



## Scottish Draft Budget 2014-15

### Existing Homes Alliance Scotland evidence to the Finance Committee

August 2013

The Existing Homes Alliance Scotland (ExHA) welcomes this opportunity to respond to the Finance 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](http://www.existinghomesalliancescotland.co.uk)).

#### 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 CO<sub>2</sub> 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 required<sup>1</sup>.

The missed targets are indicative of a failure to date on behalf of the Scottish Government to meet its legislative obligations while the significant gap between the budget required to reach the 2020 target and that available is cause for ongoing concern.

Meanwhile, the *purpose target* on sustainability shows that the government is moving in the right direction, in that it is showing decreasing carbon outputs. This must call into question the suitability of the presentation of the indicators under the sustainability *purpose target*. Moreover, the general lack of progress should also be central to this scrutiny process which seeks to link the Scottish Budget with the NPF.

However, within this context it was encouraging to hear the Minister responsible state to Parliament during his statement on "The Scottish Greenhouse Gas Emissions Annual Target 2011 Report" on 27<sup>th</sup> June 2013 that there would be additional funds available for climate change. We are keen to hear more about those funds in the context of the budget, their proposed use and whether they will be of the scale required.

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<sup>1</sup> 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)

## **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 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 wages 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 £200m per year is suggested by EAS and was 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)<sup>2</sup>. 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. Clearly funding has fallen short of that since 2006 and an adjustment would need to be made – EAS's latest estimate is in the region of £300m per year.

### **How much is being spent?**

With the Scottish Government projected spend of £60m (from a 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 £200m per annum figure may be reached. However, there has been no evidence made available to assess whether this ratio of 3:1 is being, or will be, delivered and therefore no accurate estimates of projected spending.

Moreover, it appears there may be an underspend by local authorities who are tasked with the roll out of the ABS. Any underspend would also be multiplied by a factor of 3 (or whatever the ratio is). Again though there is a lack of data to assess actual spending and clarity would be welcomed to allow for an informed assessment of progress. It should perhaps not be surprising if there is an underspend in such a new scheme, this merely underlines the need for a long-term commitment to ABS in order to allow these to develop effectively.

### **Ensuring adequate funding**

If the ratio is incorrect and leads to a shortfall, and/or there is an underspend, then it would be reasonable to expect the Scottish Government to act to rectify this *as far as is reasonable practicable* by increasing spending on energy efficiency and ensuring the underspend is dealt with in order to comply with the requirements of the Housing Act (Scotland) 2001.

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.

**Contact** Malcolm Sayers, Cambium (secretariat for ExHA) [malcolm@cambiumadvocacy.co.uk](mailto:malcolm@cambiumadvocacy.co.uk)

<sup>2</sup> <http://www.scotland.gov.uk/Resource/0042/00425697.pdf>