SOCIAL JUSTICE COMMITTEE

AGENDA

8th Meeting, 2002

Wednesday 15 May 2002

The Committee will meet at 10.00am in the Committee Room 1.

1. **Items in private:** The Committee will consider whether to take items 3 and 4 in private.

2. **Scottish Fuel Poverty Statement: Consultative Draft:** The Committee will consider a summary of key issues.

3. **Debt Arrangement and Attachment (Scotland) Bill:** The Committee will consider its approach to evidence on the general principles of the Bill at Stage 1.

4. **Budget 2003–04:** The Committee will consider its draft Stage 1 report.

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The following papers relate to the meeting:

**Agenda Item 2**
SJ/02/8/2 - Paper on summary of key issues

**Agenda Item 3**
SJ/02/8/3 (P) - Private paper on the approach to evidence on the general principles of the Debt Arrangement and Attachment (Scotland) Bill at Stage 1

**Agenda Item 4**
SJ/02/8/4 (P) - Budget 2003-04 – private paper on draft Stage 1 report
SOCIAL JUSTICE COMMITTEE

SCOTTISH EXECUTIVE’S DRAFT CONSULTATIVE STATEMENT ON FUEL POVERTY – SUMMARY OF KEY ISSUES

1. At its meeting on 1 May 2002, the Social Justice Committee heard evidence from the following organisations in relation to the Scottish Executive’s draft consultative statement on fuel poverty:

- Scottish Warm Homes Campaign;
- Age Concern;
- Energy Action Scotland;
- EAGA Partnership;
- COSLA;
- Scottish Power;
- Scottish Gas;
- Energywatch.

2. In addition the Committee also received a number of written submissions.

3. The committee is invited to consider the attached paper which summarises the evidence it has received.

4. Members’ views are sought on specific areas to be included in the Committee’s response to the consultation and to agree to consider a draft response at its next meeting.

Jim Johnston
Clerk to the Committee
1. At its meeting on 1 May 2002 the Social Justice Committee heard oral evidence from a range of organisations in relation to the Scottish Executive Consultative Draft Fuel Poverty Statement. In addition the Committee also received a number of written submissions. The Committee has focused on the following key areas:

- General
- Targets
- Definitions of fuel poverty
- Eligibility criteria
- Energy efficiency
- Joined up approach
- Awareness raising
- Housing improvement measures
- Industry capacity
- Price regulation and operation of the energy market
- Extending the mains gas network

**General**

2. Ofgem suggested that in future ‘the condition and size of properties, and the nature of heating systems are likely to be the most significant factors affecting levels of fuel poverty’.

3. Scottish Gas emphasised the need for the effective co-ordination and funding of schemes and the expansion of the energy efficiency industry.

4. Scottish Gas suggested that ‘the single most important influence in the eradication of fuel poverty will be wholesale improvements in Scotland’s housing stock, in part through the installation of more energy efficiency measures in homes’.

5. Age Concern called for further public investment in Scotland’s housing.

6. Scottish Power argued that it is necessary for the Executive to achieve improved energy efficiency via housing investment and that it should ‘establish clear performance criteria for the number of houses being taken from fuel poverty due to housing improvement, specifically’.
Targets

7. There appeared to be a general consensus that the Scottish Executive’s target is achievable: for example, Scottish Power suggested that 2016 is a ‘challenging yet feasible target’ and EAGA advised that it has met its targets from 1 Sept 2001 to end March 2002 had been met.

8. However, a number of concerns were also expressed. EAGA was concerned about the availability of resources, development of infrastructure and the drive to achieve. In particular, on the issue of resources:

When we talk about resources we are not talking about money. The issue is...getting the tradesmen. It is also about the ability of contractors to carryout the work in existing heating programmes. The biggest constraint is getting enough contractors to be able to programme the work and do the installations that are required. (O.R. Col. 2865)

9. Shelter Scotland feared that there was a danger that all the most difficult problems will be left until the end – for example, the older stone-built properties, the post-war non-traditional construction types, and the public rented sector. Help the Aged agreed to the need for front loading and the importance of achieving targets early in the life of the strategy. Friends of the Earth believed that further research and action on hard-to-reach groups are essential now if the 2016 target is going to be reached.

Developing Knowledge and Monitoring Change

10. A number of respondents suggested that it would be sensible to review the milestones set out by the Executive once the new data from the 2002 Scottish House Condition Survey (SHCS) becomes available in 2003. EAGA in its written submission suggested that the SHCS should be changed to a continuous annual survey (currently 5 years) and more comprehensive data set. COSLA supported the Fuel Poverty Working Group proposals to carry out a survey of currently collected information to see what improvements could add to the knowledge base on fuel poverty; information collected by SHCS should have same scrutiny.

Definitions of Fuel Poverty

11. Respondents were divided on the Executive’s definition of fuel poverty. Scottish Power, Scottish Gas and Ofgem argued that it is necessary to have a definition of fuel poverty which is consistent across the UK. Scottish Power also agreed that it is useful that the Executive intends to monitor the changes in the numbers of fuel poverty, excluding housing costs.

12. However, there was concern among a number of respondents that including housing benefit and income support for mortgage interest reduces the number of people regarded as fuel poor. Energy Action Scotland (EAS) suggested that ‘this will falsely reduce the numbers of fuel poor and so wrongly influence future schemes and programmes designed to assist them’. Shelter argued that it will disproportionately reduce the number of private tenants seen as being fuel poor
because of the higher rents in that sector. COSLA, Age Concern and Citizens Advice Scotland also had some concerns in relation to the Executive’s definition.

Eligibility Criteria

13. Scottish Gas expressed concern about the eligibility criteria and targeting of fuel poor households and schemes. In particular, they expressed concern where receipt of benefits are used as a qualifying criteria. For example, Energy Efficiency Commitment (EEC) funding is only available to individuals in receipt of benefit or individual householders have to make a financial contribution. Transco pointed out that: ‘in many cases some of the worst fuel poverty are those working in poorly paid jobs who fail to qualify’.

Energy Efficiency

14. Scottish Power suggested that the most significant factor in the long term is energy efficiency. ‘An initial investment in housing often helps encourage a virtuous circle of more affordable fuel costs overall, healthier living and in general, greater opportunity for the householder’. However, there is a need to develop better communications and targeting to encourage vulnerable groups to adopt energy efficiency measures. Scottish Power recommended that the Fuel Poverty Advisory Group could take the lead in developing a joined up approach between the companies, agencies and voluntary groups that deal with vulnerable groups.

15. The extent of the problem was also highlighted by Energy Action Scotland;

Nine out of 10 houses in Scotland…fall below current energy efficiency standards. That is the scale of the problem. (O.R. Col. 2854)

16. Scottish Gas pointed out that ‘those households living in fuel poverty and staying in non cavity-built stock will receive possibly no insulation measures, or only limited ones.’

17. Measures to improve energy efficiency might include the following:

- COSLA suggested that the central heating initiative needs to address partial and obsolete systems and ensure whole house heating is provided; and examined the need for provision and cost of future servicing and maintenance of the equipment installed.
- The specification of boilers in the central heating initiative should aim for highest standards, high efficiency condensing boilers.
- Further consideration should be given to communal schemes which would meet fuel poverty needs and also tackle maintenance issues.
- Energy Action Scotland believed that energy efficiency can be realised by:

  Of most houses that score 2 or less are traditionally built, with a cavity, then by installing loft insulation and cavity wall insulation and installing a central heating system, it is easy to bring them up to a 5 or 5.5. (O.R.Col. 2854)
Citizens Advice Scotland would like to see an extension of the Executive Central Heating Programme to households with partial or obsolete heating.

Friends of the Earth were of the view that future housing stock transfer agreements must include a requirement to improving energy efficiency.

Innovative approaches

18. Energy Action Scotland suggested that more innovative solutions for the older houses should be considered, such as solar power or photovoltaics.

Joined-up Approach

19. A majority of respondents emphasised the need for a joined up approach. For example, Ofgem suggested that ‘energy suppliers need to work in partnership with local agencies’ and they ‘have encouraged fuel companies to collaborate with a range of organisations’. Similarly, Scottish Power suggested the need for a joined up approach across the full spectrum of relevant public, private and voluntary sector organisations. COSLA suggested that the profile of fuel poverty schemes/programmes would be raised by the improved co-ordination of available grants and schemes and that:

There is little point in putting in a state-of-the-art heating system if the windows are falling out. We need to have a joined-up message and a co-ordinated approach. (O.R. Col. 2866)

20. Transco suggested that:

it is clear that overall progress on combating fuel poverty is slow and that part of the problem is lack of co-ordination between the many fuel poverty schemes, including the Affordable Warmth Programme.

21. Indeed, Energy Action Scotland (EAS) estimated that there are upwards of 30 grant schemes across the UK. They argued that ‘there should be a single point of entry for those in or at risk of fuel poverty’. Transco identified Community Energy Partnerships as one possible solution to this problem:

The CEP approach is not just another fuel poverty scheme, it is a delivery mechanism and brokerage service that allows for a much more systematic and co-ordinated approach to be taken to the implementation of fuel poverty solutions.

22. Primarily, they emphasised that it is a geographically targeted approach.

23. EAGA advocated “a three legged stool approach” which takes into account “not only what home improvements are required but what effect the price of fuel has on the number of people who are in fuel poverty and on the income conditions of the particular clients.” (O.R. Col. 2866). They described as “laudable” that part of the programme in Scotland involving:

benefits entitlements checks, which seek to get to the heart of the income issue….More than 20 per cent of those who apply to us are eligible for more benefits. the average increase in benefit is more than £9 a week.
24. COSLA recommended partnership working and local co-ordination. At local level, they recommended Community Planning and Local Housing Strategies, and at national level, they recommended a fuel poverty advisory group or a similar body.

**Awareness Raising**

25. Again, it was generally accepted by respondents that there needs to be greater awareness among all concerned parties of the fuel poverty strategy. For example, the Scottish Association of Landlords, stated that a telephone poll of their membership revealed that 95% of landlords ‘had no idea what the Fuel Poverty Initiative was, how to access it, or what it could mean for their tenants’.

**Vulnerable Groups**

26. COSLA pointed out that in 1996 SHCS revealed one in seven vulnerable households is a pensioner household, that 29% contain someone with a long-term illness or disability, around 20% have one or more with impaired mobility. It was suggested that more research is needed in this area.

27. Age Concern were concerned that people with substandard and broken heating do not qualify as they have to have no heating at all and would like to see an extension to the qualifying criteria. On the 12 month waiting list, Age Concern urged an increase in the rate of releasing the budget for the programme, at the same time as increasing training for central heating engineers.

28. Scottish Power suggested that there is a need to engage with vulnerable customers and others to ‘ensure that they are receptive to energy improvements in their properties’. Transco stated that they have provided funding to train frontline healthcare workers in Energy Awareness. They suggested that the promotion of this training by the Executive to Local Authorities and Health Trusts ‘would be beneficial to the long-term eradication of fuel poverty’. This point was echoed by EAGA:

> We need more authoritative, action-based research projects to convince general practitioners and primary health workers that prescribing a heating system and a warm, healthy home is the way to improve health…I would like nothing better than to have GPs prescribing central heating systems. (O.R. Col. 2868)

29. Energy Action Scotland referred to the elderly sector who:

> (do) not want to identified as being in need…I hope that that can be overcome by telling people that we are interested in the energy efficiency of the housing stock ad asking them to participate in a survey. The Executive needs to promote and support such examples of good practice. (O.R. Col. 2856)

30. Age Concern Scotland suggested that there is a role for an increase in the uptake of the priority services register, which currently run by energy companies and suggested that the issue should be acknowledged centrally and the awareness campaign carried out by the Executive.
31. EAGA was of the view that with the provision of a free service, there is a fear that there is a “catch” to the system and therefore, vulnerable groups are less likely to apply.

Provision of information by utilities

32. In relation to the duty of the utilities to provide information, Energywatch drew attention to the fact that:

We have Ofgem statistics that show that a vast number of consumers in Scotland who are in debt have not received energy efficiency advice from their suppliers – despite the fact that there is a licence obligation on suppliers to provide energy efficiency information. (O.R. Col. 2885)

Private rented sector

33. Again, Energy Action Scotland pointed to reasons for information on the private sector being scarce:

The information that local authorities have on the private rented sector is very poor because they do not have the authority to gather information from that sector….We license those houses in multiple occupation, but we know nothing more about them, their energy rating or state of repair...The regulations… must be strengthened so that private sector landlords report to the local authority on their stock and its condition. (O.R. Col. 2851)

Housing Improvement Measures

34. Respondents referred to the need for fuel poverty issues to be reflected in the work of the Housing Improvement Task Force:

- Friends of the Earth believed that it is essential to strengthen the link between the Fuel Poverty Advisory Group and HITF – to tackle the private housing sector;
- COSLA suggested that, as the housing improvement task force’s papers do not mention the leasing of heating systems and other measures for private landlords and the private sector, those should also be investigated;
- While concentrating on training qualifications for fitters was important COSLA emphasised, there was a need to ensure that maintenance side of the rapid installation work that is being done by the private sector is covered and it is suggested that this may be an issue for the housing improvement task force (Col 2872)
- COSLA suggested that there is a need to review how grants for cavity fill insulation in tenement properties are assessed, especially where there are shared costs with owner occupiers.

Price Regulation and Operation of the Energy Market

35. There was a clear division between some organisations on the benefits of price regulation and payment schemes.
36. COSLA believed that the interests of the fuel poor cannot be left to the markets alone and welcomed the Executive’s commitment to ensure that consumers on low incomes are not regarded as less attractive customers, but benefit equally from deregulation. However Scottish Power suggested that ‘reductions in energy prices are probably the main reason for the most recent reductions in fuel poverty’. Moreover, they suggested that ‘customers with prepayment meters have enjoyed particularly sharp price reductions in recent months’.

37. Scottish Gas ‘do not believe that further downward pressures can be relied upon to provide a significant contribution to the eradication of fuel poverty’. However, they argued that the deregulation of the energy market has brought price reductions in real terms to all consumers and that ‘prices in the UK are amongst the lowest in Europe’. Ofgem also suggested that falls in energy prices ‘have had a significant impact on the numbers of households taken out of fuel poverty over the period 1996-2000’.

38. They suggested that ‘the best protection for customers will be achieved by ensuring that energy markets operate as competitively as possible’.

39. However, Scottish Power argued that:

   the removal of price controls will have no adverse affect on our customer base...The fact is that people are having to spend 10 per cent or ore of their income to heat homes that are difficult to heat. A drop in prices will not solve that problem. (O.R. Col. 2878)

*Pre-payment meters*

40. Scottish Gas pointed out that they were ‘the first company to offer our pre-payment customers the same tariff as offered to standard credit customers’. The company has also played a leading role in the Ofgem sponsored cross-industry development work on debt blocking.

41. COSLA would like to see the clear presentation of tariff and service information. For example, prepayment or credit meter do not receive the same discounted price as those consumers paying by direct debit.

42. On the justification of prepayment Meters, Scottish Power stated that:

   Prepayment meters and the infrastructure to support them are more expensive than credit meters. That fact has been verified by Ofgem. (O.R. Col. 2880)

43. In response to the Scottish Gas claimed that ‘We have found that satisfaction levels are universally high’, Energywatch stated:

   Research that we have conducted..turns that information on its head. Perhaps as few as a third of gas prepayment meter customers understand how expensive their meter is....It is still the case that if you owe a debt to your supplier, you cannot switch supplier, so you cannot access a better pricing tariff. (O.R. Col. 2881)

44. To improve the situation, Energywatch suggested that:
It may be that, before a prepayment meter is installed, energy efficiency advice should be give to the household or energy efficiency measures should be taken. (O.R. Col. 2886)

**Debt blocking**

45. COSLA referred to the fact that consumers can be blocked from moving supplier if in debt and would like to see any switching process made as simple as moving a credit card debt from one bank to another. Scottish Power indicated that the industry is considering the removal of debt blocking to allow customers to choose their supplier freely.

**Price Controls**

46. Scottish Gas fully supported Ofgem’s decision to lift all remaining price controls on domestic gas and energy suppliers from April 2002. However, Age Concern argued that protection in the form of price controls must remain until homes are energy efficient. Similarly, Energy watch argued:

> We are concerned about the removal of price controls because we do not have effective competition in the Scottish market. A considerable number of consumers do not have access to the market. (O.R. Col. 2879)

**Debt Prevention**

47. Scottish Power advised that:

> A debt prevention working group has been set up to consider issues surrounding estimated meter readings, delays in billing, energy efficiency measures and special needs customers. The aim is to try to avoid debt occurring...An advisory group has been formed...the outcome will be known at the end of June, when a UK-wide consultation document will be produced. (O.R. Col. 2884)

...and asserted that

> Debt prevention is working. It is alive and well in Scottish Gas, which operates the debt prevention centre for the whole of the UK British Gas operation. (O.R. Col. 2888)

**Industry Capacity**

48. Concern was expressed by a significant number of witnesses about the ability of the construction industry to deliver programmes in view of the increasing shortage of skilled labour.

49. Scottish Gas had recently announced plans to create around 3,000 engineering jobs by 2005 supported by a £2 million investment in new training and assessment facilities. Transco suggested that:

> the Scottish Executive need to address as a matter of urgency the skills shortage problem that exists amongst gas installers. Without action this shortage will compromise the Scottish Executive’s efforts to tackle fuel poverty.
50. EAGA suggested in relation to the infrastructure, that planning and investment are required on:

- training support programmes for necessary labour;
- means to fill skills gaps;
- further New Deal support mechanisms.

51. On the impact of the shortage of gas engineers on the delivery of the local authorities programme in relation to the installation of central heating systems in their own stock, COSLA pointed out that there are fewer apprentices and that:

There is clear evidence that the problem is starting to roll. The number of people who are qualified to install gas is decreasing. Transco has done a lot of good work. It is starting a scheme in Dundee, to train gas installers. (O.R. Col. 2869)

52. EAGA believed that the impact has not yet been fully realised in Scotland:

...The problem is not as acute in Scotland...but is about 18 months away. It has not affected the delivery of the private sector central heating programme in its first six months....The target for the next 12 months is 500 installations and in the following year it is 10,400 installations...that is quite a step-change. (O.R. Col. 2869)

53. However, a degree of optimism was expressed in that:

..sign up to the new deal is good. We have worked with Transco and the Gas and Water Industries National Training Organisation. ...(From NEC Semiconductors) we took 45 highly skilled engineers, who were going to be made redundant, and retrained them to do gas fitting. ...Scottish Enterprise funded the 45 placements. (O.R. Col. 2870)

54. When asked if there was a sense that the Scottish Executive regards the lack of gas fitters as a problem and whether more works should be done with Scottish Enterprise to support the initiatives that Transco and others are taking, EAGA expressed the view that (Col 2870)

a powerful response would be for the committee to note the issue in its response to the consultation document and ask for joined-up thinking to take place.

55. Suggestions for improving the situation were made by EAGA that one of the key factors in retaining tradesmen was emphasised by EAGA in that ‘there must be the guarantee of a job at the end of it...We need an end-to-end approach.’ (O.R. Col. 2872). Similarly, COSLA was of the view that the best-value regime might be utilised:

Rather than going through the competitive tendering exercise, we could use a best-value scenario to enter into long-term partnerships for certain types of work. ...we could push.. for the definition of best-value to take account of the much wider principles of retraining apprentices. (O.R. Col. 2872)

**Extending the Mains Gas Network**

56. Transco pointed out that ‘many fuel poor communities currently do not have access to the gas network at all’. COSLA in its written submission indicated that domestic electricity prices in Scotland are up to 9% higher New Electricity Trading Arrangements (NETA) not applicable to Scotland and urged the
Executive to ensure that this inequality of treatment is remedied as soon as practically possible, through legislation if required.

*Rural dimension*

57. COSLA pointed to rural areas which may have no access to mains gas and electric heating solutions generally more expensive to operate. This problem is compounded when linked to Dynamic Teleswitching which results in consumers being tied to two supply companies. Ofgem was attempting to address the problem of access to dynamic teleswitching codes for other suppliers.