

Chair of the Scottish Fuel Poverty Advisory Panel

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To: Shirley-Anne Somerville MSP, Cabinet Secretary for Social Justice
Cc: Gillian Martin MSP, Acting Cabinet Secretary for Net Zero and Energy,
Dr Alasdair Allan MSP, Acting Minister for Climate Change Action

THE RESTRICTION OF THE WINTER FUEL PAYMENT, DEFERRAL OF THE LAUNCH OF THE PENSION AGE WINTER HEAT PAYMENT AND THE OPPORTUNITY FOR A RETHINK ON THE LATTER WHICH THIS PRESENTS

Dear Minister

Our Secretariat has shared your letter of the 16th of August which you sent about the Scottish Government's thinking on the Winter Fuel Payment (WFP), following the UK Government's decision to restrict entitlement for WFP to those in receipt of Pension Credit and other means-tested benefits from this winter.

We have noted the Scottish Government's decision, within the current fiscal context, to mirror the UK Government decision to restrict the benefit, and to defer the launch of Pension Age Winter Heating Payment (PAWHP) until winter 2025. The UK Government announcement earlier this week extending the Household Support Fund (with £79 million in consequentials going to the devolved administrations and with an expected £41 million of this coming to Scotland) references the "tough decisions to fix the foundations of our economy" which the Chancellor discussed when restricting the WFP to those on passport benefits at the end of July. As the Panel has previously advocated, supported by Scottish Ministers, crisis support can be transformative in its mitigation of some of the most significant detriments for those suffering fuel poverty or extreme fuel poverty, while also acting as an enabler to access longer term help too.

In our response to the Scottish Government's consultation on the PAWHP earlier this year, we suggested that it should be repurposed as a benefit delivered in Scotland that meets the objective of stopping those in or at risk of fuel poverty being cold over winter, by replacing the WFP with a progressive benefit aimed at all households experiencing fuel poverty. We acknowledged that it could take some time to make such a radical change so, in the shorter term, we suggested that PAWHP should at least be treated as taxable income, or it continues the WFP effect of acting as a supplement to the State Pension. Treating PAWHP as taxable income means that pensioners on the lowest incomes would receive it in full with those on low incomes,

but above the threshold of the passport benefits, receiving some benefit after tax. This would ensure no cliff edge and recognises the challenges which elderly households have in keeping warm. The tax revenue generated through treating PAWHP as taxable income could then help pay for a targeted scheme to support those in fuel poverty, including pensioners.

We know that given the levels of energy debt in Scotland – and with the price cap rising to £1,717 next month – there will be many people living in cold, damp homes in Scotland this winter. This will include children as well as pensioners of course. (Citizens Advice Scotland report that in 2023/24, the average energy debt clients presented to the Citizens Advice network in Scotland was around £2300 – this rises to £3047 in accessible/remote rural areas, cited in their response to Ofgem’s call for input on Affordability and Debt).

As PAWHP is now deferred until winter 2025 and there will be around £41 million in consequentials coming to Scotland, we would strongly suggest that the Scottish Government:

1. Takes the opportunity of the deferral of PAWHP’s launch to conduct an impact assessment to find out:
 - What the fuel poverty impact of the proposed model for PAWHP devolution – following the UK Government’s restriction of WFP eligibility to those on passport benefits – will be on those on low incomes who will no longer receive it.
 - What the fuel poverty impact of choosing a devolved model making PAWHP taxable would mean in terms of fuel poverty alleviation – and the associated cost.

2. Takes the opportunity to target the consequentials coming to Scotland (from the extension of the Household Support Fund) at those living in poverty including, of course, targeted support to help with energy costs and energy debt over this winter, as delivered in previous years through the Fuel Insecurity Fund. We wholeheartedly endorse your appeal to the Secretary of State to do more to increase take up of Pension Credit and to progress plans for a social energy tariff. We recognise that any social energy tariff would need to operate across the UK. We have advocated for a tariff to be targeted at those in acute levels of need, and proportionate to any fuel poverty gap, as opposed to being applied at an equal level or rate regardless of household situation. This would ensure that the acute and specific needs of Scottish householders are properly understood and addressed. We have produced a set of principles to support the development of a social energy tariff and have engaged with the Department of Energy and Net Zero to promote these.

Our Chairing Member, Matthew Cole, is looking forward to joining the Acting Minister for Climate Change’s Roundtable on Energy Consumers on Thursday 12 September.

Kind Regards,

Matthew Cole (Chairing Member)

Margaret Corrigan (Member)
Kirsten Jenkins (Member)
Alister Steele (Member)
Fraser Stewart (Member)

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