



Scottish Government Draft Budget 2014-15

Existing Homes Alliance Scotland evidence to the Infrastructure and Capital Investment Committee

October 2013

The Existing Homes Alliance Scotland (ExHA) welcomes this opportunity to respond to the Infrastructure and Capital Investment Committee's considerations of the Draft 2014/15 Budget.

ExHA is a coalition of organisations calling for urgent action to transform Scotland's existing housing stock and make it fit for the 21st century. It includes representatives from WWF Scotland, Energy Action Scotland, Scottish Federation of Housing Associations, the Energy Saving Trust, Chartered Institute of Housing, the Association for the Conservation of Energy, Consumer Futures Scotland, Age Scotland, Shelter Scotland and others (www.existinghomesalliancescotland.co.uk).

General comment on issues

ExHA notes that the Committee will assess the Scottish Government's performance in delivering its priorities as set out in the 2011 Spending Review, concentrating on areas within the Committee's remit. While climate change and 'housing options' are specified in the list of areas to investigate there is no specific mention of fuel poverty. Given the remit of the Committee we would welcome a focus on fuel poverty as this links to climate change and housing through energy efficiency. Clearly investment, whether public or private, in home energy efficiency also contributes to the area of GDP growth through jobs in production, installation, advice and maintenance. Indeed, Scottish Government analysis suggests *that for every £100 million spent on energy-efficiency measures, approximately 1,300 full-time jobs are supported across the Scottish economy*¹.

Targets

We focus this paper on two relevant targets required by legislation. One of which is covered by the National Performance Framework the other is not.

- a) Cutting carbon emissions by 80% by 2050 - Climate Change (Scotland) Act 2009, and
- b) Ending fuel poverty by 2016 - Housing (Scotland) Act 2001.

a) Climate Change Targets

The first two legally binding annual CO₂ reduction targets reported under the Climate Change Act (Scotland) 2009 have been missed. Furthermore, to reach the Government's interim target of 42% reduction by 2020 (over 1990 levels) it has been estimated that over 5 times the current rate of investment is required². This significant gap between the budget required to reach the 2020 target and that available is cause for ongoing concern and it is unclear how the legally binding climate change targets will actually be met.

¹ Scottish Government, [pg 131, Report on Policies and Proposals 2 \(2013\)](#)

² WWF Scotland, [Mind the Gap: Funding Home Energy Efficiency to deliver Scotland's Climate Change and Fuel Poverty Targets – an analysis of the investment challenge \(October 2012\)](#)

Meanwhile, the *purpose target* on sustainability shows that the Government is moving in the right direction, in that it is showing decreasing carbon outputs. Given the failure to meet the climate change targets above this must call into question the suitability of the presentation of the indicators under the sustainability *purpose target*.

b) Fuel poverty targets

The Housing Act 2001 creates a legislative requirement on Scottish Ministers to **end** fuel poverty by 2016 *as far as is reasonably practicable* yet there are no indicators within the NPF which adequately measure progress in this cross-cutting policy area. There are also significant gaps in understanding in terms of how many households are in fuel poverty, what level of spending is required to end it, and how much is in fact currently being spent upon it.

How many households in fuel poverty?

The main fuel poverty charity, Energy Action Scotland, argues that around 900,000 households are now in fuel poverty in Scotland. This is based partly upon a Scottish Government calculation estimating that for every 5% rise in fuel costs another 46,000 households would end up in fuel poverty, and partly on existing data. However, we would note the figure is based on a 5% price rise and all other factors being equal. It therefore ignores the recent, severe and ongoing changes in household incomes in terms of unemployment, underemployment and real-terms wage and benefits cuts. The total is therefore likely to be much more stark and create an even greater imperative for adequate government spending on fuel poverty. Work is required to better understand the scale of the problem and build targets into the NPF related to this.

How much is required to tackle it?

What an adequate level of spending on fuel poverty would be is debated annually. The figure of a combined spend of £200m per year was first suggested by EAS and subsequently supported by the Energy Environment and Tourism Committee in the budget scrutiny process in 2011.

It is also the figure used by the Scottish Government to say what is available when public spend is combined with projected injections by energy companies through the Energy Company Obligation (ECO)³.

However, it should be noted that the EAS estimate of £200m per year was based on a ten year programme funded at that level from 2006 to 2016. Annual funding has fallen short of that since 2006 and therefore an annual sum greater than £200m per annum is clearly now required – EAS's latest estimate is in the region of £300m per year.

ExHA believes further research is required to assess how much combined spend is actually required in the field of fuel poverty, what the outcomes of such spending should be, and what share of this must come from the Scottish Government Budget.

In the meantime, and in the knowledge that current and historical funding levels have been significantly lower than necessary, we back calls for *at least* £100 m per year from the Budget based upon Government estimates of how much this could lever in from energy companies' ECO spending (see below).

³ <http://www.scotland.gov.uk/Resource/0042/00425697.pdf>

How much is being spent?

The Scottish Government has committed £79 m each year for the next two years to fuel poverty programmes. This represents a continuation of the current level of spending which is to be welcome in the wider economic context and general budget constraints. However, this does not imply that it is sufficient.

With the Scottish Government projected spending of £60m (from the total of £79m), on Area-Base Schemes (ABS) in 2013-14 and an estimate by Government of a ratio of 3:1 of ECO to Scottish Government spending on ABS, the initial figure of a combined £200m per annum figure may be reached. However, it is unclear whether this ratio of 3:1 is being, or will be, delivered and therefore we have no accurate estimates of actual or projected combined spending.

Moreover, there has been a reported underspend of £5m by local authorities who are tasked with the roll out of the ABS. Such an underspend should also be multiplied by a factor of 3 and deducted from total estimated spending to account for assumptions based on the 3:1 ECO injection ratio. The reasons for this underspend is unclear and we would back EAS's call for some investigation into the matter to ensure it does not reoccur.

There is then a lack of data to assess actual spending and clarity would be welcomed to allow for an informed assessment of progress.

c) Ensuring adequate funding

ExHA supports calls by a number of its member organisations for the Scottish Government to increase fuel poverty spending from £79 million per year to £100 million per year as the contribution from public funds. However, there is a strong case for considering whether the Scottish Government should consider investing significantly more than this if they are to meet climate change and fuel poverty targets.

This case includes:

- The 2012 WWF report which shows that over 5 times the 2012 level investment in energy efficiency is required if climate change targets are to be met.
- The uncertainty around the ECO ratio and dependence on the relationship between energy companies and local authorities is a concern. We would suggest that an increase in Scottish Government investment would mitigate against any slippage in the ratio.
- Added to this is that the first year of the ABS programme has already seen an underspend. Whilst this might be expected in the early days of the programme it is of particular concern when the underspend means that ECO investment is also being lost.

Finally, better data is required to allow for an informed assessment of the scale of fuel poverty in Scotland, spending associated with it and progress toward agreed targets. It would seem rational that, as the NPF is to be so closely linked to the budget process, NPF indicators should be included to account for fuel poverty.

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