

# **FUEL POVERTY (TARGETS, DEFINITION AND STRATEGY) (SCOTLAND) ACT 2019**

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## **EXPLANATORY NOTES**

### **COMMENTARY ON SECTIONS**

#### ***Meaning of fuel poverty gap***

##### ***Section 5***

40. Section 5 defines the term “fuel poverty gap”. This forms part of both the 2040 targets and the interim targets. This measures the amount by which a household falls into fuel poverty. The fuel poverty gap is essentially the smaller of—
- the amount by which the household’s necessary annual fuel costs exceed 10% of the household’s adjusted net income, and
  - the amount by which the annual sum required for the household to have an acceptable standard of living exceeds the amount it has for that purpose.
41. The fuel poverty gap is only calculated when a household is in fuel poverty, meaning that the households in question will meet both of the elements of the fuel poverty definition. The smaller of the two figures is used to calculate the gap because if a household meets the requirements for one of the elements but not the other then it is not in fuel poverty. In the example at paragraph 45 below, if the required fuel costs reduced by £60 per year or if annual remaining adjusted net income increased by £114.84 then the household would no longer be in fuel poverty. As a £60 reduction in required fuel costs is the smallest amount required to lift this household out of fuel poverty, this represents the fuel poverty gap. If this reduction was achieved then the requirements of the first element of the fuel poverty definition would no longer be met, meaning that the household would no longer be in fuel poverty.
42. The definitions which apply for the purpose of these calculations are the same as in the calculation of whether a household is in fuel poverty (see subsection (4)).
43. Subsection (5) provides that when the fuel poverty gap in any given year is being measured against the fuel poverty targets, the sums set out in the targets are to be adjusted to take account of any inflation or deflation. This means that the comparison will remain an accurate one in real terms and will not be distorted by changes in the value of money. Subsection (7) allows the way that inflation and deflation is measured to be adjusted in case another price index subsequently becomes a more appropriate measurement than the consumer prices index (CPI).

#### **A worked example**

44. The example below demonstrates how the calculation of the fuel poverty gap works. It builds on the hypothetical example given at paragraphs 35 to 38 above but, because the fuel poverty gap only applies where a household is in fuel poverty, it uses the alternative

*These notes relate to the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 (asp 10) which received Royal Assent on 18 July 2019*

ending set out at paragraph 38 which applies where the home in question was located in a remote rural area, remote small town or island area.

45. The section 5 test is as follows—

Relevant information:	£80	per month necessary fuel costs
	£750	per month adjusted net income
	£679.57	per month to maintain an acceptable standard of living
	£670	per month remaining adjusted net income (i.e. the household's adjusted net income after deducting the necessary fuel costs, benefits received for a care need or disability, and childcare costs)
The first figure:	£960	annual necessary fuel costs
	(£900)	10% of annual adjusted net income
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	£60	
The second figure:	£8,154.84	annual sum required for acceptable standard of living
	(£8,040.00)	annual remaining adjusted net income
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	£114.84	
As the first figure is lower, it is used. The fuel poverty gap in this case is therefore £60.		