THE SCOTTISH
**FUEL POVERTY**
ADVISORY PANEL

# The Scottish Fuel Poverty Funding Landscape

November 2024

The views expressed in this report are those of the researcher and do not necessarily represent those of the Scottish Fuel Poverty Advisory Panel.

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## Key findings

- Funding appears to cluster around the fuel poverty of low income and poor energy efficiency in the home, with less funding targeting the energy usage in the home driver.
- A common theme across the literature reviewed is that, even where funding schemes are well designed and effective, the money available is not enough to meet the scale of fuel poverty.
- Concerns were raised in the literature that eligibility for a number of schemes, for example the Warm Home Discount and Scottish Welfare Fund Crisis Fund, varies by energy suppliers/local authorities.
- Some of the literature reviewed highlighted concerns around the uneven nature of support for vulnerable groups.
- Few funding schemes pay directly to energy companies, but rather to individuals' bank accounts. Evidence has shown that this is a less effective method of mitigating fuel poverty than direct payment to energy companies.[1]
- Analysis of Warmer Homes Scotland (WHS) has highlighted that it has had considerable benefits for customers who have received energy efficiency measures. However, the literature reviewed highlighted that the scheme's eligibility criteria mean that it may still be missing some groups living in fuel poverty, for example parents with shared custody of a child.
- The literature reviewed highlighted some key challenges with regards to the Energy Company Obligation (ECO). Katris and Turner, academics at the Centre for Energy Policy at the University of Strathclyde, have highlighted that ECO involves substantial administrative and implementation costs which significantly reduces the money which can be spent directly on retrofitting properties. Furthermore, The Social Market Foundation have highlighted challenges in identifying eligible households.
- The fact that the Warm Homes Discount (WHD) is provided into a customer's energy account, and not as a payment to their bank account, was commended in the literature. However, the literature has also highlighted that the WHD is not well targeted and risks missing many people living in fuel poverty. In Scotland there is no automatic payment of the WHD which means that consumers, who have to apply to their supplier, may miss out on funds as they are provided on a first come first served basis.
- The payment value of WHD has experienced little growth since its introduction in 2011, this is the case within a context of rising energy costs and the cost of living crisis more generally.

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

- For several years there has been considerable underspending on Area Based Schemes by some local authorities.

- In 2023/2024, the combined spending by the Scottish Government on Child Winter Heating Payments and Winter Heating Payments was £30,169,500 spent through 448,285 payments. For 2024/25, the estimated combined expenditure for the Child Winter Heating Payment, Winter Heating Payment, and the newly devolved Pension Age Winter Heating Payment is £212,700,000.[2]

[2] This figure includes the £180 million allocated to the Pension Age Winter Heating Payment prior to the Chancellor's announcement on the Winter Fuel Payment on the 29th of July 2024.

## Considerations

- All funding mechanisms – whether extra income, winter weather payments or energy efficiency measures for the home - face challenges in targeting the fuel poor. According to Palmer et al, there is currently no definition which enables an address-specific identification of the fuel poor either on the basis of income, means-tested benefits, or the energy efficiency of homes.[3] Where funds are intended for the fuel poor consideration should be given to how well their eligibility criteria fits with the Scottish Government's fuel poverty definition.

- Some funds, such as the Great British Insulation Scheme, require an applicant to go through the funding application in order to assess their eligibility. It would be helpful if eligibility criteria was provided up front.

- Rebates are currently provided for certain medical equipment, such as oxygen concentrators, consideration should be given to whether this could be extended to other medical equipment.

- More detailed evaluation of the funds discussed would allow for better designed and operating schemes.

- While undertaking this review, it was challenging at times to locate spend and budget data for funds. Fund administrators should ensure that this data is published and easy to locate.

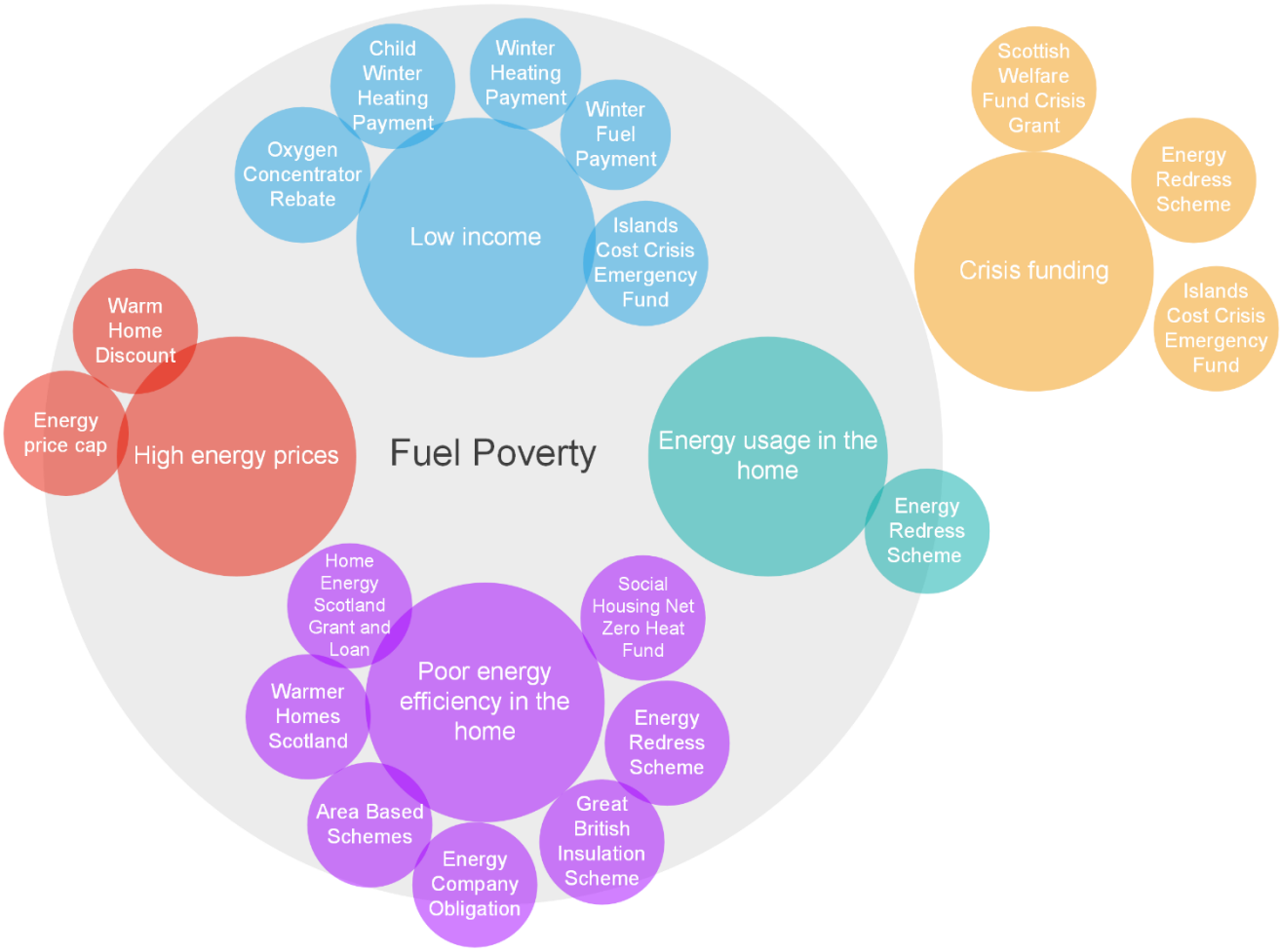
- The Scottish Government's cost of living crisis support page provides a helpful summary of relevant fuel poverty funds. More could be done to promote awareness of this page.

[3] Palmer, J, B Boardman, N Terry, T Fawcett, and U Narayan. 2023. "Finding the Fuel Poor and Framing Better Policy." Environmental Change Institute, University of Oxford, Finding the fuel poor and framing better policy - ORA - Oxford University Research Archive

## Visual/tabular summary of key points related to fuel poverty funding

Below are a series of diagrams and tables summarising key points related to fuel poverty funding in Scotland. The aim of these summaries is to aid understanding of the complex funding landscape.

**Figure 1: Relationship between funding streams and the drivers of fuel poverty[4]**




[4] Funds are categorised as targeting the 'high energy prices' driver only if the money goes directly to energy suppliers to reduce bills, otherwise they considered as targeting the 'low income' driver.

**Figure 2: Funding schemes and who they target, by housing tenure**

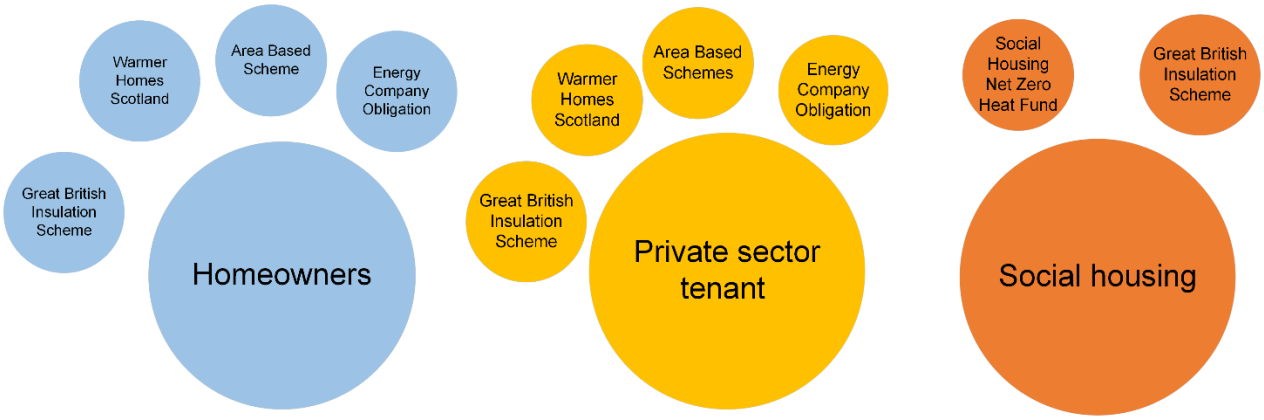



**Figure 3: Funding schemes and who they target, by demographics**

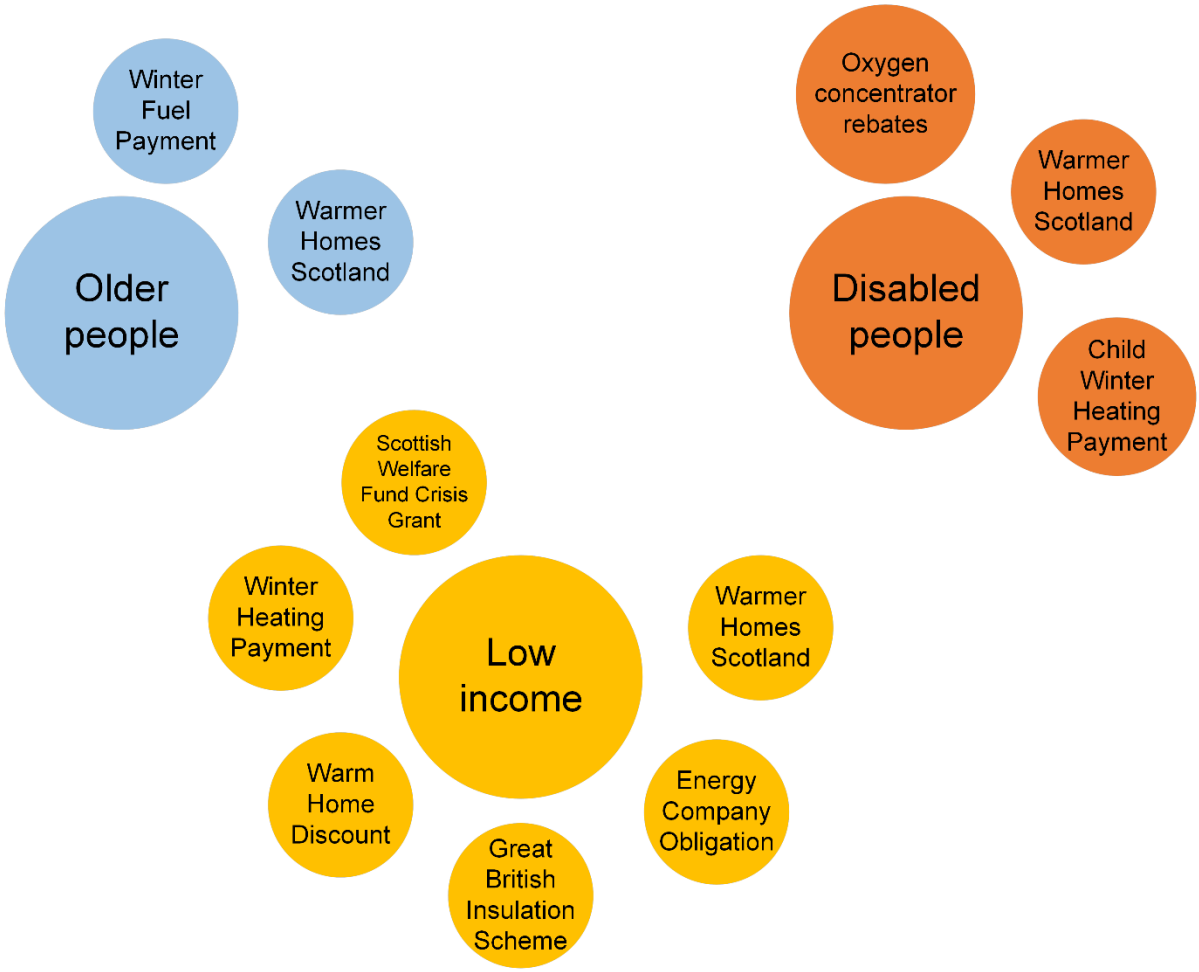


**Table 1: sources of fuel poverty funding**

| Scottish Government | UK Government | Energy company | Consumer |
|---|---|---|---|
| Warmer Homes Scotland | Winter Fuel Payment | Energy Company Redress Scheme | Energy Company Obligation |
| Area Based Schemes | | | Great British Insulation Scheme |
| Winter Heating Payment | | | Warm Home Discount |
| Child Winter Heating Payment | | | |
| Scottish Welfare Fund Crisis Grants | | | |
| Islands Cost Crisis Emergency Fund | | | |
| Social Housing Net Zero Heat Fund | | | |
| Warmer Homes Scotland Grant and Loan | | | |

**Table 2: Funds and who administers them**

| Scottish Gov. | UK Gov. | Ofgem | DWP | Social Security Scotland | Home Energy Scotland | Energy Saving Trust |
|---|---|---|---|---|---|---|
| Area Based Schemes (alongside local authorities and relevant bodies, such as Changeworks) | Warm Home Discount | Energy Company Obligation (alongside local authorities) | Winter Fuel Payment (but will soon transfer to Social Security Scotland) | Winter Heating Payment | Warmer Homes Scotland | Energy Company Redress Scheme |
| Scottish Welfare Fund Crisis Grants | | Great British Insulation Scheme | | Child Winter Heating Payment | Home Energy Scotland Grant and Loan | |
| Islands Cost Crisis Emergency Fund | | Energy Price Cap[5] | | | | |

[5] This is technically not a fuel poverty fund, but a mechanism for containing energy prices.

| | | | | | | |
|---|---|---|---|---|---|---|
| Social Housing Net Zero Heat Fund | | | | | | |

**Table 3: Funds split by taxation, levy funding and energy company fines.**

| **Taxation** | **Levy on energy bills** | **Energy company fines** |
|---|---|---|
| Warmer Homes Scotland | Energy Company Obligation | Energy Company Redress Scheme |
| Area Based Schemes | Great British Insulation Scheme | |
| Winter Fuel Payment | Warm Home Discount | |
| Winter Heating Payment | | |
| Child Winter Heating Payment | | |
| Scottish Welfare Fund Crisis Grants | | |
| Islands Cost Crisis Emergency Fund | | |
| Oxygen Concentrator Rebate | | |
| Social Housing Net Zero Heat Fund | | |

**Table 4: Fund spending for 2022-2023 and 2023-2024 (for funds where information is available) ***

* It's important to note that several of these funds do not target fuel poverty specifically, so it is not possible to attribute all of this spending to fuel poverty mitigation.

| **Fund** | **2022-2023 spend** | **2023-2024 spend** |
|---|---|---|
| Warmer Homes Scotland | £43 million | TBC |
| Area Based Schemes | £45,660,889.59 | TBC |
| Winter Heating Payment | £19,905,500 | £23,004,500 |
| Child Winter Heating Payment | £7,165,000 | TBC |
| Scottish Welfare Fund (Crisis Grants and Community Care Grants) | £56.0 million | TBC |
| Social Housing Net Zero Heat Fund | Over £38 million | TBC |
| Warm Home Discount | £48.5 million | TBC |
| Home Energy Scotland Grant and Loan | £39,534,966.98 | TBC |

## Introduction

The fuel poverty funding landscape in Scotland is complex for a number of reasons. Firstly, funding to tackle fuel poverty comes from a range of sources: from the Scottish and UK Governments, local authorities, Ofgem, energy companies, and in the form of cold weather benefits administered by Social Security Scotland and the Department for Work and Pensions (DWP). Funding can be targeted at one particular fuel poverty driver, multiple drivers, or can take the form of crisis funding. Furthermore, funding can go to individuals directly, to energy companies or to local authorities or third sector organisations who support people in fuel poverty. Further complexity is caused by the fact that the funding landscape has evolved overtime including "in the moment" responses to events/economic conditions which has created a multi-layered system which is hard to navigate. The purpose of this report is to unravel some of this complexity, and compile information on fuel poverty funding in Scotland in one place.

This review focuses on public fuel poverty funding for both individuals and organisations in Scotland. Funds were identified through fuel poverty literature and briefings from academics, the third sector, the Scottish and UK Governments, the House of Commons Library, SPICe, and Ofgem. To source information on funds and analyses of these funds, a key word search was carried out on Scottish Government, UK Government and Ofgem websites. Google Scholar was also used to source relevant academic and grey literature. Some information around spend and budget was provided directly by Scottish Government officials. This is a rapid evidence review, and it is therefore possible that some relevant sources have been missed. While both organisational and individual funding sources are in scope, there is more discussion of fuel poverty funding for individuals.

The funding landscape for fuel poverty and energy advice agencies is complex, consisting of funding from charitable trusts and donations, the energy sector, as well as public funding. In the course of this review it was difficult to identify fuel poverty specific public funding for fuel poverty and energy advice organisations. This is not to say that public funding does not exist for these organisations to access, but it may be delivered under more general debt advice and poverty related funds. More mapping work would be needed to establish this.

The body of this report is broken down by fund and incorporates an overview of each fund's purpose and eligibility criteria. Spend and budget figures are provided where possible, as well as a discussion of the different funds' key strengths and limitations. It should be noted that some funds have been discussed far more often and in greater detail by academics and other fuel poverty stakeholders than others. This may be because some funds are larger in size with more money than others; some are more established while others are more recent; some are UK-wide while others only apply to Scotland, and some have a wider focus beyond fuel poverty.

While this review focuses on fuel poverty specific publicly administered funding schemes available in Scotland, it is recognised that there are a number of other funds which may be relevant. Please see Annex A for a list of non-governmental schemes; schemes available outside Scotland; closed schemes, and schemes for net zero.

# 1 Warmer Homes Scotland

## 1.1 Scheme overview

Warmer Homes Scotland (WHS) offers funding and support to households struggling to stay warm and keep on top of energy bills. The scheme was launched in 2015 and is administered by Home Energy Scotland, which is managed by the Energy Saving Trust and funded by the Scottish Government.

In August 2022, as part of the Scottish Government's response to the energy crisis, eligibility criteria were broadened and from 1st April applications to WHS are assessed under new eligibility criteria which increased the range of passport benefits, reduced the residency requirement from 12 months to six months, and removed the requirement that householders must not have received WHS support for energy efficiency improvements in the last five years.[6]

The eligibility criteria for this scheme is as follows (as of May 2024):

- Be a homeowner or the tenant of a private-sector landlord.
- Live in the home as your main residence.
- Have lived there for at least six months.
- Live in a home with a poor energy rating. Warmworks will assess this.
- Live in a home with a floor area of 230m2 or less (typically up to five bedrooms).
- Live in a home that meets the tolerable living standard set out in the Housing (Scotland) Act 2006 or, where the home does not meet the tolerable living standard, this will not impact the effectiveness of the recommended improvements for installation under the programme.
- Live in a home where the council tax band is A-F.
- Eligible households must include either a person who is over 75 with no central heating, a person who has a DS1500 or BASRiS certificate completed by a medical professional, or a person who receives at least one of the passport benefits[7] at any level or rate at which the benefit is paid.[8]

WHS takes a 'whole house' approach, offering eligible households a bespoke package of measures that take account of both the needs of the property and the needs of the household.

[6] Making Retrofit Work - a customer journey with people at its core (existinghomesalliancescotland.co.uk)

[7] The passport benefits are: Adult Disability Payment; Armed Forces Independence Payment; Attendance Allowance; Carer's Allowance; Constant Attendance Allowance; Council Tax Reduction (excluding 25% discount e.g., students or single persons); Scottish Child Payment; Child Disability Payment; Child Tax Credit; Disability Living Allowance; Housing Benefit; Income Support; Income-based Jobseeker's Allowance (JSA); Income-related Employment and Support Allowance (ESA); Industrial Injuries Disablement Benefits; Pension Credit – Guarantee (you will not be eligible if you receive only Pension Credit – Savings); Personal Independence Payment (PIP); Severe Disablement Allowance; Universal Credit; War Pensions Mobility Supplement; Working Tax Credit.

[8] Warmer homes Scotland | Home Energy Scotland

The improvements offered depend on an assessment of the home carried out by Warmworks Scotland. Warmworks Scotland is a partnership between Energy Saving Trust, Everwarm and Changeworks. Potential improvements include:

- wall insulation
- loft insulation
- draught-proofing
- central heating (inc. new gas boilers or air source heat pumps)
- renewables

The number of applications, household surveys completed and installations for Warmer Homes Scotland has been steadily increasing. See table 3 below.

**Table 5: Warmer Homes Scotland applications, surveys and installations, 2018/19 – 2022/23**

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|
| **Survey applications (applications received)** | 5,728 | 5,598 | 6,577 | 7,508 | 12,877 |
| **Surveys Completed** | 5,376 | 5,075 | 5,917 | 7,732* | 10,746 |
| **Installed Households** | 3,818 | 3,607 | 2,904 | 5,311 | 5,478 |

*higher number of surveys completed than applications received in 2021/22 is due to delayed applications during COVID-19

Source: Warmer Homes Scotland survey applications: EIR release - gov.scot (www.gov.scot)

### 1.2 Budget and spend

**Table 6: WHS budget and spend, 2020-21 to 2024-25**

| Year | Budget allocation | Spend |
|---|---|---|
| 2020-21 | £32 million | £23 million |
| 2021-22 | £50 million | £35 million |
| 2022-23 | £55 million | £43 million |
| 2023-24 | £55 million | £60 million |
| 2024-25 | £65 million | |

### 1.3 Key strengths

In 2021 Warmworks published the results of a Social Return on Investment evaluation[9] produced by Social Value Lab.[10] The evaluation is based on an online

[9] Social Return on Investment (SROI) is a systematic way of incorporating social, environmental, economic and other values into decision-making processes.
[10] Social-Return-on-Investment-of-Warmer-Homes-Scotland-2020-21.pdf (warmworks.co.uk)

survey of 697 WHS customers, nine scoping interviews with customers, three scoping interviews with supply chain representatives, and an online survey of 14 supply chain representatives.

While most customers surveyed agreed that their home was warmer generally, fewer said that they were better insulated (24%), less draughty (23%) or less damp (20%).[11] More than four-fifths (81%) of customers agreed that their heating system had been improved by the scheme.[12] A majority of customers reported that their system was more energy efficient (72%) and/or more reliable (63%). Around half of customers indicated that they found their heating system easier to use because of WHS.

In relation to the difference to their heating system, several themes were present in customers' comments. Some customers mentioned the improvement in the general efficiency of their heating, experienced through homes becoming warmer more quickly or staying warm for longer. Customers also frequently noted the control that they now had over their heating system, through the use of new features such as thermostats or timers.

Around two-thirds of customers (64%) agreed that the service from WHS had reduced their spend on heating, either by lowering their fuel bills or cutting down on maintenance costs. Around 7% of customers reported that their fuel bills had increased since the work carried out by WHS. It is worth noting, however, that this may not necessarily be a negative for all of these customers. As comments confirmed, some customers have heating systems where previously there were none or are using their heating more than they did because it actually works well now and are happy to accept this increased cost for a warmer home.

The majority of customers (84%) indicated that their experience with WHS had reduced barriers to other forms of support, either by making people feel more confident in asking for additional support or by letting them know where to access it. More than three-quarters of customers reported that their health or wellbeing had improved as a result of the service they received from WHS. Customers mentioned feeling less stressed about heating costs or worrying less about unresolved issues. A number of customers also referenced specific conditions that a warmer home had helped to alleviate, including asthma, arthritis and depression.[13]

In August 2023, The Existing Homes Alliance (EHA) published the results of desk-based research, in-depth interviews with stakeholders and a survey of local authorities on fuel poverty funding in Scotland.[14] 10 interviews were held with stakeholders, and eight local authorities responded to EHA's survey. Given the numbers involved, it should be noted that this research is not representative of the views and experiences of all fuel poverty stakeholders and local authorities. The stakeholders involved in the research widely believed that WHS is a highly successful programme that enables vulnerable households to benefit from measures

[11] This may be due in part to the fact that not all customers will be dealing with these specific issues prior to receiving support from WHS.
[12] It should be noted that not all customers require a new heating system through the scheme.
[13] Social-Return-on-Investment-of-Warmer-Homes-Scotland-2020-21.pdf (warmworks.co.uk)
[14] Making Retrofit Work - a customer journey with people at its core (existinghomesalliancescotland.co.uk)

to tackle fuel poverty. Stakeholders were overwhelmingly of the view that WHS is highly customer focused, with the emphasis on post-installation quality inspections, along with “work-in-progress” inspections, contributing to high levels of quality and customer satisfaction. Whilst WHS contributes to tackling energy efficiency as a driver of fuel poverty, it was recognised by stakeholders that tackling energy efficiency alone does not insulate households from fuel poverty. However, as fuel prices have increased, the benefits of improving energy efficiency, thereby reducing the amount of energy needed to heat the home, also increase.

New widened eligibility criteria was welcomed by stakeholders involved in the EHA research, with households who were formerly on the margins of eligibility now being eligible for support. There are some households, however, who still fall through the cracks, for example parents with shared custody of a child.

Stakeholders felt that the simplicity of the system played a large role in its success – the focus on individual households mean that there are none of the complexities that come with multi-property programmes. However, it was recognised that this could mean that some opportunities for efficiency could be missed – for example, there may be opportunities for contractors to identify neighbouring households that could benefit from similar measures.[15]

### 1.4 Key limitations

Some stakeholders in the EHA research[16] felt there was a lack of transparency historically within WHS, making it difficult to establish success in terms of outcomes for customers, citing a focus on reporting on outputs rather than outcomes. It was also suggested that a reliance on EPCs for establishing eligibility can potentially exclude households on the basis of information that is incorrect. It also underestimates the additional power requirements of disabled people (e.g. mobility aids, oxygen or dialysis machines) which risks excluding vulnerable households from the scheme.

Some stakeholders also felt that funds were utilised unevenly across the country and that more could be done to leverage additional funding, for example through the ECO4 flex programme.

Marketing was identified as an issue by stakeholders, who highlighted that the scheme could have a wider reach and be more effective with increased marketing. It was suggested that concerns about inability to manage demand resulted in under-marketing of the programme. It was also suggested that the scheme should place greater emphasis on engaging with support organisations to reach more households that would struggle to engage, for example those who are digitally excluded. Building on this marketing point, there was concern amongst some stakeholders that some households are not participating in the scheme as they believe it is “too good to be true”. It was suggested that the scheme’s marketing should work on building trust.

The biggest concern amongst those taking part in the EHA research on the effectiveness of WHS was that it is felt to be a drop in the ocean compared to the

[15] Ibid
[16] Making Retrofit Work - a customer journey with people at its core (existinghomesalliancescotland.co.uk)

overall need. It was suggested that, although there has been a substantial increase in the WHS in recent years, if the Scottish Government is serious about tackling fuel poverty, they need to significantly scale up the programme.

EHA have made the following recommendations for WHS:

- Consider opportunities for creating efficiencies, for example enabling installers to generate demand and small area-based approaches where work is being carried out in remote, rural or island locations.
- Raise awareness and ensure a reliable pipeline of work through a more flexible and responsive approach to marketing.
- Increase the focus on engaging with smaller, local SMEs to create further benefits for local communities, in particular in rural locations.
- Ensure greater transparency, regional performance and a focus on outcomes in performance monitoring and reporting.
- Increase the scale of the programme.[17]

Modelling[18] by the think tank, IPPR Scotland, has highlighted that the WHS qualifying benefits do not fully capture households in poverty, with only 37% of owner-occupiers and private renters who experience poverty receiving passport benefits, meaning that around 200,000 households in poverty in private households do not qualify.[19] IPPR Scotland argue that the eligibility for full support should be expanded to include households experiencing poverty. This brings around 700,000 private sector households into scope of support for low-income or vulnerable households: around 35 per cent of the total private sector. In order to give these households full support, IPPR model that the annual cost of WHS would need to reach around £350 to £450 million per year.

Research by Changeworks on rural fuel poverty in Scotland was published in 2023.[20] The research utilised the following methodology:

- A desk-based evidence review of published research and evidence relevant to fuel poverty in rural Scotland.
- Analysis of data from the Scottish House Condition Survey.

[17] Ibid
[18] This model combines household microdata from the Scottish Household Survey 2019 with cost, energy and technology suitability information taken from Element Energy modelling commissioned and published by the Scottish government. These assumptions include cost reductions over time, as well as anticipated improvements to technology performance (for example, improvements to the efficiency of heat pumps). These sources are supplemented with further cost assumptions from the Climate Change Committee's analyses for the sixth carbon budget and UK government's Green Book guidance on energy prices.
[19] No home left behind: Funding a just transition to clean heat in Scotland (svdcdn.com)
[20] A-Perfect-Storm-Fuel-Poverty-in-Rural-Scotland.pdf (changeworks.org.uk)

- A series of interviews[21] with householders who have a lived experience of fuel poverty, frontline advisors, and other stakeholders from a range of local and national organisations.
- Four online workshops with stakeholders during which they provided feedback on the research findings.

The research highlighted that Warmer Homes Scotland eligibility changes removing funding for oil and LPG gas boilers whilst retaining funding for new mains gas boilers may further exacerbate fuel poverty for vulnerable households. These households' properties may not be suitable for a heat pump without extensive fabric improvements.[22]

# 2 Home Energy Scotland Grant and Loan

## 2.1 Scheme overview

The Home Energy Scotland (HES) Grant and Loan provides grants and/or an interest free loan funded by the Scottish Government for energy efficiency measures or renewables installations. The scheme was launched in December 2022 as an update to the HES Loan and Cashback scheme.[23]

The new scheme has seen a steady rise in applications received and approved for heat pumps. HES received over 6,000 applications since launching to the end of August 2023, with over 1,900 funding offers issued for heat pump installations in this period. This reflects a 22% increase in funding offers for heat pumps compared to the previous year under the HES Loan and Cashback scheme. There has also been significant demand for packaged support combining solar panels and battery storage with a clean heating system.

Grant funding for energy efficiency improvements is up to 75% of the combined cost of the improvements, up to the maximum grant amount of £7,500, or £9,000 if the household qualifies for the rural uplift.

Grant funding for new heat pumps is up to £7,500, or £9,000 if the household qualifies for the rural uplift. The remainder of funding requested can be taken up as an optional interest-free loan.

From 6 June 2024 onwards, the Home Energy Scotland Grant and Loan will no longer provide new referrals for solar PV and energy storage systems, including electric and heat batteries.

Borrowing amounts depend on what improvement or installation you want. They're grouped into two types - energy efficiency improvements (and secondary improvements) and renewables systems.

The scheme is open to Homeowners and those building their own home and installing a renewable system or energy storage system.[24]

[21] The number of interviews held is not provided in the report.
[22] Ibid
[23] Home Energy Scotland Grant and Loan
[24] Ibid

The new scheme has seen a steady rise in applications received and approved for heat pumps. HES received over 6,000 applications since launching to the end of August 2023, with over 1,900 funding offers issued for heat pump installations in this period. This reflects a 22% increase in funding offers for heat pumps compared to the previous year under the HES Loan and Cashback scheme. There has also been significant demand for packaged support combining solar panels and battery storage with a clean heating system.[25]

### 2.2 Budget and spend

For financial year 2022-23 the budget allocation was £42 million and £39,534,966.98 was paid out.
For financial year 2023-24 the budget allocation was £56 million, up to the end of Quarter 3 (December 2023) total funds paid out was £54,080,923.16.[26]

## 3 Area Based Schemes (ABS)

### 3.1 Scheme overview

The Area Based Schemes were launched by the Scottish Government in 2013, with projects designed and delivered by local authorities, in partnership with local delivery partners and energy companies. The focus is on areas with the highest numbers of households in, or at risk of fuel poverty, and it is intended to prioritise the least energy efficient properties. Funding is distributed to local authorities based on their relative share of fuel poor households.

The approach to delivering ABS varies by local authority, with some appointing a managing agent to manage the whole end to end process, from developing proposals, procuring contractors, managing projects and reporting to the Scottish Government, while others manage the programme in-house.[27]

Historically, ABS projects have focused on installing single measures, in particular external wall insulation, however the Heat in Buildings Strategy stated that the Scottish Government expects ABS to "deliver an increasing number of 'whole house' retrofits to fuel poor households and we have adopted a 'zero emissions first' approach in improving heating systems."

Historically ABS has made effective use of ECO funding – using ECO to reduce owners' contributions towards project costs. However recent rule changes mean there is now a great deal of uncertainty about the role of ECO and the extent to which it can be blended with ABS funding.[28]

Between 2013 and 2023 117,512 measures have been installed through ABS, with total savings amount to £1.2 billion. The below table 7 shows the type, number and cost of ABS measures between 2013 and 2023.

[25] Delivery schemes - Heat in Buildings: progress report 2023 - gov.scot (www.gov.scot)
[26] Home Energy Scotland fund: EIR release - gov.scot (www.gov.scot)
[27] Making Retrofit Work - a customer journey with people at its core (existinghomesalliancescotland.co.uk)
[28] Ibid

Table 7: type, number and cost of ABS measures between 2013 and 2023

| Type of improvement | Since 2013 | 2022-2023 | 2022-2023 approximate cost |
|---|---|---|---|
| Loft insulation | 7,730 | 459 | £0.23 million |
| Cavity wall | 20,209 | 624 | £1.56 million |
| Room in roof | 1,037 | 77 | £1.56 million |
| Solid wall | 75,712 | 2,932 | £26.4 million |
| Other insulation | 4,806 | 372 | £0.19 million |
| Boilers | 3,876 | 91 | £0.18 million |
| Solar/battery | 3,758 | 1,708 | £12.8 million |
| Heat pumps | 384 | 116 | £1.89 million |
| Other heating (heat network, storage) | TBC | N/A | |
| **Total** | **117,512** | **6,379** | **£45 million** |

However, it is clear that some local authorities lag behind on installations. Between 2018/2019 and 2022/2023 councils in Dundee, North Lanarkshire, South Lanarkshire, and East Dumbartonshire completed no ABS measures in at least two financial years.[29]

### 3.2 Budget and spend

Table 8: ABS budget and spend 2020-21 to 2024-25

| Year | Budget allocation | Spend |
|---|---|---|
| 2020-21 | £55 million | £35,818,877.54 |
| 2021-22 | £64 million | £30,282,757.02 |
| 2022-23 | £64 million | £45,660,889.59 |
| 2023-24 | £64 million | TBC |
| 2024-25 | Up to £64 million | |

Source: Area Based Schemes: allocation per local authority - gov.scot (www.gov.scot)

EHA analysis of ABS funding allocations and spend shows that, since its launch, the overall ABS budget has largely been spent, with minimal underspends of less than 3%. However, performance has varied significantly across the country, with substantial budget underspends by some local authorities. Since 2018/19 the scale of underspend has been increasing – 8.1% in 2018/19 and 13% in 2019/20. It is recognised that 2020/21 and 2021/22 were significantly impacted by the pandemic, so the underspends in these years of 34.87% and 52.68% respectively are not unexpected.[30] In 2022/2023, the ABS underspend remained high at 28.65%.[31]

These underspends are in spite of the fact that annual budget allocations rose to £65 million in 2021/22 and 2022/23. For historical context, this bring investment back up to 2015/16 levels after a five year dip. The percentage of annual budget left unspent

[29] Area Based Schemes: annual final measures reports - gov.scot (www.gov.scot)
[30] Making Retrofit Work - a customer journey with people at its core (existinghomesalliancescotland.co.uk)
[31] Area Based Schemes: allocation per local authority - gov.scot (www.gov.scot)

has skyrocketed since Covid. In some local authorities actual spend has decreased year on year despite increased budget allocations.[32]

For financial year 23-24 (as at October 2023) local authority proposals worth £64 million were approved, including 11 ABS special projects worth £8.1 million. Overall, local authorities report that they are on track with delivering most of these planned projects and local schemes.[33] Finalised spend for 2023-2024 is not yet available.

### 3.3 Key strengths

Stakeholders involved in EHA's research felt that, overall, ABS is an effective way to deliver improvement projects for those in or at risk of fuel poverty. Local authorities reported that focusing ABS on areas of multiple deprivation and 'hard to heat' homes, informed by local knowledge, has been very effective as a means of targeting support at those who need it most.

The longevity of the scheme was seen as important in its success. Having now been running for over 10 years, skills and knowledge have grown in that time which should result in more efficient delivery of the programme.

EHA highlight that case studies and anecdotal evidence show that households that participated in ABS projects benefit from warmer homes, lower bills, as well as better physical and mental wellbeing and greater satisfaction with their neighbourhood.[34]

Changeworks' 2023 research on rural fuel poverty in Scotland found that area based approaches can help build trust in the face of historic distrust linked to historic cold-calling and mis-selling in the domestic energy efficiency and renewables' market. An example provided is the delivery of ABS in Orkney which has both an '0800' phone number and a local phone number. The local number reportedly receives around 12 times more calls than the free 0800 number.[35]

### 3.4 Key limitations

Stakeholders in EHA's research identified gaps in data which mean that we are reliant on anecdotal evidence to understand ABS delivery and effectiveness. There was a perception that, while some local authorities target areas most in need, others may focus on areas where they have a lot of stock, to support their own capital programmes. While often these areas will overlap with areas of high fuel poverty, there is a risk that areas without council stock, but with high levels of fuel poverty and deprivation, will be left behind. EHA highlight that ABS data shows that some parts of the country are spending their full allocation and are indeed able to absorb underspend from elsewhere, whereas some local authorities have consistently been underspending their allocations. Some of these underspending local authority areas have high levels of fuel poverty, but even those with relatively lower levels of fuel poverty at a local authority level, have known pockets of deprivation and hardship, where households could be benefiting from lower bills and warmer, healthier homes. There is frustration amongst EHA stakeholders that ABS is not reaching its full

[32] Area Based Schemes: allocation per local authority - gov.scot (www.gov.scot)
[33] Delivery schemes - Heat in Buildings: progress report 2023 - gov.scot (www.gov.scot)
[34] Making Retrofit Work - a customer journey with people at its core (existinghomesalliancescotland.co.uk)
[35] A-Perfect-Storm-Fuel-Poverty-in-Rural-Scotland.pdf (changeworks.org.uk)

potential and people are being unnecessarily left behind due to local authority underspending .

Stakeholders involved in the EHA research highlighted that a major barrier to ABS fulfilling its potential and operating as effectively as possible is the short-term nature of the funding. The current annual approach means that funding allocations are usually announced in early summer with a requirement to spend by the end of the same financial year. Projects then need to be procured, leaving a short window for actual delivery – which coincides with winter and associated weather risks. The majority of local authorities are reluctant to take the risk associated with entering into contracts that would run beyond or potentially exceed confirmed grant funding. This can result in local authorities prioritising projects that can be delivered within the short timescales rather than those that would have the greatest impact on tackling fuel poverty and reducing emissions.

The consensus amongst EHA stakeholders was that ABS is an excellent model and there are some really good schemes, but there is a lack of consistency in terms of what is being delivered. It was felt that this is exacerbated by a lack of coordination and oversight at a national level. There is limited opportunity for sharing expertise and learning from those who are performing well. Additionally, it was felt there is limited incentive for local authorities that are not making full use of their ABS allocation to improve their performance and no sanctions if they are not performing.[36]

# 4 Energy Company Obligation (ECO)

## 4.1 Scheme overview

The Energy Company Obligation (ECO) is a government energy efficiency scheme in Great Britain designed to tackle fuel poverty and help reduce carbon emissions. The scheme has seen four iterations, ECO, ECO1, ECO2 and ECO3. The ECO3 scheme closed on 31 March 2022 and the ECO4 Order came into force in July 2022. ECO4 applies to measures installed from 1 April 2022 and will cover a four-year period until 31 March 2026. From the commencement of ECO4 until the 31st of March 2026 the overall home-heating cost reduction target is £224.3 million in annual savings.[37]

The ECO scheme works by placing a Home Heating Cost Reduction Obligation (HHCRO) on medium and large energy suppliers.[38] Under HHCRO, obligated suppliers must promote measures that improve the ability of low-income, fuel-poor and vulnerable households to heat their homes. This includes actions that result in reduced energy usage, such as installing insulation or upgrading a heating system. The overall target for these measures is divided between suppliers based on their relative share of the domestic gas and electricity market. These specific targets are set by the energy market regulator, Ofgem, with this involving the support of centralised energy efficiency improvement programmes. The Scotland Act (2016) gives the Secretary of State the power to apportion the value of the ECO scheme for a separate Scottish scheme, but these powers have never been used.

[36] Ibid
[37] The Electricity and Gas (Energy Company Obligation) Order 2022 (legislation.gov.uk)
[38] 13 energy companies are currently obliged.

The ECO4 model shifted towards a deeper retrofit, treating fewer homes with more measures. Deep retrofit produces a larger improvement on a home's energy efficiency rating but tends to be more expensive to undertake. Under ECO4, a property must meet the minimum requirement (MR) determined under the scheme, and be assessed by a retrofit coordinator, for works to start. ECO4 introduced a new MR to improve the energy efficiency rating by two bands(i.e., from EPC E to EPC C).The MR means that it's not possible to carry out shallower retrofit in other homes, which, although less impactful on a singular project basis, deliver improvements to a larger number of homes.[39] Literature reviewed for this report has highlighted that any future review of ECO should consider whether the approach should focus on speed or scale. A "whole house" approach will achieve the scale needed for the best energy efficiency savings, but takes longer, costs more and benefits fewer than more targeted energy efficiency measures.[40]

ECO can help with the cost of:

- insulation work, for example to your loft or cavity walls
- replacing or repairing your boiler - or other upgrades to your heating

Measures installed under ECO (since 1 January 2020) are covered by Trustmark, a government endorsed quality scheme for work done on homes, or similar certification bodies. This requires businesses installing measures to provide additional consumer protections, including insurance against the tradesperson going out of business, a minimum 2-year warranty for work, and a minimum 25-year guarantee for certain measures installed under ECO.[41]

A person may be eligible for help if they live in private housing and get one of the following benefits:

- Child Tax Credit
- Working Tax Credit
- Universal Credit
- Pension Guarantee Credit
- Pension Savings Credit
- Income Support
- income-based Jobseeker's Allowance (JSA)
- income-related Employment and Support Allowance (ESA)

[39] The future of the Energy Company Obligation - E3G
[40] Fairer, warmer, cheaper (March 2023) (1).pdf (citizensadvice.org.uk); The future of the Energy Company Obligation - E3G
[41] Debate on provision of cavity wall insulation under government grants - House of Commons Library (parliament.uk)

- Child Benefit
- Housing Benefit

If a person owns their own house, it must have an energy efficiency rating of D, E, F or G to be eligible. If renting from a private landlord, the house must have an energy efficiency rating of E, F or G to be eligible and the owner's permission to do the work is required. If a person lives in social housing that has an energy efficiency rating of E, F or G they might be eligible for help with insulation or installing a heating system for the first time.

ECO4 is expected to result in 800,000 measures installed over the lifetime of the scheme (2022-2026), and is expected to deliver an average bill saving of £290 for each household that receives a measure.

Around 3.9 million measures have been installed in 2.5 million properties through ECO across the UK, to the end of March 2024. It is estimated that 439,700 measures were installed from April 2022 (including 30,300 ECO3 interim and around 409,400 ECO4 measures).[42]

To the end of June 2024, 452,400 ECO measures had been installed in Scotland, about 11% of all ECO measures. In the same period, there were 131 ECO measures per household in Scotland.[43]

### 4.2 ECO4 Flex

ECO4 Flex is a household referral mechanism within the wider ECO4 scheme which enables local authorities to widen the eligibility criteria for ECO, allowing them to tailor energy efficiency schemes to their respective area. The flexible approach to identifying eligible households exists to target low income households who are unlikely to be in receipt of the scheme's standard approach to fulfilling eligibility. This approach is available for local authorities and devolved administrations under the ECO4 scheme.

Under ECO4 Flex, a participating local authority can refer private tenure households that it considers to be living in fuel poverty or on a low income and vulnerable to the effects of living in a cold home. While ECO4 Flex is optional, suppliers can deliver up to 50% of their ECO obligation under this mechanism.

Local authorities can sign up to participate in ECO4 Flex to identify eligible households. To participate they will need to publish a Statement of Intent (SoI) which outlines their intention to participate in the scheme and follow the scheme rules. Local authorities are responsible for determining whether households are eligible and will also need to produce declarations for all households they identify. They can also identify households in their area and for other areas where they have been given delegated authority from another local authority.

The local authorities in Scotland, as well as the Scottish and Welsh Governments, are all able to make household referrals for ECO4 Flex. Where local authorities and the Scottish and Welsh Governments refer households for the scheme, they must

[42] Household Energy Efficiency Statistical Release May 2024 (publishing.service.gov.uk)
[43] Household Energy Efficiency Statistics, headline release September 2024 - GOV.UK (www.gov.uk)

issue a SoI and a declaration. The auditing and governance sections of this guidance only apply to local authorities in devolved areas who refer households independently from their devolved administration.

Suppliers can also use their own energy debt data to identify and refer eligible households through ECO4 Flex or work with relevant authorities under the scheme. Where suppliers self-refer an eligible ECO4 Flex household, they must produce details of this on their project notification. Local authorities and devolved administrations should be aware that a supplier must provide information to Ofgem on projects delivered under the scheme and as such the supplier will require information from the local authorities and devolved administrations to support this. Suppliers, installers, and local authorities and devolved administrations are free to, and encouraged to, establish their own working relationships.[44]

There are different routes in the ECO4 Flex based on household eligibility:

- Route one – household income limit: target low income household based on income criteria (a gross annual income of less than £31,000).
- Route two – multi-proxy targeting: target households based on various proxy metrics such as property characteristics, location and household composition.
- Route three – NHS referral: involves working with the NHS to identify households in need of energy saving measures.
- Route four – bespoke targeting: enables suppliers, local authorities and devolved administrations to identify and recommend energy savings measures for low income and vulnerable households using alternative methods separate from the existing ECO4 eligibility criteria.

In addition, each property receiving measures through ECO4 or the Great British Insulation Scheme will undergo either a Standard Assessment Procedure (SAP) or Reduced Standard Assessment Procedure (RdSAP) prior to the measures being installed. SAP and RdSAP assessments are used to determine the property's SAP band, which indicates the energy efficiency capacity of a property.[45]

Scarf, who have previously spoken to the Panel, have highlighted that the main barrier to ECO4 Flex is that local authorities are struggling with resource to set up a framework and to manage the scheme as there is no additional local authority budget to run the scheme. Scarf are supporting local authorities to publish SoIs and to access ECO4 Flex funding. According to Scarf, in the last 14 months 393 E, F and G properties across six local authorities[46] have had over £7.5 million spent on them to bring them up to an A or B EPC standard.

[44] Energy Company Obligation (ECO) - Local Authorities | Ofgem
[45] Great British Insulation Scheme and ECO4 Local Authority Administration Guidance | Ofgem
[46] Perth, Angus, Dundee, Aberdeen City, Aberdeenshire, Moray

### 4.3 Budget and spend

The current iteration of ECO will run from 2022-2026 with an annual cost of £1 billion per year from 2022-2026, an increase from £600 million per year for ECO3.

The total ECO costs reported by suppliers (both delivery and administrative) to the end of 2023 were £7.95 billion. Delivery costs in 2023 were £1.48 billion. Up to the end of December 2023 the average cost of delivering the ECO4 obligation, not including ECO3 interim, was around £21.69 per pound of annual bill savings.[47]

### 4.4 Discussion

The Fuel Poverty Research Network (FPRN) is a group of students, researchers, policymakers and other professionals concerned with fuel poverty. The FPRN Committee conducted a survey of FRPN subscribers with a request to share evidence, research findings or information they felt the UK Government should consider for its fuel poverty strategy review.[48] It should be noted that the response rate to this survey was low, with only 20 responses received from a range of academics, local authority representatives and NGO researchers. Nevertheless, there are several important findings. Members of the network highlighted evidence that shows that ECO funds need to be more effectively targeted at areas with high levels of fuel poverty.[49] Furthermore, it was felt that delivery of retrofit programmes needed streamlining, reduced complexity and skill shortages and other barriers addressed.

Katris and Turner, academics at the Centre for Energy Policy at the University of Strathclyde, have undertaken modelling to assess how funding options support residential efficiency improvements. In this research they have argued that a key downside of ECO is that it involves significant administrative costs and other implementation costs that restrict the share of the available ECO budget actually directed to retrofitting properties. It has also been argued that, by recovering costs through the energy bills of all consumers, ECO places a disproportionate burden on lower income households, thereby raising questions around whether ECO is the most effective funding mechanism.[50]

The independent climate change think tank, E3G, have produced a briefing on ECO4 which utilises data on ECO4 delivery to present recommendations on how ECO4 could be reformed. They argue that changes to the ECO scheme have led to a major fall in the number of households benefitting from the scheme.[51][52] They view ECO as having potential, but highlight that current installation rates are not commensurate with meeting fuel poverty targets. E3G recommend that review of ECO should

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[47] Household Energy Efficiency DEtailed Statistical Release, March 2024 (publishing.service.gov.uk)
[48] FPRN survey - Combined documents v4 (fuelpovertyresearch.net)
[49] Bridgen and Robinson, 2023, 'A decade of fuel poverty in England: A spatio-temporal analysis of needs-based targeting of domestic energy efficiency obligations' https://www.sciencedirect.com/science/article/pii/S2214629623001998
[50] Antonios Katris, Karen Turner (2021), 'Can different approaches to funding household energy efficiency deliver on economic and social policy objectives? ECO and alternatives in the UK', *Energy Policy* (155), Can different approaches to funding household energy efficiency deliver on economic and social policy objectives? ECO and alternatives in the UK - ScienceDirect
[51] E3G (2024) The-future-of-ECO.pdf (e3g.org)
[52] Department for Energy Security and Net Zero provides data on ECO delivery since the scheme was originally launched. Figures from Q1 2024 show that around 93,500 measures were installed in around 21,700 households, of which 17,000 received ECO measures for the first time.

consider how the strengths of ECO can be maximised by adjusting the scheme design (e.g. depth of retrofit, household eligibility, compliance and assurance, building and geographies treated). They highlight that there is limited coordination between ECO and parallel local schemes and consumer-led policies. In their view, future design should complement other avenues for delivery, although some overlap in supply chain is likely to be unavoidable.

E3G argue that while the deeper retrofit model of ECO4 provides a larger improvement on a treated houses' energy efficiency resulting in greater bill savings per home, the current magnitude of spending per home is not sustainable. They cite the fact that average investment per home under ECO4 has averaged £26,000, compared to £3,500 under ECO3, an increase of 640%. They highlight that in Q1 2024, average investment was £33,000 per home. However, it should be noted that no citation was provided to demonstrate where E3G obtained these figures from.

E3G make the point that under the current design of ECO, not all households are economically eligible for a whole house retrofit, as it would be too expensive under the spending envelope, or the measures wouldn't bring the property up to the necessary energy performance rating. They recommend adjusting the depth of retrofit and whole house approach to reinvigorate ECO's scale.

Under ECO4, a property must meet the minimum requirement (MR) determined under the scheme, and be assessed by a retrofit coordinator, for works to start. ECO4 introduced a new MR to improve the energy efficiency rating by two bands (i.e., from EPC E to EPC C). E3G highlight that the MR makes it impossible to undertake shallower retrofit in other homes, which, although less impactful on a singular project basis, deliver improvements to a larger number of homes. Homes which meet ECO4's MR and can be cost effectively treated are more likely to be larger, rural, off-gas properties. This means many EPC D, semi-detached properties in the UK are missing out on the chance to improve energy efficiency standards under the scheme. E3G argue that allowing more flexibility under the MR could enable more properties to become eligible under the scheme, while also enabling homeowners more choice over the timing and depth of upgrades.

Furthermore, E3G argue that the design of ECO favours works in different building types and geographies. Currently, design of the scheme skews the obligation towards working in larger houses, rather than flats or other building types, despite their being high levels of fuel poverty in these settings. They argue that reform of ECO should aim to balance delivering home upgrades in a way which aligns its core strengths with the varying fuel poverty levels in different types of homes. Furthermore, they argue that reform of ECO should consider how it can work more effectively with and alongside local authorities.[53]

Research conducted by The Social Market Foundation for Citizens Advice has also recommended that the scale and ambition of ECO needs to be enhanced.[54] The research incorporated the following:

- Two opinion polls conducted by Public First during 2022.

[53] E3G (2024) The-future-of-ECO.pdf (e3g.org)
[54] Fairer, warmer, cheaper (March 2023) (1).pdf (citizensadvice.org.uk)

- A series of roundtables with members of the public in the summer of 2022.
- Four roundtables held in the summer of 2022 with industry, charity, academic and independent experts on energy policy.
- A series of roundtables with parliamentarians and other representatives of five major political parties.

It should be noted that there is no detail provided on how many responses the Public First opinion polls received, nor is detail provided on how many roundtables were held with the public, or on how many people attended these sessions. It is also not clear how many roundtables were held with parliamentarians and other representatives of major political parties.

The Social Market Foundation argue that better targeting makes enhancing the scale of ECO feasible by reducing the search costs of energy suppliers. Instead of knocking on doors looking for eligible households, suppliers would start with an identified pool of high-consumption, low-income households. Adding the Valuation Office Agency (VOA) data on property characteristics currently used for WHD eligibility would further enhance this process, though the authors note the limitations of EPC data and support its improvement.

It is argued that ECO should aim to carry out loft and cavity wall insulation improvements for all fuel-poor households. The Social Market Foundation estimate this would carry an aggregate capital cost of £1.1 billion and deliver average annual bill savings of more than £550 for a fuel poor household where both loft and wall improvement is carried out, as well as reducing those households' need for bill support payments over time.

The Social Market Foundation argue that rather than facing supply-side obstacles, a key constraint on ECO-style schemes has been on the demand side, arising from the challenge of identifying eligible households. Their consultation exercise suggests that the logistical and financial challenges of searching for and finding potential ECO recipients are a major limiting factor. Several energy suppliers describe hiring staff to "walk the streets knocking on doors" in hopes of finding qualifying households.[55]

Looking specifically at ECO in Scotland, the Existing Home Alliance research highlighted the feeling amongst stakeholders that the most recent ECO rules were designed for England and Wales and do not fit with the Scottish grant and loan framework.[56] Previous ECO schemes enabled the blending of ECO and ABS funding, however under ECO4 there are two distinct funding routes. Contractors need to choose whether to go down the ECO route or the ABS route and, EHA argue that given that ECO is much more complex than ABS, most will opt for ABS. Although in theory, blending of funding is still possible on a 'whole house' project, ECO rules would require contractors to be 'ECO approved' and many small and medium-sized enterprises (SMEs) do not have the capacity (or incentive) to obtain this. According to EHA, these changes and the lack of certainty mean that ECO

[55] Ibid
[56] Making Retrofit Work - a customer journey with people at its core (existinghomesalliancescotland.co.uk)

funding is being underutilised and energy companies are struggling to spend ECO in Scotland.

EHA recommends that the Scottish Government engages with energy companies and organisations that are effectively accessing ECO funding (such as Wise Group, Energy Agency and Changeworks) to explore how ABS and ECO funding can work together to maximise the reach of area-based projects and plug gaps in eligibility.[57]

# 5 Great British Insulation Scheme (formerly known as ECO+)

## 5.1 Scheme overview

The Great British Insulation Scheme (GBIS) provides free or cheaper insulation to help reduce eligible people's energy bills. The scheme was announced at the end of March 2023 and is to run until March 2026. It replaced the former ECO+ Scheme.[58]

The cost of delivering the GBIS is included within the Energy Price Guarantee. To facilitate that, an allowance for the scheme has been included by Ofgem in the default tariff cap (the price cap) from April 2023 onwards.[59]

The UK Government estimate that GBIS will make around 300,000 homes more energy efficient, with an expected energy bill saving of around £300-£400 on average per year. Since the start of the GBIS, there have been 7,506 measures installed in 6,238 households up to the end of February 2024. Measure delivery has continued to increase, with 1,761 measures installed in February 2024 – the highest level since the scheme began. Scotland's share of these measures is 6% or 448 measures installed, and 7% of households upgraded.[60]

A person may be eligible for support if their home has:

- an energy performance certificate (EPC) of D to G
- is in Council Tax bands A-D in England or A-E in Scotland or Wales

This group is known as the 'general eligibility group'. Homeowners in this group may need to cover part of the cost of installing a higher cost measure. There is also a 'low income cohort' who may eligible if they receive any of the following benefits:

- Income based Job Seekers Allowance
- Income related Employment and Support Allowance (ESA)
- Income Support
- Pension Credit
- Guarantee Credit
- Working Tax Credit
- Child Tax Credit
- Universal Credit
- Housing Benefit

[57] Ibid
[58] Apply for support from the Great British Insulation Scheme - GOV.UK (www.gov.uk)
[59] Great British Insulation Scheme (2023-2026) and Amendments to ECO4 regulations: government response (publishing.service.gov.uk)
[60] Summary of the Great British Insulation Scheme: April 2024 - GOV.UK (www.gov.uk)

Eligibility can be checked on the GBIS's application page hosted by the UK Government. If a person is eligible for support, their energy supplier will contact them and arrange an assessment of their property.

The scheme is open to homeowners, landlords or tenants (either renting privately or from a housing association). Tenants need to speak to their landlord before they apply and need their permission before any insulation can be installed. Contribution to installation depends on household income.[61]

They may be able to get support to install:

- cavity wall insulation
- solid wall insulation (internal or external)
- loft insulation
- flat or pitched roof insulation
- underfloor insulation
- solid floor insulation
- park home insulation
- room-in-roof insulation

### 5.2 Budget and spend

The budget for GBIS across the UK is £1 billion per annum over 4 years.[62]

## 6 Warm Home Discount

### 6.1 Scheme overview

The Warm Home Discount (WHD) Scheme is a one-off discount off the electricity bill of eligible households. If eligible, electricity suppliers will apply the discount to the customer's bill. The WHD takes no account of the energy efficiency of the home, and is targeted at low-income groups who are at risk of fuel poverty, regardless of the energy efficiency of the home.

The WHD is funded through placing an obligation on suppliers. This obligation adds around £19 to all electricity bills, and there is a reconciliation mechanism to ensure all suppliers pay a fair share.[63]

Since 2022, in England and Wales recipients of other means tested benefits also receive the WHD automatically. Households have their heating needs estimated based on data held on the age, size and type of the property they live in. Those whose heating cost is modelled to be above a 'high cost' threshold are eligible for

[61] To find out anything more about how eligibility works you would need to go through an application.
[62] Great British Insulation Scheme (2023-2026) and Amendments to ECO4 regulations: government response (publishing.service.gov.uk)
[63] Shock Proof: Breaking the cycle of winter energy crises - Citizens Advice

support. Scotland has no equivalent to the Valuations Office Agency (VOA) which means that there is no way to identify consumers who may fall into the high energy costs criteria. This means that consumers have to apply to their supplier, and support is provided on a first come first served basis.[64]

To be eligible for WHD in Scotland you must fall into one of the following groups:

- receive the Guarantee Credit element of Pension Credit (automatic eligibility)
- are on a low income and meet your energy supplier's criteria for the scheme (must apply)

If a person is on a low income they may be eligible if:

- their energy supplier is part of the scheme
- they (or their partner) get certain means-tested benefits or tax credits
- their name (or their partner's) is on the electricity bill

Electricity suppliers may have extra eligibility criteria. They will also provide details on which benefits enable eligibility.

It may be possible to get the discount on a gas bill instead if a household's supplier provides them with both gas and electricity and they're eligible. A household can still qualify if they use a pre-pay or pay-as-you-go meter. Their electricity supplier can tell them how they'll get the discount if they're eligible, for example a voucher which can be used to top up a meter.[65]

There is a bespoke scheme to support people in park homes who miss out on support, and a discretionary strand of the WHD that enables suppliers to make payments to people in other circumstances who are ineligible for rebates.[66]

In 2023/24 the Warm Home Discount Scheme delivered Core Group rebates of £150 to 3.14 million households in Great Britain. In comparison with the equivalent parts of the scheme in 2022/23 this represents an increase of around 646 thousand households receiving rebates and an increase of around £97 million of support. This reflects the change in eligibility, through lowering of the "high energy costs" thresholds in 2023/4.

The total spend on Core Group rebates was £471.4 million. Core Group 1 (known as Core Group in Scotland) aims to provide a rebate[67] to all households in receipt of the guaranteed element of Pension Credit. This was given to 956 thousand pensioner households across Great Britain. Core Group 2 provides rebates to low income households living in homes likely to have high energy costs. This was given to 2.19 million households across England and Wales.

### 6.2 Budget and spend

Table 9: Budget and Spend for WHD in Scotland

| Year | Scotland Budget | Spend |
|---|---|---|

[64] Shock Proof: Breaking the cycle of winter energy crises - Citizens Advice
[65] Warm Home Discount Scheme: Overview - GOV.UK (www.gov.uk)
[66] Shock Proof: Breaking the cycle of winter energy crises - Citizens Advice
[67] Warm Home Discount statistics, 2023 to 2024 - GOV.UK (www.gov.uk)

| | | |
|---|---|---|
| Year 12 (2022/23) | £49 million | £48.5 million |
| Year 13 (2023/24) | £51 million | Not yet published |
| Year 14 (2024/25) | £52 million | N/A |
| Year 15 (2025/26) | £53 million | N/A |

Sources: The Warm Home Discount (Scotland) Regulations 2022 (legislation.gov.uk); Warm Home Discount (WHD) - Reports and data | Ofgem

The total budget for 2022/2023 was £523 million, for Scotland, England and Wales combined. From April 2022 to March 2023 obligated suppliers spent £443.8 million supporting eligible low-income households by providing £150 rebates and through Industry Initiatives. £395.2 million of this money was spent in England and Wales and £48.5 million was spent in Scotland. This was an increase of 23% on the £359.4 million spent in 2021/2022.

In 2022/23 there was a spending shortfall across the England and Wales and Scotland schemes of around £74 million.[68] Scotland's share of this spending shortfall was £1 million.

Since the start of the scheme in 2011, a total of £3.95 billion has been spent supporting vulnerable consumers through energy bill rebates and 'Industry Initiatives'.

For 2022/2023, Ofgem has reported that four suppliers failed to meet their individual non-core spending obligations (So Energy and Utilita in England and Wales and Ecotricity and Good Energy in Scotland). This resulted in a spending shortfall of £13,431.

### 6.3 Key strengths

In 2016 Citizens Advice Scotland (CAS) undertook a review of energy efficiency and fuel poverty schemes in Scotland.[69] It should be noted that this review is now quite dated, but it still makes a number of relevant points. CAS highlights that a key strength of the scheme is that it is paid through electricity accounts, so it has a direct impact on energy bills.

### 6.4 Key limitations

In 2019 Citizens Advice Scotland (CAS) commissioned Changeworks to carry out qualitative and quantitative research to assess the extent to which Warm Home Discount is an effective fuel poverty alleviation mechanism. Research was undertaken by Changeworks from November 2019 until March 2020. This comprised analysis of data from a number of sources and 14 semi-structured interviews with those with lived experience of fuel poverty in Scotland.[70]

An estimated 229,938 households received WHD in Scotland in 2018. This represents 9.3% of Scottish households. 25% of Scottish households are defined as FP. Therefore, a majority of households in FP in 2018 did not receive WHD. The research estimated that between 29% and 32% of Scottish households were eligible for WHD. Therefore, less than a third of eligible households received a rebate. Of

[68] Warm Home Discount Annual Report - SY12 | Ofgem
[69] cas.org.uk/system/files/publications/taking_the_temperature_-_a_review_of_energy_efficiency_and_fuel_poverty_schemes_in_scotland.pdf
[70] mind_the_fuel_poverty_gap_06.08.pdf (cas.org.uk)

those defined as Fuel Poor but not eligible for WHD, there was a high concentration of working age households (68%).

The research found that Broader Group recipients become reliant on the rebate, but no certainty is provided by the current application and administrative processes. The individual's experience of fuel poverty tended to influence their view on the effectiveness of WHD. For example, those owing debts to their supplier did not feel much benefit from receiving a rebate. Those in the Broader Group felt the benefit of the scheme more than recipients in the Core Group.[71]

In their 2016 review CAS identified a number of limitations in relation to the design of WHD. These included:

- eligibility variations between suppliers
- applications must be made annually and total spending is capped, meaning that eligibility in theory will not always translate to receipt of funds in practice. This means payments are unlikely to reach all fuel poor households[72]

In January 2024 Citizens Advice published the findings of a representative poll of 4,338 adults (18+) in Great Britain conducted by Yonder Data Solutions for Citizens Advice[73]. This poll focused on the cycle of winter energy crises, and was supplemented by their own network data. Citizens Advice argues that the support offered by the WHD scheme has never been set according to an assessment of consumer need. The initial level was set based on the average support offered by voluntary social tariffs that were offered by energy suppliers in 2009. Citizens Advice argue that the current level of support is clearly not effective in supporting people to stay on supply and out of debt. Indeed, over time the level of support offered through the WHD has fallen behind both energy costs and wider inflation. They highlight the fact that in 2014 WHD was worth 12.5% of the average bill, but now only makes up just under 8%. If it had risen in line with average energy costs it would now be worth £240. In 2014 it was worth £140, and in 2022 it was increased to £150. Citizens Advice calculate that if WHD had been increased in line with general inflation over that period it would now be worth £185.[74]

Citizens Advice have also highlighted that the approach to distributing the WHD in Scotland means that some eligible households miss out if their supplier is oversubscribed, the annual application is burdensome for consumers, and some may not even be aware they are eligible in the first place. Citizens Advice argue that the lack of criteria on energy costs also means that WHD is less well targeted at those most at risk of fuel poverty.

Furthermore, some people have to take additional steps to claim support, and people with traditional prepayment meters also need to manually add it to their meter by using vouchers at the top up shop. This can make it harder for some people to

[71] Ibid
[72] cas.org.uk/system/files/publications/taking_the_temperature_-_a_review_of_energy_efficiency_and_fuel_poverty_schemes_in_scotland.pdf
[73] Fieldwork was conducted between 6th and 18th December 2023. Statistics are scaled to population level based on 4,093,568 households using prepay for electricity (data provided by energy suppliers), and average household size of 2.36 people.
[74] Shock Proof: Breaking the cycle of winter energy crises - Citizens Advice

access the support they need, though smart meters enable support to be applied automatically.[75]

Citizens Advice argue that an improved approach would be a tiered Warm Home Discount, with expanded eligibility and differential support based on energy need. This could provide support of up to a third of a typical bill (currently around £600) to low income households with the highest energy costs. It would be more tailored to needs and avoids steep thresholds for eligibility by providing a lower level of support to those on low incomes with lower energy costs. This could be funded by improving the targeting of current taxpayer spending - potentially supported by a contribution from bill payers, where this can be offset by savings.[76]

In 2018 the Committee on Fuel Poverty for England published research which they commissioned to be carried out by the Centre for Sustainable Development.[77] The research explored tensions and synergies in fuel poverty policy and incorporated a five stage approach to analysis:

- Stage 1: Gather policy definitions, data and evidence (through a systematic review and interviews with all policy leads).
- Stage 2: Segmentation analysis of fuel poor households.[78]
- Stage 3: Modelling of current policies (a business as usual approach).
- Stage 4: Develop and model policy change scenarios (policies adjusted to better align with government objectives).
- Stage 5: Develop high level principles.

The research identified scenarios where the eligibility criteria or targeting of policies may be sources of tension. It highlighted that there are several groups of households who receive benefits from multiple policies while other types of households in similarly vulnerable situations receive much less support. The wider picture when considering the suite of policies in this study is that there is a 'stacking' of benefits on some types of household and a potential neglect of other types of households. The WHD is seen as a policy that 'stacks' benefits on to certain groups of the population as people in receipt of the Guaranteed Element of Pension Credit will automatically receive WHD. In addition the research highlighted that, the WHD is paid for by consumers' fuel bills and as such there are a proportion of low income households with large fuel bills who help pay for this policy yet experience no benefit from it.

The Centre for Sustainable Development recommended that WHD should be reformed in the following ways:

- Remove the broader group and the variable eligibility criteria set at the discretion of different energy suppliers.

[75] Ibid
[76] Ibid
[77] Tackling fuel poverty, reducing carbon emissions and keeping household bills down: tensions and synergies (publishing.service.gov.uk)
[78] Segmentation analysis is the process of diving households or people into different groups based on shared characteristics, demographics, geography, etc. Analysis can then take place on these different groups.

- Adjust the core group eligibility criteria to include all those eligible for the Cold Weather Payment[79] and assume that the majority qualify through an automated data matching process and payment.[80]

# 7 Winter Fuel Payment

## 7.1 Scheme overview

The Winter Fuel Payment in Scotland is currently administered by the Department for Work and Pensions (DWP) and is funded through general taxation. The benefit is being transferred to the Scottish Government. They have consulted on a like-for-like replacement called Pension Age Winter Heating Payment.

If a person was born on or before 22 September 1958, they're likely to qualify for a Winter Fuel Payment in the winter of 2024-25, as long as they were living in the UK during the qualifying week.

A person does not need to claim if they get any of the following:

- State Pension
- Pension Credit
- Attendance Allowance
- Personal Independence Payment (PIP)
- Carers Allowance
- Disability Living Allowance (DLA)
- Income Support
- income-related Employment and Support Allowance (ESA)
- income-based Jobseeker's Allowance (JSA)
- awards from the War Pensions Scheme
- Industrial Injuries Disablement Benefit
- Incapacity Benefit
- Industrial Death Benefit

If a person does not get any of these, they need to claim if either of the following apply:

[79] It should be noted that the Cold Weather Payment no longer exists in Scotland. It is now the Winter Heating Payment, administered by Social Security Scotland.
[80] Tackling fuel poverty, reducing carbon emissions and keeping household bills down: tensions and synergies (publishing.service.gov.uk)

- they've not got the Winter Fuel Payment before
- they've deferred their State Pension since their last Winter Fuel Payment

The amount varies between £250 and £600. For Winter 2023/2024 the amount includes a 'Pensioner Cost of Living Payment' which is between £150 and £300.[81] Recipients of the WFP are not required to pay Income Tax on the payment.[82]

On the 29th of July, the Chancellor announced that the UK Government would be ending WFP payments for some pensioners. Only those receiving means-tested benefits will be eligible for the WFP.

### 7.2 Budget and spend

For 2024/2025, the Scottish Government will receive funding from the UK Government through the Block Grant Adjustment and it is expected this will cover the benefit expenditure for Scotland's replacement benefit, Pension Age Winter Heating Payment (PAWHP), on the basis of a like-for-like delivery. Based on estimations of eligible claimants, this option would be an investment of around £180 million in the first year (2024/25), providing support to over one million eligible people.[83]

### 7.3 Key strengths

The 2016 literature review undertaken by Citizens Advice Scotland (CAS) on fuel poverty funding highlighted that the automatic payment of WFP through DWP is a key strength.[84]

### 7.4 Key limitations

In their 2016 review, CAS highlighted that the absence of means testing results in a substantial proportion of households who are unlikely to be in fuel poverty receiving the benefit.[85] Indeed, in their research commissioned by the Committee on Fuel Poverty for England, the Centre for Sustainable Development highlighted that a favourable policy change would be to introduce stricter eligibility criteria for the Winter Fuel Payment so that people only qualified for a payment each year if they are either on the Guaranteed Element of Pension Credit, or on a state pension and have a limiting long term health condition or disability. However, the downside of this approach is that it still focuses on people in receipt of Pension Credit as the eligibility criteria, excluding others who are in or at risk of fuel poverty.[86]

The research consultancy, The Lines Between, were commissioned by the Scottish Government to undertake an independent analysis of responses to the PAWHP consultation. In total, 906 consultation responses were received from 881 individuals and 25 organisations. Interestingly, four fifths (80%) of all who answered, including 81% of organisations, agreed with the universal approach to eligibility. Many argued a universal approach is fairer, avoids discrimination, promotes uptake and meets

[81] Winter Fuel Payment: Eligibility - GOV.UK (www.gov.uk)
[82] Income Tax: introduction: Tax-free and taxable state benefits - GOV.UK (www.gov.uk)
[83] Consultation on Pension Age Winter Heating Payment (PAWHP) (www.gov.scot)
[84] taking_the_temperature_-_a_review_of_energy_efficiency_and_fuel_poverty_schemes_in_scotland.pdf (cas.org.uk)
[85] taking_the_temperature_-_a_review_of_energy_efficiency_and_fuel_poverty_schemes_in_scotland.pdf (cas.org.uk)
[86] Tackling fuel poverty, reducing carbon emissions and keeping household bills down: tensions and synergies (publishing.service.gov.uk)

everyone's basic need to stay warm. Many argued that eligibility based on state pension age is easy to understand, avoids complicated form-filling for clients, or is cost-effective and efficient.

Furthermore, when considering means testing PAWHP several respondents argued against means testing PAWHP. Reasons included that it was unfair to those who had made provision for their older age, that it was costly and complex to administer, and could cause some people to miss out on a payment. However, several other individuals advocated for some form of means testing of PAWHP to be introduced instead of or in addition to age-based criteria. It was frequently argued that not all older people need financial support.[87] [88]

# 8 Winter Heating Payment

## 8.1 Scheme overview

Winter Heating Payment (WHP) helps people on low income benefits who might have extra heating needs.[89] It is administered by Social Security Scotland, and is automatically paid once a year. WHP replaces the Cold Weather Payment in Scotland, but unlike the Cold Weather Payment it does not depend on how cold the temperature gets. The payment for winter 2023 to 2024 was £55.95 which was provided as money into the recipient's bank account.
Winter Heating Payment is for people in Scotland who:

- get a particular benefit – this is the 'qualifying benefit'
- get the qualifying benefit on at least one day in the first full week of November – this is the 'qualifying week'
- meet one other specific requirement of their qualifying benefit

Qualifying benefits and requirements are as follows.

### Universal Credit and not in employment

Winter Heating Payment is usually paid if those eligible are not employed or self-employed and also have one of the following:

- a limited capability for work element
- a limited capability for work element with a work related activity element
- a child or young person disability element
- a child under 5

### Universal Credit in employment

Winter Heating Payment is usually paid if those eligible are employed or self-employed and get a child or young person disability element.

[87] Pension Age Winter Heating Payment (PAWHP): consultation analysis - gov.scot (www.gov.scot)
[88] This includes the Scottish Fuel Poverty Advisory Panel in their response to the PAWHP consultation.
[89] Winter Heating Payment - mygov.scot

**Pension Credit**

Those in receipt of Pension Credit usually get the Winter Heating Payment.

**Income based Jobseeker's Allowance or Income Support**

Those in receipt of Income based Jobseeker's Allowance or Income Support and have any of the following, usually receive the Winter Heating Payment:

- a disability premium
- a severe disability premium
- a pensioner premium
- the disability element of Child Tax Credit
- a child under 5

Or receive child disability premium within:

- Income Support
- Income Based Job Seeker's Allowance

**Income Related Employment Support Allowance**

Those in receipt of Income Related Employment Support Allowance and have any of the following, usually get Winter Heating Payment:

- placed in a support group or a work related activity group
- a severe or enhanced disability premium
- a pensioner premium
- the disability element of Child Tax Credit
- a child under 5

**Support for Mortgage Interest**

Those in receipt of Support for Mortgage Interest and have any of the following, usually receive the Winter Heating Payment: a disability premium

- a pensioner premium
- a child disability premium
- the disability element of Child Tax Credit
- a child under 5

### 8.2 Budget and spend

8.3

Table 10: Winter Heating Payment budget and spend, 2022-23 to 2023-24

| Qualifying period | Number of payments | Value of payments | Budget |
|---|---|---|---|
| Winter 2022/2023 | 398,115 | £19,905,500 | £21.4 million[90] |
| Winter 2023/2024 | 417,885 | £23,004,500 | £23.6 million[91] |

Source: Social Security Scotland - Winter Heating Benefits: Statistics for Winter 2023/2024; Winter Heating Payment statistics: winter 2022-2023 - gov.scot (www.gov.scot)

Forecasts indicate that the Scottish Government will invest over £24 this winter (24/25) for Winter Heating Payment.

## 9 Child Winter Heating Payment

### 9.1 Scheme overview

The Child Winter Heating Payment is a payment to help disabled children and young people and their families with increased heating costs over winter.[92] It is administered by Social Security Scotland, funded through general taxation and paid once a year. It is paid automatically to eligible households, and will be paid into the same account the qualifying benefit goes into.

The payment value for winter 2023/2024 was £235.70, and eligibility was based on clients being in receipt of a qualifying benefit on at least one day in the qualifying week Monday 18 September to Sunday 24 September 2023. As set out in the 2024-25 Budget, the payment has been uprated again by 6.7% to £251.50.

Children and young people in Scotland can get the assistance if they're under 19 years old and get one of the following 'qualifying benefits':

- the highest rate of the care component of Child Disability Payment
- the highest rate of the care component of Disability Living Allowance for children
- the enhanced daily living component of Personal Independence Payment
- the enhanced rate of the daily living component of Adult Disability Payment

### 9.2 Budget and spend

Table 11: Child Winter Heating Payment spend 2020/21 to 2023/24

[90] Winter Heating Payment statistics: winter 2022-2023 - gov.scot (www.gov.scot)
[91] Winter Heating Payment statistics: winter 2022-2023 - gov.scot (www.gov.scot)
[92] Child Winter Heating Payment - mygov.scot

| Qualifying period | Number of Payments | Value of Payments | Budget |
|---|---|---|---|
| **Winter 2020/2021** | 18,370 | £3,674,000 | £3.0 million[93] |
| **Winter 2021/2022** | 20,015 | £4,043,000 | £3.1 million |
| **Winter 2022/2023** | 26,830 | £5,751,000 | £4.0 million |
| **Winter 2023/2024** | 30,400 | £7,165,000 | £4.7 million |
| **Winter 2024/2025** | | | £8.7 million |
| **Total** | **95,645** | **£20,633,000** | |

Source: Social Security Scotland - Winter Heating Benefits: Statistics for Winter 2023/2024

### 9.3 Key strengths

An evaluation of the Child Winter Heating Payment (then referred to as Child Winter Heating Assistance – CWHA) was published by the Scottish Government in August 2022. The evaluation utilised relevant policy goals to estimate the impact of CWHA, and drew on several sources of data. Axiom was commissioned by the Scottish Government to conduct qualitative research with participants who had received CWHA on their experience of this, the impact that receiving the payment had on them, and suggested improvements to the payment process. 19 in-depth interviews were carried out. The evaluation also utilised official statistics published on the CWHA, as well as data from the Social Security Scotland Client Survey. 836 people taking part in the Client Survey had received CWHA and the qualifying benefit only or were also in receipt of other benefits from Social Security Scotland, while 206 had received CWHA and the qualifying benefit only.[94]

Findings from the Client Survey suggest that CWHA had a positive impact on recipients, helping them to pay for what they need and to control their finances, likely easing financial pressure. These findings were echoed in the qualitative research where participants spoke about CWHA helping to ease their financial stress and anxieties and, more practically, helping them to pay for their energy bills over the winter months.

Data derived from Official Statistics show that the majority of payments for winter 2020-21 and winter 2021-22 were made by the end of December, showing that the vast majority of recipients had an increased ability to heat their homes during the coldest winter months. In the commissioned qualitative research, participants stated that they were able to keep the heating on for longer, for example, during the night, in order to meet their child's needs.

Participants of the commissioned qualitative research also said that CWHA helped to mitigate against additional heating costs over the winter, where they used the payment to fund their energy accounts and keep their direct debits as low as possible over this period.

[93] Figure based on Scottish Fiscal Commission forecast as it was not included in the Scottish Budget at the time of publication.

[94] Child Winter Heating Assistance: evaluation report - gov.scot (www.gov.scot)

In the commissioned qualitative research, participants said that not receiving the payment would have meant more stress and money worries over the winter period. Some highlighted that an additional stressor would be having to choose between whether to not pay the heating or to cut back on food spend. They also emphasised that the health of their child was dependent on the heating being on for longer, and that CWHA helped them to do this.

In the research, participants said that the payment itself made them feel that the additional demands they were facing were being recognised**.** They also praised the automated process and emphasised this made them feel entitled to the benefit.[95]

### 9.4 Key limitations

Participants in the CWHA commissioned research highlighted that the notification letter from Social Security Scotland arrived after they received the CWHA payment. This late communication led to uncertainty over eligibility or whether they would receive the payment**.**

Participants also highlighted a lack of communication from Social Security Scotland prior to receiving CWHA as a potential area of improvement. Specifically, participants would have liked to have been notified of their eligibility prior to receiving the payment. They would have also liked to have known that the payment is not a one-off, and that it can be used for other means that meet, or help towards meeting, their heating costs, other than energy bills.

Overall, the evaluation recommended that improvements should be made in the following areas:

1. Ensure that the payment is made at a time which best meets the needs of families caring for a severely disabled child or young person. Therefore, it would be useful to consider the practicality of issuing CWHA earlier, that is, in early December.

2. Improve Social Security Scotland communication so that recipients are (i) notified about their eligibility of receiving the payment prior to receiving it, (ii) know they can use the payment for other means that meet, or help towards meeting, their heating costs, and (iii) know that payment is an annual occurrence rather than a one-off.

3. Consider other methods of communication such as text messages or emails for sending information about the payment to CWHA recipients.[96]

## 10 Scottish Welfare Fund

### 10.1 Scheme overview

The Scottish Welfare Fund (SWF) is made up of two different grants which can be applied for depending on a person's circumstance. Applications must be made to local authorities, but funding is provided through the Scottish Government and raised through general taxation. It should be noted that the Scottish Welfare Fund legislation enables it to only provide occasional discretionary support and it is not designed to provide ongoing financial assistance or a regular source of income.

[95] Child Winter Heating Assistance: evaluation report - gov.scot (www.gov.scot)
[96] Child Winter Heating Assistance: evaluation report - gov.scot (www.gov.scot)

Thus, the SWF cannot provide regular support to meet ongoing living costs such as ongoing energy costs.

You can apply for a:

- Crisis Grant – to help with an unexpected emergency or exceptional circumstances, like a fire or flood, losing your money or your job, this also includes needing help with heating costs.

- Community Care Grant – to help eligible people establish or maintain a home (not applicable to fuel poverty).

To get either grant a person has to be on a low income, but this does not mean they need to be on benefits. There's no figure that confirms whether a person is on a low income. As a guide, if a person receives one of the benefits listed below, or their income is about the same as someone who does receive one of these benefits, it's more likely you can get a Crisis Grant:

- Income Support
- Pension Credit
- Jobseeker's Allowance (JSA) - Income based
- Employment and Support Allowance (ESA) - Income based
- Universal Credit[97]

Local authorities are able to apply “extensive discretion” over how the SWF is delivered across local authorities. Different areas take a varying approach to the operation of the Fund with respect to:

- Promotion of the Fund - both the amount (for example, whether it was promoted on an ongoing basis) and nature of promotion (whether it was promoted directly to potential applicants, or only via partners) varied between areas.
- Application options and support – although all areas reported offering at least three application channels (as required by the guidance), there appeared to be different emphasis given to different application channels between areas.
- Communicating decisions – including whether teams phoned applicants as standard, in addition to notifying them in writing, and the level of detail included in written decision letters.
- Further support offered – including whether this focused primarily on unsuccessful applicants or repeat applicants, and the extent to which it involved active referrals as well as signposting.[98]

[97] Crisis Grant - how to apply - mygov.scot
[98] Scottish Welfare Fund review: final report - gov.scot (www.gov.scot)

### 10.2 Budget and spend

Table 12: SWF budgets 2022/23 to 2024/25

| Year | Budget |
|---|---|
| 2022/23 | £43.5m (£38m for Awards, which included a £2.5m top up allocation and £5.5m for administration) |
| 2023/24 | £41m (£35.5m for Awards and £5.5m for Administration) |
| 2024/25 | £41 million (£35.5m for awards and £5.5m for administration) |

Budgets are allocated to the SWF as a whole and not divided between Crisis Grants and Community Care Grants.

In 2022/2023 local authorities received 288,880 applications for Crisis Grants (8% more than 2021-22) and made 186,330 awards (6% more than 2021-22); an acceptance rate of 65% (one percentage point lower than 2021-22). Expenditure on Crisis Grant awards totalled £21.1 million, 4% more than 2021-22. The average award was £113.

Local authorities were allocated £38.0 million for Scottish Welfare Fund awards in 2022/23, including an initial £35.5 million, and a later £2.5 million top-up allocation. There was also an estimated underspend of £4.5 million carried forward from 2021-22. Of the estimated total £42.5 million available for awards this year, £56.0 million (132%) was spent by 31 March 2023. This overspend is 18 percentage points higher than the one seen in 2021-22 (114%).[99]

During October to December 2023, local authorities received 59,780 Crisis Grant applications, a 12% decrease compared to October to December 2022. At the same time, local authorities made 36,860 Crisis Grant awards, a 14% decrease, spending £4.3 million, 7% less than in October to December 2022.[100]

### 10.3 Evaluation

In 2022, independent researchers from Ipsos undertook a review of the Scottish Welfare Fund.[101] The review involved:

- A review of existing evidence on the SWF and analogous schemes elsewhere in the UK.
- Analysis of routine quantitative monitoring data, collected by local authorities and collated by the Scottish Government as well as secondary data sources (official statistics and survey data).
- Data from all 32 local authorities, based on completion of a proforma and follow-up interview with SWF managers.
- Qualitative in-depth interviews with:

[99] Scottish Welfare Fund Statistics: annual update 2022-2023 - gov.scot (www.gov.scot)
[100] Scottish Welfare Fund Statistics: update to 31 December 2023 - gov.scot (www.gov.scot)
[101] Scottish Welfare Fund review: final report. - gov.scot (www.gov.scot)

- 46 applicants to the Fund.
- 19 members of local authority SWF delivery teams (drawn from six case study areas).
- 16 external local stakeholders, from organisations that support or work with applicants (again drawn from six case study areas).

The Ipsos review found that since the inception of the Fund, there have been wide variations in levels of over and underspending between different local authorities in Scotland. In 2021/22, 18 out of 32 local authorities overspent, with five overspending by 50% or more, but six spent 70% or less of their allocated budget. There is no consistent pattern as to which local authorities over or under-spend on budget. However, with notable exceptions, rural local authorities have been more likely to underspend, while those with higher than expected levels of demand (based on proxy indicators of need) are more likely to overspend. There was also some evidence of a relationship between over or under-spend and having lower or higher than expected application rates, though this relationship was not consistent across all areas.

However, interviews with local authorities indicated that these historic patterns may now be breaking down – a majority of the areas identified as previously underspending in the analysis of monitoring data stated that they were predicting to overspend on their SWF budgets this year. Two thirds of local authorities stated that the current level of Scottish Government funding for the SWF in their area was 'a lot less than is required to meet local need', with half of the rest stating that it was 'a little less than needed'. There was a strong consensus that the amount allocated for administration of the SWF was inadequate and needed to be very substantially increased for local authorities to continue to administer the Fund in line with the guidance and current target decision times.

The Ipsos review also found that despite the stated purpose of the SWF being to address one-off need, in recent years there has been a substantial increase in repeat applications and awards for Crisis Grants in particular. Local authorities have differing views on how to address this. On the one hand, it was suggested that eligibility should be expanded and funding increased to allow the fund to help more of those struggling as a result of cost of living and other pressures. On the other, there was a strong view that the Fund cannot and should not act as a 'sticking plaster' for issues with the wider benefit system. Both groups, however, agreed that the Fund was coming under considerable pressure to extend beyond the original definition of 'crisis', and that local authorities need a clearer steer from the Scottish Government on this issue.

As previously stated, local authorities have “extreme discretion” over how they deliver the SWF. The Ipsos review considered where local authority differences in how they apply this discretion might have implications for fairness of process and outcome. Key differences between local authorities include:

- Variations in the level of applications rejected as 'incomplete' (combined with evidence of variation in the approach to following up on missing information with applicants).

- Differences in the information local authorities require from applicants to support decision making.
- Perceived differences in local interpretations of specific terms in the guidance, including 'exceptional circumstances' or 'exceptional pressure'.

The Ipsos analysis of monitoring data found that local authority is the most important predictor of whether or not applicants are granted either Crisis Grants or Community Care Grants even after other factors (such as their reasons for applying, their personal characteristics, mode of application, etc.) are taken into account.

The Ipsos review highlighted the need for improvements to be made to improve applicant experience. Particular issues to be addressed include:

- Promotion to potential applicants – to ensure that those who are eligible to apply do find out about the Fund, particularly where they have limited past experience of seeking state support (such as those in work or newly redundant).

- Communication with applicants – interviews with applicants indicated a need to improve clarity, consistency and tone of communications with applicants. Confusion about eligibility criteria and a lack of clarity around the reasons for rejection were also identified as reasons for deciding not to apply in future or not to request a review.

- Application forms – applicants and external stakeholders both suggested that the application forms local authorities use for the Fund needed considerable improvement to shorten and simplify, reduce repetition, and remove questions that could be perceived as intrusive.

- Accessibility of application routes – although all areas stated that they offered at least three application routes, as noted above there were variations in the emphasis given to different routes. Applicants were not always aware of all the application options open to them, and there was concern among applicants and external stakeholders that the scheme was not sufficiently accessible to those without internet access or without a smartphone.

- Timescales for decision-making – applicants and external stakeholders wanted to see shorter turnarounds for decisions for both types of grant and for delivery of Community Care Grant goods.[102]

In response to the Ipsos review of the SWF, the Scottish Government published an updated action plan to set out improvements to the crisis support is delivered in Scotland through the SWF.

[102] Scottish Welfare Fund review: final report - gov.scot (www.gov.scot)

# 11 Energy Price Cap (Default Tariff Cap)

## 11.1 Scheme overview

The energy price cap (or default tariff cap) is the maximum amount energy suppliers can charge consumers for each unit of energy and standing charge if they're on a standard variable tariff.[103] The price cap is based on typical household energy use, that is the energy usage of the median consumer.[104][105] The price cap also makes sure that prices for people on a standard variable tariff (default tariff) are fair and that they reflect the cost of energy. The price cap is set and administered by Ofgem. The energy price cap is relevant in the context of fuel poverty funding because, by placing a cap on energy prices, it constrains energy costs for fuel poor consumers.

Consumers are covered by the price cap if they pay for electricity and gas by either:

- standard credit (payment made when you get your electricity and gas bill)
- Direct Debit
- prepayment meter
- Economy 7 (E7) meter

Between 1 July to 30 September 2024 the energy price cap is set at £1,568 per year for a typical household who use electricity and gas and pay by Direct Debit. This is £122 per year lower than the cap set between 1 April to 30 June 2024 (£1,690).[106]

## 11.2 Discussion

Ofgem have themselves acknowledged the successes and failures of the price cap. In their discussion paper on the future of domestic price protection, published to help inform their Spring 2024 consultation on the same topic, Ofgem highlight that the cap has had the following successes[107]:

- Incentivised efficiency gains - when suppliers were free to set their own default tariffs, they could recover inefficient costs from relatively high tariffs for disengaged customers, reducing the pressure to improve efficiency. From 2019 to 2021 large supplier indirect / operating costs fell by 11%11 as the cap gave stronger incentives to improve efficiency, for example, through one-off investments or process changes – most notably, several suppliers updated their IT systems.
- Protected disengaged consumers - the cap protected disengaged customers, i.e. those that do not switch supplier and therefore do not shop around for the

[103] Energy price cap | Ofgem
[104] National Energy Action have highlighted that the Typical Domestic Consumption Value has declined partly because of increases in the energy efficiency of the home, but also because energy demand has decreased due to increasing energy rationing behaviour.
[105] The Cross Party Group in the Scottish Parliament on Poverty's inquiry into poverty in rural Scotland has highlighted that energy usage is likely to be higher in rural Scotland as a result of a colder and wetter climate, reliance on electric equipment, as well as having an ageing population who have a greater reliance on heating.
[106] Changes to energy price cap between 1 July to 30 September 2024 | Ofgem
[107] Future Price Protection Discussion Paper | Ofgem

best deals, from higher prices: upon introduction of the cap, default tariff prices fell.

- Protected consumers without stifling competition for engaged customers - it would be expected that a cap would result in a reduced level of intensity of Instead price differentials remained high, which helped consumer engagement to reach record levels, and incumbents' market share continued to fall.[108]

However, Ofgem highlight a number of issues with the current price cap, which were exposed by the gas crisis which started in late 2021:

- Supplier failure - during the gas crisis starting in late 2021 the price cap led to additional costs for consumers during a period of volatile energy prices. Initially, the cap level was set every six months, with a two-month lag between the end of the observation period and the start of the cap. This meant a delay to wholesale energy price increases being passed through to consumers and ultimately being reflected in supplier revenues. Some suppliers were exposed to volatile energy prices because they had not hedged enough wholesale energy to meet their customers' demand. This effect was compounded by the fact that millions of customers on fixed tariffs were unable to find new fixed tariffs that were competitive when their contracts came to an end, so rolled onto their supplier's default tariff. This 'volume risk' meant suppliers had to meet higher than expected demand at high prices, and at the time, the cap prevented them from increasing their tariffs to cover these costs. The combination of these effects contributed to major losses in the sector and over 30 suppliers exiting the market, with significant exit costs to be recovered from all consumers.
- Greater price volatility for consumers - the move to a quarterly cap and the introduction of the backwardation allowance[109] have reduced the smoothing impact of the cap, as it now moves more frequently in response to changes in wholesale energy prices.
- Effect on wholesale market liquidity - domestic suppliers have an incentive to follow the cap indexation methodology, and therefore to have similar hedging patterns. Such concentration of demand for certain hedging products could drive up prices for these products in wholesale markets. It is possible that at the height of the crisis when wholesale markets were exceptionally tight, this collective behaviour may have led to higher prices, which were then reflected in the level of the cap.
- Practical challenges in operating the cap - the cap does not respond automatically to exogenous shocks, but rather relies on adjustments by Ofgem which often happen with a significant lag. This increases the risks facing suppliers and the amount of capital they may have to hold. Cap setting decisions are particularly challenging when costs affect different suppliers in

[108] Ibid

[109] During this period of extreme price volatility suppliers needed to buy energy at considerably higher prices than they were allowed to charge customers. Ofgem's backwardation allowance is designed to compensate for this significant shortfall.

different ways: enabling recovery of average costs could deliver windfall gains to some suppliers while locking in losses for others. This is one of the limitations of a universal cap.

- Impacts on competition, innovation and service levels - the overall effect of the cap on competition will depend on the relative importance to customers of the price of energy versus non price factors such as more innovative tariffs and service levels . As such, while the cap may dampen competition in the short-term, the medium-term effect on dynamic innovation-led competition is less clear.
- Applying the cap to a more diverse electricity market - the overall effect of the cap on competition will depend on the relative importance to customers of the price of energy versus non price factors such as more innovative tariffs and service levels . As such, while the cap may dampen competition in the short-term, the medium-term effect on dynamic innovation-led competition is less clear.[110]

# 12. Energy Company Redress Scheme

## 12.1 Scheme overview

Under Ofgem's redress process, companies who are found to have breached a license condition or were part of an investigation or compliance case, can make voluntary payments alongside or instead of fines and compensation to address any harm caused to consumers. This money is allocated to organisations[111] supporting vulnerable energy consumers, the development of innovative products or services and the empowerment of consumers to reduce their carbon emissions. The scheme is managed by Energy Saving Trust (EST).

The amount of funding available through the scheme varies throughout the year and will be reviewed on a quarterly basis in January, April, July and October. The minimum grant that can be requested is £20,000 and the maximum grant amount varies depending on the size of the fund available. The scheme can only fund projects lasting up to two years, can fund up to 100 per cent of the project cost and can cover revenue and capital measures.

As at January 2024 the funding streams available were:

- The Main Fund, containing £13.25 million – aimed at projects seeking grants between £50,000 and £2 million that will support households in vulnerable situations. Projects must be led by a Charity. Other organisations may be involved, but the charity must submit the application and be responsible for the funding and project delivery.

- The Small Project Fund, containing £750,000 – aimed at projects seeking grants between £20,000 and £49,999 that will support households in vulnerable situations. Projects must be led by a Charity. Other organisations

[110] Ibid

[111] Registered Charities, Community Interest Companies, Co-operative Societies and Community Benefit Societies.

may be involved, but the charity must submit the application and be responsible for the funding and project delivery.

- The Innovation Fund, containing £3 million – aimed at projects that will develop innovative products or services to benefit households. Applicants can apply for grants between £20,000 and £1 million.

- The Carbon Emissions Reduction Fund, containing £3 million – aimed at projects that will reduce UK carbon emissions and empower households to reduce their carbon footprint. Applicants can apply for grants between £20,000 and £1 million.[112] Projects can be led by a charity, Community Interest Company, Co-operative Society or Community Benefit Society.

Activities that can be funded through the Energy Redress Main Fund and Small Projects Fund include, but are not limited to:

- engaging vulnerable consumers with energy issues and delivering energy advice and support that does not duplicate existing services
- installation of energy saving or renewable energy measures that cannot be funded from other sources
- training and education on energy issues that are targeted at supporting vulnerable consumers
- crisis support, linked to energy bills or the energy efficiency of a property, only as part of a wider energy advice project aimed at providing sustainable change for a client. Please note that Round Eight excludes funding for prepayment vouchers.

Activity that cannot be funded by the Energy Redress Scheme include, but are not limited to:

- energy saving measures that can be funded from another source, such as the Energy Company Obligation (ECO), other government or devolved government schemes or an organisations' own capital programme.
- installation costs for renewable energy technologies that are funded through government schemes or would normally be covered by an organisations' own capital programme.[113]

There are two potential types of innovations projects which could be funded:

- testing or trialling the roll-out of products or services that are ready to implement but not yet accessible to energy consumers or certain groups of energy consumers

[112] £20m funding round now open for charities and community energy groups through the Ofgem Energy Redress Scheme | Energy Redress scheme
[113] Guidance for Main and Small Projects Funds v2.6.pdf (energyredress.org.uk)

- conducting research or analysis into the development of products or services not yet accessible to energy consumers or certain groups of energy consumers

For carbon emissions reduction projects, applicants are encouraged to consider how their projects can address one or more of the systematic challenges for achieving net zero carbon, such as affordability, accessibility and end-user confidence in carbon reduction technologies and the delivery chain. All projects should also aim to support a just transition to net zero carbon for all energy consumers.[114]

### 12.2 Spend

Since the Energy Redress Scheme launched Phase One of the scheme in 2018, Energy Saving Trust has awarded over £102 million to fund nearly 538 projects across England, Scotland and Wales.[115]

### 12.3 Discussion

Energy Saving Trust provides an annual evaluation report of the Energy Redress Scheme. The most recently published covers the Phase 2 funding period, which covers activity relating to grants issued after 5 May 2022.[116] To evaluate the application and grant processes, an online survey was sent in October 2022 to 232 applicants who applied to the Energy Redress Scheme in rounds 1 or 2 (of Phase 2). Applicants from rounds 1 and 2 of Phase 2 were sent an invitation irrespective of the outcome of their application. Those who were successful in their application were also able to provide their feedback about the grant process. 102 applicants responded, achieving a response rate of 44%.

All respondents were asked to rate their likelihood of recommending the Energy Redress Scheme to other organisations on a scale from 0 to 10, where 0 is extremely unlikely and 10 is extremely likely. 41% of respondents rated their likelihood of recommending the scheme as 10, indicating that they would be extremely likely to recommend the scheme to others. These results were used to calculate a Net Promoter Score (NPS). The NPS for the Energy Redress Scheme calculated using the scores of successful grant applicants, applicants awaiting a decision, and unsuccessful grant applicants was 44, which is considered to be "good". The NPS using only the scores of successful grant applicants was 83, which is considered to be “world class”.

Organisations were asked about the most common types of data that respondents collected on the clients they support were household composition (91%), household tenure (91%) and presence of long-term health condition or disability (91%). Successful applicants were asked whether they were targeting any energy consumers who could be vulnerable, marginalised and/or disadvantaged, or whether they were focussing their support on specific vulnerable, marginalised and/or disadvantaged groups. 82% reported that they were targeting any energy consumers who could be vulnerable, marginalised and/or disadvantaged. 26 different types of vulnerable people have been supported through Energy Redress funded projects.

[114] Guidance for Innovation and CERF Funds v2.6.pdf (energyredress.org.uk)
[115] Funded projects | Energy Redress scheme
[116] Evaluation Report 2_0.pdf (energyredress.org.uk)

The most common type of vulnerable group supported was those in fuel poverty (59%), followed by people on low incomes (50%).[117]

# 13 Social Housing Net Zero Heat Fund

## 13.1 Scheme overview

The Social Housing Net Zero Heat Fund (SHNZF) was launched by the Scottish Government in 2021 to help social housing landlords (registered social landlords and local authorities) in Scotland install zero direct emission heating systems and energy efficiency measures. The funding is for the retrofit or refurbishment of existing housing stock and is not for new build social housing.[118]

As of April 2024 there are two funding themes:

**Theme one – zero direct emissions heating system for social housing across Scotland**

Theme one focuses on supporting the development of projects that can deliver innovative technologies and integrated zero direct emission heating systems that deliver reliable, affordable heat to social housing in all parts of Scotland. These projects can also contain energy efficiency upgrades to maximise the efficiency of the new technology being installed.

The following technologies are eligible for funding:

- air source heat pumps
- ground source heat pumps
- water source heat pumps
- biomass boilers
- connection to existing heat networks

The following technologies can be considered in conjunction with zero emission heat solutions:

- solar panels
- battery storage
- thermal storage

For projects under this theme the financial support available will be a contribution of up to a maximum of 60% of total capital expenditure costs for the zero direct emissions heating elements only. Fabric and Energy Efficiency measures will be supported at up to 50% of the eligible capital expenditure costs.

[117] Ibid

[118] Social Housing Net Zero Heat Fund: how to apply - gov.scot (www.gov.scot)

**Theme two – "fabric first" energy efficiency only projects**

Theme two focuses on supporting projects that are installing energy efficiency measures within social housing. Projects submitted under theme two should ideally consider the installation of more than one energy efficiency measure where practically possible. If this is not possible, the application must provide robust evidence as to why additional measures have not been included.

Projects will be required to demonstrate a commitment to installing eligible zero direct emission systems in these properties.[119]

The finance available represents a funding contribution of up to a maximum of 50% of eligible capital expenditure costs.

For either theme, the maximum grant value available is £5 million per project.

Eligible capital costs are:

- financial costs incurred for the purchase of physical assets
- costs of project build, installation and construction
- costs of project commissioning
- non-reclaimable VAT for eligible capital costs

Applications to the Fund must meet the following mandatory criteria:

- the ability to meet at least one of the funding invitation priority themes
- the potential to deliver a significant reduction of greenhouse gas emissions and energy consumption
- the ability to secure other sources of funding/finance that make a minimum of 60% or 50% contribution towards the cost of final delivery costs of the project depending on the project theme
- the potential to have a positive and significant social impact on Scotland
- the ability to deliver zero direct emissions heating systems and energy efficiency measures that can provide savings for social housing tenants
- the provision of a clearly set out case for the requirement of and value added from grant support

**13.2 Budget and spend**

£200 million is available up to 2026.

During 2022-23 the Scottish Government awarded over £38 million to 29 projects across Scotland. Over £2.5 million was also awarded to six projects during the first

[119] Themes - Social Housing Net Zero Heat Fund: how to apply - gov.scot (www.gov.scot)

application checkpoint for 2023-24. The second application checkpoint closed in October 2023. This brings the scheme's total grant support to over £50 million.[120]

### 13.3 Discussion

In addition to the previously mentioned funds, the August 2023 Existing Homes Alliance research on fuel poverty and energy efficiency delivery programmes also focused on the SHNZF.[121]

The research identified that there can be inconsistent advice on eligibility for costs, such as project management and provision of tenant advice. Social landlords have reported lengthy response times to grant applications, despite the Scottish Government committing on its website to respond within four weeks of receiving the application. Social landlords are also reporting increasing levels of information being required by the Scottish Government, both in terms of funding applications and ongoing reporting. There are concerns that this is resulting in unnecessary bureaucracy and barriers, leading to smaller organisations, with fewer staffing resources available to work on proposals, being disadvantaged and unable to access funds.

It is also argued that the requirement for social landlords to match fund the SHNZF funding puts social landlords under unsustainable pressure, particularly given the high cost of whole house solutions and deep retrofit projects.

EHA note the potential the SHNZF fund has to drive forward fabric improvements and heating decarbonisation in social housing, but make the following recommendations on how the fund could be improved:

- The Scottish Government should incentivise Fund uptake by streamlining the process, reducing bureaucracy and ensuring there are no unnecessary delays in approving projects.
- More effective sharing of information through the publication of case studies.
- The grant allocation for energy efficiency projects should be increased to cover 60% of project costs in line with the increase for heating projects. There should also be more flexibility in the grant allocations.
- Given the level of investment needed to decarbonise social housing is estimated to be in the region of £6 billion, a £200 million grant fund is insufficient. The programme should be extended beyond 2026 and ramped up over time.[122]

IPPR Scotland's analysis of clean heat funding in Scotland also highlights that value of the fund is too small to meet demand. In addition, the analysis highlights that the fund operates on a competitive basis, which they argue can create risk and delay, and may be an unsuitable approach for high-value retrofit programmes. IPPR

[120] Delivery schemes - Heat in Buildings: progress report 2023 - gov.scot (www.gov.scot)
[121] Making Retrofit Work - a customer journey with people at its core (existinghomesalliancescotland.co.uk)
[122] Ibid

Scotland recommend that funding mechanisms should afford a greater degree of certainty in how costs will be shared.[123]

# 14 Islands Cost Crisis Emergency Fund

## 14.1 Scheme overview

The Islands Cost Crisis Emergency Fund was launched in December 2022, with an initial £1.4 million to help islanders most impacted by the cost of living crisis. An additional £1 million was allocated in July 2023, and a further £1 million was announced in May 2024.[124] The funding is split across the following local authorities: Argyll and Bute; Highland; Na h-Eileanan Siar; North Ayrshire; Orkney, and Shetland.

How local authorities use the funding is at their discretion (but with some funds designated for capital spend). For example, Argyll and Bute Council have utilised the funding to provide grants to food banks, free school meal top ups, and love local gift cards.[125] The Highland Council has used the funding to provide a non-recurring cost of living payment of £127 per eligible household to households living in Skye, Raasay, Muck, Eigg, and Rhum.[126]

# 15 Oxygen Concentrator Rebates

## 15.1 Scheme overview

If a person uses an Oxygen Concentrator in their home they are entitled to a financial rebate to offset the electricity costs of using the machine at their address.[127]

The rebate is funded by NHS Scotland and administered by Vivisol, a home care provider. The rebate is based on the hour's usage of the machine over a set period of time. It is independent of any utility bill and based on a meter reading that is integrated within the Concentrator machine. This meter records the total time that the machine has been used in hours. Meter readings are taken when Vivisol services the equipment. To receive a rebate, NHS Scotland stipulate that you must allow a full-service inspection to take place at least once every six months to ensure continued payment. Payment is made approximately every three months, and is paid into an eligible person's bank account.

# 16 The Fuel Insecurity Fund (now closed)

## 16.1 Scheme overview

The Fuel Insecurity Fund (FIF) was first established in the winter of 2020, as part of the Scottish Government's wider Winter Support Fund, as a crisis fund to help households struggling with their energy costs who were at risk of severely rationing, or self-disconnecting entirely.[128] The Fund included provision for households on any tariff and using any type of fuel.

[123] No home left behind: Funding a just transition to clean heat in Scotland (svdcdn.com)
[124] £5 million for Scotland's island communities - gov.scot (www.gov.scot)
[125] ISLANDS COST CRISIS EMERGENCY FUND.pdf (argyll-bute.gov.uk)
[126] Grants - Islands Emergency Cost Crisis Fund | The Highland Council
[127] Concentrator Rebates - Vivisol
[128] Fuel Insecurity Fund: FOI release - gov.scot (www.gov.scot)

The 2023-24 FIF budget was £30 million and was allocated to organisations to support those experiencing or at risk of fuel poverty. Grants to organisations included:

- £5 million for one-to-one mentoring for households to be provided by The Wise Group, as part of a longer-term approach to tackling poverty and its causes.
- £9 million to enable Advice Direct Scotland to administer Home Heating Support Fund grants to those struggling with the rapid increase in gas, electricity and oil prices.
- £8.5 million for the Fuel Bank Foundation to rapidly support more than 85,000 households, including those with prepayment meters and at risk of imminent disconnection.
- £7.25 million to enable the Scottish Federation of Housing Associations to provide more than 55,000 households across Scotland with advice, support with bills and energy- saving items.[129]

The closure of the Fuel Insecurity Fund was announced as a part of the 2024-25 Scottish Budget.

**16.2 Budget and spend**

In the financial year 2020-2021 the Fund was allocated a £7 million budget with a final spend of £3.595 million. This was due to the late start of the emergency fund (December 2020 onwards) which had to be developed from scratch.

In 2021-2022, the Fund had a £10 million budget, and distributed the full amount.

In 2022-2023, the Fund initially had a budget of £10 million that was then doubled to £20 million at the Emergency Budget Review. The full £20 million allocated to Fund partners was fully spent in that financial year.

For the financial year 2023-2024, the Fund had a budget of £30 million.[130]

**16.3 Evaluation**

There is no published evaluation of the Fuel Insecurity Fund as a whole. Some organistions which were funded by the FIF have published evaluations of their own projects.

The Scottish Federation of Housing Association were funded by the Fuel Insecurity Fund to run the Fuel Support Fund between 2021 and 2024. The SFHA worked with HACT to produce an impact evaluation of the Fuel Support Funding, published in October 2024. The research evaluated projects carried out across 94 housing associations, focusing on collecting and analysing data on the experiences of housing associations delivering the projects and the tenants who have received fuel support. The measure of impact is based on this data, but also on HACT's social

[129] Boosting Fuel Insecurity Fund - gov.scot (www.gov.scot)
[130] Fuel Insecurity Fund: FOI release - gov.scot (www.gov.scot)

value wellbeing metrics and principles and measuring the number of accredited social value outcomes achieved through the funding.[131]

The Fuel Support Fund was delivered in three phases:

- Phase one of the project funded activities to increase the sector's capacity to support tenants with energy advocacy and advice.
- Phase two funded provision of energy efficient measures for Social Housing tenants including small appliances and essential warm items.
- Phase three addressed crisis intervention and debt relief in the winter months.

117 SFHA members delivered 80,944 support interventions across the Fund's three phases. A social return on investment of £5.39 for every £1 spent was calculated, reflecting the long-term economic and social benefits for communities.

Other than in phase one, fuel vouchers remained the primary method of support provided through this fund, which evidences the ongoing need for emergency support social housing tenants are experiencing when it comes to paying for fuel. Interventions provided included:

- 22,360 people received fuel vouchers
- 14,682 people received direct financial support
- 10,015 people received energy advice
- 509 people received education programmes
- 1,272 people received debt advice
- 3,148 people received general welfare rights advice/support

In 2022 the Wise Group was awarded £5 million from the Fuel Insecurity Fund to provide one-to-one relational mentoring for households addressing the impact of increased fuel costs as part of a longer-term approach to tackling poverty and its causes. This service is delivered in six local authority areas (Glasgow, Scottish Borders, South and North Lanarkshire, Inverclyde and Renfrewshire). Relational mentoring is based upon the insight that working with a person across a wide variety of different needs in a professional, evidence-led manner has a compounded impact and delivers more sustainable results.[132]

As of August 2024, this service has supported 2,800 and generated £49 million of social value, reflecting significant improvements in wellbeing, mental health, financial stability, energy efficiency and social inclusion. This gives a Social Return on Investment (SROI) of almost 1:1. For every £1 invested, £10.79 indicative social value has already been delivered.

[131] Fuel_suppport_fund_v2.pdf (hact.org.uk)
[132] A-Way-to-Work-PDF-2.pdf (thewisegroup.co.uk)

The service does not give out crisis fund directly, instead supporting households to access existing funds and provides mentoring support to guide them through the complexity of support available (not just energy related). The service aims to achieve long term sustainable change for households, amplifying the impact of fuel vouchers.

The Scottish Fuel Poverty Advisory Panel committed in their 2024-2025 workplan to carry out a crisis funding roundtable. This roundtable was held in October 2024 and participants felt that the FIF has a significant impact. One participant said that their organisation found it easy to access the funding without excessive bureaucracy. In turn, this meant that the organisation weas able to very quickly get money out to vulnerable people in Scotland who were struggling with the cost-of-living crisis. However, roundtable participants highlighted that the closure of the FIF left a clear gap in crisis funding provision.

## Annex A: Other schemes

### Non-governmental schemes

British Gas Individuals and Families Fund

British Gas Energy Support Fund

ScottishPower Hardship Fund

Ovo Customer Support Package

E.ON Next Energy Fund

EDF Customer Support Fund

Octopus Assist

The Warm Homes Fund (WHF)

### Schemes available elsewhere in the UK

Social Housing Decarbonisation Fund

Home Upgrade Grant

Green Heat Network Fund

Boiler upgrade Scheme

The Household Support Fund

Green Homes Grant

Nest

Affordable Warmth Scheme

Northern Ireland Sustainable Energy Programme

### Closed schemes

Feed-in Tariffs (GB)

Domestic Renewable Heat Incentive (RHI) (GB)

Energy Bills Support Scheme (UK)

Fuel Insecurity Fund (Scotland)

Home Heating Support Fund (Scotland)

Cost of Living Payments (GB)

Winter Hardship Fund (Scotland)

Energy Price Guarantee (GB)

**Funding for net zero**

Home Energy Scotland – Private Rented Sector Landlord Loan

Smart Export Guarantee

Energy Transition Fund

Public Sector Heat Decarbonisation Fund

The Green Gas Support Scheme

Scotland's Heat Network Fund

The Scottish Central Government Energy Efficiency Grant scheme

Community and Renewable Energy Scheme (CARES)

Renewable Heat Incentive

The Sustainable Energy Supply Chain programme

Just Transition Fund

**Other funds**

The Accessible Advice Fund (Scottish Government fund for debt advice services utilising money raised through a levy on banks and credit organisations. In 2023-2024 it give funds to Advice Direct Scotland and Citizens Advice Scotland, amongst others).

## Glossary

**Block Grant Adjustment** - the Scottish block grant is calculated by the Barnett Formula, but an adjustment is made to reflect (i) that some of the Scottish budget is now funded by Scottish tax revenues that were previously retained by the UK Government, and (ii) responsibility for certain social security expenditure has been devolved to the Scottish Government.

**Deep retrofit** - deep retrofit treats fewer homes with more measures. Deep retrofit produces a larger improvement on a home's energy efficiency rating but tends to be more expensive to undertake.

**Energy Performance Certificate (EPC) –** an EPC tells you how energy efficient a property is. An EPC contains: information about a property's energy use and typical energy costs, and steps to improve a property's energy efficiency and save money. An EPC gives a property an energy efficiency rating from A (best) to G (worst) and is valid for 10 years.

**Heat in Buildings Strategy –** sets out the Scottish Government's vision for the future of heat in buildings, and the actions being taken in the buildings sector to deliver on climate change commitments, maximise economic opportunities, and ensure a just transition, including helping address fuel poverty.

**Home Heating Cost Reduction Obligation** - obligated medium and large suppliers must promote measures that improve the ability of low-income, fuel-poor and vulnerable households to heat their homes.

**Multi-property programmes** – energy efficiency measures and heating systems are installed in whole buildings rather than individual flats.

**Standard Assessment Procedure (SAP)** – is the methodology currently used by the government to estimate the energy performance of homes. SAP is used to generate EPCs for all homes in the UK.

**Trustmark –** a government endorsed quality scheme for work done on homes, or similar certification bodies.

**'Whole house' retrofit –** pays attention to how energy efficiency measures interact with each other. Someone looks carefully at all aspects of insulation, draught-proofing, ventilation and heating to create a structured plan.