

Chair of the Scottish Fuel Poverty Advisory Panel

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To: Shirley-Anne Somerville MSP, Cabinet Secretary for Social Justice
CC: The Winter Benefits Policy Team, The Scottish Fuel Poverty Panel Members – Ms Margaret Corrigan, Dr Kirsten Jenkins, Mr Alister Steele, and Dr Fraser J Stewart

Dear Cabinet Secretary,

[The Scottish Fuel Poverty Advisory Panel](#) is an advisory non-departmental public body which provides independent advice to Scottish Ministers on fuel poverty and scrutiny of their progress towards delivering Scotland's 2040 fuel poverty targets. Delivering a Scottish replacement for the Winter Fuel Payment (WFP) is a part of Scotland's fuel poverty strategy, and therefore falls under the Panel's scrutiny remit.

Since it was established on the 1st of January 2022 the Panel have engaged widely across the third sector (advice agencies and housing associations) and energy sector (retail and network energy companies, trade associations, Ofgem and the Energy Ombudsman). It has also engaged with those with lived experience of fuel poverty. The consultation response provided is informed by this engagement as well as the Panel's own knowledge, experience and understanding.

The Panel recognises the Scottish Government's ambition to address fuel poverty, and highlights that different and tough choices must be made to ensure that the Fuel Poverty targets are realised. Put bluntly, a continuation of the status quo of Scottish and UK policy will not deliver the paradigm shift needed. Delivering a Scottish replacement of the WFP can play an important part in meeting Scotland's fuel poverty targets. However, it is the Panel's view that the energy landscape has changed since the commitment to introduce a like-for-like replacement of the WFP was made and progressing with the proposed shape of the Pension Age Winter Heating Payment (PAWHP) would be a missed opportunity in the current environment. In addition, the recently published 2024/2025 Scottish Budget, with its major cuts to the social housing budget and the cancellation of the Fuel Insecurity Fund, mean that a well-designed and targeted benefit that supports those experiencing fuel poverty is more important than ever.

The case for reform

It is the Panel's view that the Scottish Government should determine whether a like-for-like payment that is only for those of pensionable age will deliver the best possible fuel poverty outcome. The WFP was set up in 1997 as a payment to help older people with energy costs during the winter period. However, the payment has never directly reduced energy costs, and has in effect become a tax-free state pension supplement. Repurposing the WFP, as a benefit delivered in Scotland that meets the objective of stopping those in or at risk of fuel

poverty being cold over winter, would demonstrate that change can be driven through different policy choices, showing Scotland as an exemplar.

Furthermore, circumstances have changed significantly since the plan to replace WFP with a like-for-like benefit was announced in 2019, because:

- a) the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 has set statutory targets for the Scottish Government. The replacement to the WFP is part of the strategy to meet those targets
- b) there have been shifts in the impacts of the drivers of fuel poverty, and household energy (as opposed to policy) costs have increased resulting in higher and deeper levels of fuel poverty. The Scottish Government has accepted that their 2021 Fuel Poverty Strategy needs to be reconsidered in response to changes in the energy markets
- c) pensions have increased at a faster rate than other benefits due to the triple lock
- d) there is a substantial budget deficit which requires previous decisions to be reviewed, including where money could be better targeted
- e) a major gap in support for those in fuel poverty (of all ages) will be created by the cancellation of the Fuel Insecurity Fund

Fuel poverty is not only an issue for older people. The latest Scottish Government fuel poverty estimates for Scotland, covering the period January to March 2024, are that 840,000 households (34%) are in fuel poverty and 570,000 households (23%) are in extreme fuel poverty. Those most at risk of fuel poverty are those who have a low income. This group includes some older people (particularly single pensioner households) but is not limited to them. Those most at risk of fuel poverty also includes those groups who:

- have a household where the highest income-holder is single and not in work
- live in council tax band A
- are in receipt of council tax reduction
- are eligible for cold weather payments
- have a member of the household with a health condition lasting 12 months or longer
- use electricity as their main heating fuel
- rent their accommodation
- live in remote areas
- live in smaller properties, e.g., those with only one bedroom
- have a pre-payment meter
- live in properties with the lowest levels of energy efficiency¹

The Scottish Fuel Poverty Advisory Panel is increasingly of the view that the extent of the commitments to address the current levels of fuel poverty are a policy choice. Most of the levers to immediately reduce the levels of fuel poverty rest with the UK Government. A fresh approach to the transfer of the WFP gives the Scottish Government the opportunity to redesign what was set up as an energy cost support mechanism. It provides an opportunity to help reduce the level of fuel poverty in Scotland, and contribute to the Scottish Government's meeting of its statutory fuel poverty targets.

The Minister for Energy and the Environment's [recent letter](#) to the UK Government embraced advice from the Panel and set out the case to adopt a new approach to energy support based on the principles of targeted support, reduction of energy costs and automatic

¹ [fuel-poverty-strategy-analytical-annex.pdf \(www.gov.scot\)](#)

eligibility. These principles should apply equally to the Scottish Government which should adopt a progressive approach to the scheme to replace the WFP.

What reform should look like in the long-term

The Panel recognises that full reform of the WFP is limited under the current restrictions imposed by the Social Security Scotland Act. It is important, however, to consider what optimal support would look like if the Social Security Scotland Act was amended.

We know that there are people who don't need the WFP and Winter Heating Payment, conversely we also know that there are those for whom these payments are not enough and, in its current form, the WFP does not provide substantial enough support for some households, particularly under current pricing and debt conditions. The replacement Scottish payment should remain part of a package of measures to support people in fuel poverty.

It is the Panel's view that the replacement benefit should be targeted, and not universal. It should be targeted at those in fuel poverty across the whole of Scotland's population (regardless of their age), and should be underpinned by data analysis to determine where the payment would have the most impact.

It is critical that every pound spent delivers the policy objective of eradicating fuel poverty, and we know from Scottish Government analysis that a £10 reduction in energy charges would have the same fuel poverty alleviation impact as a £100 benefit payment.² However, we also know that even direct payment to energy suppliers does not necessarily mean that money is used for energy. Even when payment is made to an energy supplier it might first be used to clear historic debt as opposed to pay for future energy. Energy suppliers should therefore be obliged to use the payments to reduce present and future energy costs, rather than for debt repayment. The panel notes the importance of ensuring that comparable levels of support are provided to households who live off the gas network, typically in remote rural and island communities, and rely on unregulated fuels for energy, envisaging that this will be highlighted through the statutory Islands Impact Assessment.

Eligibility for the replacement benefit should be simple and standardised, and should be automatic. This will ensure that those eligible do not have to go through a complicated claims' process. There should, however, be an option for households to appeal if they think they were excluded in error.

It is also the Panel's view that the existing winter weather payments should be consolidated. The three winter benefits - Winter Heating Payment, WFP (to become PAWHP), and the Warm Homes' Discount - have different eligibility criteria which causes confusion. This consolidated winter payment should be paid before winter bills come in, as is the case for the WFP, but not for the Winter Heating Payment.

Reform needed in the short term if full overhaul is not possible

The proposals for PAWHP as set out in the consultation paper are based on a number of underlying principles, including:

- no-one will lose out when the Scottish Government takes responsibility for the replacement WFP
- there are no plans to change the current eligibility criteria
- there are no plans to change the amount paid

² [fuel-poverty-strategy-analytical-annex.pdf \(www.gov.scot\)](https://www.gov.scot/publications/fuel-poverty-strategy-analytical-annex/pdf/pages/index.html)

- the payment will not be means tested or taxed

It is the Scottish Fuel Poverty Advisory Panel's view that to implement the PAWHP in line with these principles is essentially a long-term commitment to a tax free supplement to the state pension, and is a continuation of the UK policy, albeit delivered by the Scottish Government. This approach is regressive and poorly targeted and will have little impact on meeting the statutory targets for reducing fuel poverty, which is the main objective of the PAWHP as stated by the Scottish Government.³ In order to meet this objective, the Scottish Government should replace the WFP with a progressive benefit aimed at all households experiencing fuel poverty. However, if this is not currently possible due to restrictions imposed by the Social Security Scotland Act, then the Scottish Government should consider doing the following:

- PAWHP should be targeted at those on Pension Credit
- PAWHP should be aligned with the Winter Heating Payment
- PAWHP should be treated as taxable income
- The Scottish Government has presented an argument to the UK Government to provide energy support through a windfall tax on excess profits in the energy sector. An equivalent consideration should be given to using tax revenues from PAWHP to increase levels of energy support funding in Scotland

The Panel recognises that a significant sum of money is needed to address fuel poverty. The transfer of the WFP to Scotland provides an opportunity to use existing funding in a more efficient, targeted, and outcomes-focused way. The Panel believe that the Scottish Government would be remiss to pass up on this opportunity.

The Panel would be very happy to discuss further any of the issues raised in this response.

Yours sincerely,



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³ [Pension Age Winter Heating Payment \(PAWHP\): consultation - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/pension-age-winter-heating-payment-pawhp/consultation/pages/10)