ‘moderate’ on the NHER scale

⁷⁸ <http://www.scotland.gov.uk/Publications/2005/02/207111/heca2005>

4.10 Links Between Fuel Poverty and Health Policy

As stated in the UK Fuel Poverty Strategy, the main reasons for addressing fuel poverty are the direct impacts on the health of consumers living in cold or damp conditions, and the longer-term health and stress impacts of struggling to manage energy costs. One of the most common and most striking measures of the long-term effects of fuel poverty is the rate of excess winter deaths – the extent to which more people die in winter compared with summer. The UK has a significantly higher rate of excess winter deaths than other northern European countries.

In practice, however, there has been relatively limited success in measuring health improvements following energy efficiency work – a review of existing studies of the relationship between health and fuel poverty⁷⁹ found that the evidence of improved physical health among adults was inconclusive. The review did find stronger evidence of positive physical impacts among infants and children, and also of positive mental health impacts among all groups. There is, however, less evidence of linkage between the health and fuel poverty agendas at the point of delivery. In England, the Joint Strategic Needs Assessment process, and associated Local Area Agreements, provide a potential route for joint working between agencies, including local health trusts. Although targeted ad-hoc seminars have been delivered to health and social work professionals to increase awareness of the EAP in Scotland, there is no similar mechanism in Scotland to encourage a more structured and integrated approach.

4.11 Comparing Scotland to Other UK Countries

The Scottish approach has consistently been at the forefront in developing centralised programmes. The Energy Assistance Package (EAP) aims to take a more integrated, holistic approach and target assistance more effectively at those that need it, and there are indications that this approach is now being replicated elsewhere⁸⁰. After initial concerns about limited take-up, the EAP has widened the range of household types eligible for support, and provides an integrated package of assistance to those in greatest need. The reduction in fuel bills achieved and the average increases in SAP ratings are significantly greater than those being reported for England and Wales.

More widely, the Scottish Housing Quality Standard requires local authorities and other social landlords to ensure that housing is energy efficient and healthy. Guidance also recognises that local authorities have a role to play in encouraging private landlords to meet the same standards⁸¹. The effectiveness of this approach is clearly demonstrated by the recorded improvements in energy efficiency of the social rented sector.

79 Tackling Fuel Poverty and Impacts on Human Health, Christine Liddell, University of Ulster, http://www.science.ulster.ac.uk/psyri/profiles/c_liddell/core.html

80 The approach set out in the Welsh Assembly Governments consultation draft Fuel Poverty Strategy proposes a similar integrated approach.

81 Letters to landlords confirming the content of the Housing Quality Standard, The Scottish Government, 2004 <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/16342/shqs>

However:

- Area-based approaches, which have proven to be a very cost effective mechanism for delivering CERT measures in England and Wales, have, in the past, been less well developed in Scotland. This has been linked to concerns that Scotland is not getting its fair share of CERT funding.
- Recent research shows that there has been a growth in area-based schemes in Scotland which may improve this position.
- As in other countries, progress on improving energy efficiency of houses in the private sector, and in particular the private rented sector, remains less strong.
- Requirements on local authorities in respect of fuel poverty are less strong in Scotland than in England.

5. Conclusions and Next Steps

5.1 Reported Rates of Fuel Poverty

This research shows that fuel poverty numbers are higher in Scotland for a combination of reasons. Part of the difference is due to the approach taken to calculate the figures, but there remains a significant difference which is the result of real factors, including – lower incomes, the Scottish climate, and a higher dependence on more expensive heating fuels for houses without access to mains gas. The research also demonstrates that it is possible to identify and address many of the ‘calculated’ differences.

Consumer Focus Scotland believes that a more consistent approach is needed, so that decisions about targeting resources can be made with the best possible information. We will, therefore, seek opportunities, at GB or UK level, to improve the consistency of approach used to measure fuel poverty. We appreciate that, as part of that debate, there may be aspects of the current Scottish approach which may change, and we will seek to ensure that the implications for all groups of consumers are discussed before changes are made.

In particular:

- It may be appropriate to re-assess the relationship between households in fuel poverty and their need for higher levels of heating. In Scotland, the current model assumes that all pensioner households (with someone over the age of 60) will require all-day heating to 23°C. Many pensioners remain active well beyond this age and will not require higher levels of heating. On the other hand, it may be the case that other vulnerable people would benefit from greater warmth.
- Different approaches are taken in the assessment of heating need for consumers in larger houses. In Scotland, the current approach assumes that the whole house is heated, regardless of size. In other countries, ‘excess’ rooms are assumed not to be heated at all, and fuel costs are reduced accordingly, without accounting for heat leakage within a house or for other uses of extra rooms. It may be that a more balanced approach lies somewhere between these extremes; for example, the approach used in the past, in the 1996 Scottish House Condition Survey, assumed heating on the basis of ‘the minimum number of rooms plus one’ to allow for use of a spare room.

The Peer Review of the English fuel poverty methodology⁸² considered both of these issues. On the issue of whether the fuel heating regime for England should assume a demand temperature of 23°C for pensioner households it concluded that on *‘the basis of the data reviewed here, it is difficult to argue that the standard should be raised further, given that the current assumptions already appear to be on the generous side’*.

However, it went on to say that *‘the assumption that half-house heating is adequate for all under-occupied homes should be reviewed, as this does not appear to be supported by BRE’s [Building Research Establishment’s] own initial analysis of the 1998 EFUS [English House Condition Energy Follow Up Survey]’*.

⁸² The Peer Review of The Methodology For Calculating The Number Of Households In Fuel Poverty In England, Final Report to DTI And Defra, Tom Sefton and John Chesshire, April 2005: <http://www.berr.gov.uk/files/file16567.pdf>

Areas for further research might include:

- the impact of climate on fuel poverty across different English regions as well as between Scotland and other UK countries
- the cost and impact of raising SAP levels in Scotland to specified amounts, along the lines of *Raising the SAP* for England⁸³

5.2 Linking GB Funding to Need

The largest single source of funding to improve energy efficiency is, at present, CERT, which is a GB-wide programme; the Scottish Government suggests⁸⁴ that Scotland receives a lower share of CERT expenditure than might be expected given its population. We believe that CERT funding should be broadly proportionate to population, and that any concentration of resource should reflect consumers' needs. This emphasises the importance of having consistent fuel poverty data at GB level.

A further point is that, currently, CERT measures take no account of climate, assuming carbon savings are calculated per measure installed, and are the same in the north of Scotland as in the south of England. We believe that CERT should also reflect climatic conditions, because, in addition to the effects on fuel poverty, carbon savings from identical heat-saving measures will be greater in colder climates than in warmer ones. An approach of this sort might also increase the delivery of CERT in rural areas in Scotland, where rates of fuel poverty are currently higher.

5.3 Addressing Fuel Poverty in Scotland

Regardless of differences in calculation, it is clear that the proportion of Scottish consumers experiencing fuel poverty is increasing as a result of rising energy costs. Projections of future energy costs by Ofgem suggest that energy costs will continue to rise, even if the speed and scale of increases are uncertain. The Scottish Government's *Conserve and Save* also highlights long-term demographic trends which show that the numbers of pensioner and single person households, both groups vulnerable to fuel poverty, will rise in future.

The combination of these trends, together with the Scottish Government's aim of delivering reductions in greenhouse gas emissions through energy efficiency, means that a more robust approach to energy efficiency is needed. We would suggest that a range of different mechanisms are likely to be necessary to address current fuel poverty, and to reduce the likelihood of future increases in fuel poverty driven by rises in energy costs.

Continuing Provision of a Service Targeted at those in Greatest Need

There will be a continuing need to target those in greatest need. Consumer Focus Scotland believes that the targeted, integrated approach of the current Energy Assistance Package, as agreed by the Scottish Fuel Poverty Forum, is the most appropriate way to achieve this.

83 Raising the SAP Tackling fuel poverty by investing in energy efficiency, Report to Consumer Focus by the Association for the Conservation of Energy (ACE) and the Centre for Sustainable Energy (CSE) May 2009:
http://www.consumerfocus.org.uk/en/content/cms/publications___repor/publications___repor.aspx

84 Securing our share: A CERT Strategy for Scotland, The Scottish Government, June 2009
<http://www.scotland.gov.uk/Publications/2009/06/12132543/0>

Although the absolute numbers of households receiving assistance were initially lower than expected, recent figures show a sustained increase in interest from consumers, and the results from delivery of the EAP to date compare well per beneficiary household to those delivered elsewhere in the UK. Consumer Focus Scotland will, as a member of the Scottish Fuel Poverty Forum, continue to work to ensure that the marketing and delivery of the service provided is further refined to meet consumers' needs.

However, the capacity of the EAP, even allowing for growing take-up of the service provided, is such that other actions will be needed to address fuel poverty. A means of achieving this is needed to meet the needs of those who are not in receipt of a passport benefit, who live in a house which is not eligible for support, or who face barriers in accessing a centralised service.

Maximising Benefits from Area-Based Energy Efficiency Programmes

Taking this into account, it is clear that there will be more emphasis on area-based energy efficiency initiatives in the future. We believe that there is a case for an expansion of area-based energy efficiency programmes, particularly in rural areas with high incidences of fuel poverty. Evidence from WWF Scotland and from our own recent research suggests that the most successful programmes are those which are delivered through trusted local organisations, and which carry out physical work on houses, at the same time as working with consumers to help them understand their individual patterns of energy use. Services of this type start from an understanding of the current energy use of individual households, and are able to adapt advice to the needs and motivations of those households as a result, thereby embedding energy efficient behaviours as well as physical improvements. This approach addresses many of the barriers to installing energy efficiency measures identified by disadvantaged consumers.

We would, however, wish to ensure that any future area-based programmes are designed in ways which reflect fuel-poor consumers' needs, both in terms of the areas targeted, and in relation to the services offered and the approaches taken. We would also want future programmes to be transparent in their approach, where seeking both to reduce emissions and to address fuel poverty through the same mechanism.

Improving the Energy Efficiency of Housing

The research also shows that the approach taken to improve standards of energy efficiency in social housing has been effective. We recognise that the Scottish Government has recently consulted on ways to improve energy efficiency in housing more broadly. However, a number of issues remain. It is also clear that the scale of investment needed to improve the energy efficiency of housing in Scotland is considerable – the Scottish Government's *Conserve and Save* quotes an estimate of £16bn to meet climate change emission reduction targets.

Even if the proportion of this investment needed to address fuel poverty is not clear, it certainly exceeds considerably the resources available under existing government and supplier programmes currently. The EAP and other Scottish Government funding through HIS and the Climate Challenge Fund mean that total investment is around £70m in 2009/10; a proportionate Scottish share of CERT spend would account for a further £100m. A range of different financial mechanisms will therefore be necessary to meet the needs of different groups of consumers. It is also likely, as suggested in the Scottish Government's *Conserve and Save* consultation, that some form of housing regulation will be necessary to achieve wider changes. Consumer

Focus Scotland is, however, conscious of the need for any regulatory or fiscal approach to be sensitively designed so as to fit with, rather than go against, existing markets.

We believe that wider opportunities exist to extend the partnership approaches to addressing fuel poverty in two areas. Firstly, despite the rationale for addressing fuel poverty being driven by the associated health problems, there is only limited evidence of links being made between health professionals and existing fuel poverty programmes. A more strategic approach would be helpful.

Secondly, there is also scope for local authorities to include fuel poverty among indicators on which they report at local level, as fuel poverty links to aims in relation to health, economic development and climate change, as well as housing quality.

5.4 Summary Recommendations

Consumer Focus Scotland is therefore calling for:

- a consistent approach to the measurement of fuel poverty in all GB and UK countries. Funding streams should, based on this information, more clearly reflect and target the real needs of consumers
- an expansion of area-based approaches to delivering energy efficiency, designed in ways which seek to maximise benefits in terms of both fuel poverty and climate change emissions reductions, so that Scotland is better able to take advantage of future UK funding for this approach
- changes to the indicators reported by Scottish local authorities, to more clearly reflect and drive work on fuel poverty in their areas
- clearer linkage between Scottish Government departments working on health and housing, to ensure a more integrated approach to addressing fuel poverty
- continued improvements in the standards of energy efficiency in the construction or refurbishment of homes in Scotland, comparable with standards in countries which do not experience fuel poverty, despite having harsher climates
- consideration of ways in which the energy efficiency of all housing stock can be further improved whenever most effective, without compromising access to housing

Turning up the Heat

Benchmarking Fuel Poverty in Scotland

Written by Andrew Faulk

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