POLICY NOTE

THE FUEL POVERTY (ADDITIONAL AMOUNT IN RESPECT OF REMOTE RURAL AREA, REMOTE SMALL TOWN AND ISLAND AREA) (SCOTLAND) REGULATIONS 2020

SSI 20XX/XXX

The above instrument was made in exercise of the powers conferred by section 3(6)-(9) of the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 ("the Act"). The instrument is subject to affirmative procedure.

These Regulations make provision for the definition of Remote Rural Area, Remote Small Town or Island Areas, identified in the Act as areas where households should have uplifts to the UK Minimum Income Standard applied, for the purposes of calculating fuel poverty. The Regulations also specify that the Centre for Research in Social Policy at the University of Loughborough will be the facility which determines the value of these uplifts.

Policy Objectives

Fuel Poverty Definition

1. The Fuel Poverty (Targets, Definition and Strategy)(Scotland) Act 2019 ("the Act") sets out the new definitions of fuel poverty and extreme fuel poverty. These new definitions are based on the recommendations made by the Scottish Fuel Poverty Definition Review Panel (the "Review Panel") and more closely align fuel poverty with low incomes, allowing us to target those households who most need support. A household is deemed to be in fuel poverty if a) their fuel costs are more than 10% (20% for extreme fuel poverty) of the net household income (after housing and some other costs have been deducted) and b) if after deducting fuel costs, childcare costs and any benefits received for a care need the amount of income remaining is less than 90% of the UK Minimum Income Standard (MIS).

UK Minimum Income Standard

2. The UK MIS is a well-respected measure, also used to help determine the value of the Living Wage, which uses focus groups of members of the public to determine what they consider the minimum income required for households to achieve an acceptable standard of living. It is calculated annually on behalf of the Joseph Rowntree Foundation by the Centre for Research in Social Policy at the University of Loughborough, with figures produced for a wide variety of household archetypes.

Remote Rural Area, Remote Small Town and Island Area Amount

3. The Review Panel recommended that, when applying the new definition of fuel poverty, an upward adjustment should be made to the MIS for households in remote rural areas to take account of the generally higher costs of living in such communities. The high living costs in these areas are evidenced in research commissioned by

Highlands and Islands Enterprise, arguing for a specific MIS to be calculated for Scotland's remote and island communities.[1]

4. Section 3 of the Act makes provision for such uplifts to the MIS to be applied to households in remote rural, remote small town and, separately, island areas, while Section 3(7) requires Scottish Ministers to define in Regulations the relevant terms, and also to specify a person who is to determine the amount of the uplifts.

5. For the purposes of defining the terms "remote rural area" and "remote small town", the existing 6-fold Scottish Government Urban Rural Classification[2] provides a suitable existing set of criteria based on population size and driving time from settlements of over 10,000 people.

6. For "island areas" the Act specifies that the definition must encompass all island areas. This is primarily to enable the calculation of a separate MIS uplift for island communities. However, it is also intended to avoid possible future scenarios whereby the popoulations of the largest island towns, such as Kirkwall or Lerwick, grow to over 10,000 people, which, under the 6-fold Scottish Government Urban Rural Classification, would see extensive areas of Orkney and Shetland no longer classed as remote. The best existing definition available which meets these requirements is the one introduced by the Islands (Scotland) Act 2019.

7. To calculate the amounts by which the MIS will be uplifted for remote and island communities, the Centre for Research in Social Policy at the University of Loughborough have been appointed on the basis of their established expertise in developing and compiling the MIS for the whole of the UK.

Consultation

8. A consultation was carried out on the draft fuel poverty strategy that included gathering views on what should be included in the legislation that became the Act. Individual stakeholder responses as well as an independent consultation analysis report have been published on the Scottish Government website.

9. At the time of the consultation, and in the legislation as originally laid, the proposal of the Review Panel to include upward adjustments to the MIS for households in remote rural areas was not taken on board. Instead it was claimed that the additional costs borne by rural and remote households were already taken into account in the modelling used to estimate fuel poverty, which allows for regional variations in temperatures and exposure to the wind, as well as differences in prevailing types of housing stock. However, stakeholder responses both to the consultation and to the Call for Evidence by the Local Government and Communities Committee, were overwhelmingly in favour of MIS uplifts for these areas. This led to the tabling by Scottish Ministers of amendments to the legislation at Stage 2 to introduce the provisions which these Regulations will make operational.

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[1] *A Minimum Income Standard for Remote Rural Scotland* – Highlands and Islands Enterprise, 2013
http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/a-minimum-income-standard-for-remote-rural-scotland.html

[2] Scottish Government Urban Rural Classification ISBN: 978-1-78851-620-4 published March 2018
https://www.gov.scot/publications/scottish-government-urban-rural-classification-2016/

Impact Assessments

10. The children's rights and wellbeing impact assessment, equality impact assessment, Fairer Scotland duty assessment and health impact assessment published before the introduction of the Bill, all reflected the original policy position, which was to reject the Review Panel's proposal for upward adjustments to the MIS for households in remote rural areas. However, during passage of the legislation, an Island Communities Impact Assessment (ICIA) was prepared, which took account of the proposed amendments that Ministers lodged at Stage 2. This ICIA is also published on the Scottish Government website and is not required to be updated.[3]

Financial Effects

11. No Business and Regulatory Impact Assessment has been prepared for this order as no financial effect or impact on the private, voluntary or public sectors is foreseen.

Scottish Government
Housing and Social Justice Directorate

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[3] https://www.gov.scot/publications/island-communities-impact-assessment-fuel-poverty-targets-definition-strategy-scotland-bill/