

THE SCOTTISH
FUEL POVERTY
ADVISORY PANEL



**Principles and recommendations on
the fuel poverty funding landscape in
Scotland**

November 2024

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 winter support payments administered by Social Security Scotland and the Department for Work and Pensions (DWP). Funding can be targeted at one 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 over time, including "in the moment" responses to events/economic conditions. This has created a multi-layered system that is hard to navigate.

The funding principles and recommendations that follow are informed by several Panel engagements with stakeholders (energy suppliers, the third sector, the Scottish Government) over the last year. The Panel's Analytical Manager also carried out a literature review on fuel poverty funding which provides an overview of each fund, spend and budget data where available, and a summary of different funds' key strengths and limitations. In addition, a stakeholder roundtable was held which focused on fuel poverty crisis funding. The findings from this roundtable, as well as the literature review, are published alongside these principles and recommendations.

Across all the work that has been undertaken on the Scottish fuel poverty funding landscape, several key points have emerged:

- The funding landscape is overly complex and can be difficult to access. Eligibility for schemes is not always clear, and application processes can be off putting.
- Crisis funding has deep value and is a lifeline to people when they need it most. Crisis funding as it currently exists will not meet demand for the coming winter and more funding is needed. This funding should be part of a holistic support package accompanied by action to tackle the structural issues that cause fuel poverty.
- Energy efficiency schemes often operate in isolation. Previously, Area Based Schemes (ABS) and Energy Company Obligation (ECO) funding could be blended. This is no longer the case, and there is a lack of flexibility to combine and share funding across energy efficiency schemes operating in Scotland. This can ultimately lead to schemes competing with each other, and/or the

emergence of a disparate funding landscape that undermines value for money and optimal impact.

- There is a need for better targeting of fuel poverty funding across crisis funding, energy efficiency funds, and winter support schemes.
- Funding windows for organisations are too short. 12-month windows do not allow for sufficient and sustainable services or securing best value for money and may restrict expenditure. From an energy efficiency point of view, the stop start nature of schemes mean that supply chains struggle to invest in people and materials in time to meet fund requirements.
- Consumer protections are often linked to customer contributions, meaning that if a customer receives energy efficiency measures through a grant, they may not receive consumer protections. This can leave them vulnerable if interventions fail or are not provided to an adequate standard.
- Funds are inconsistently evaluated, with some funds not being evaluated at all and others evaluated but without publication.

These findings inform the Panel's conclusions below. The Panel's conclusions are structured as a series of principles and recommendations. The principles should be seen as the theory behind an action – they are rules or guidelines that should dictate the design and delivery of fuel poverty funding. The recommendations are the actions which flow from the principles.

Fuel poverty funding principles

Principle 1: Funding to tackle fuel poverty should work flexibly and holistically to best meet household and area needs, avoiding a one-size-fits-all or fixed approach.

Principle 2: Non-crisis funding should be structured to tackle fuel poverty in the long term with clear targets and milestones set.

Principle 3: It is critical that funding interventions should be available to tackle the immediate impacts of fuel poverty.

Principle 4: Consolidation and alignment of funding streams would improve outcomes and achieve better value for money.

Principle 5: Funding to individual households for energy efficiency improvements and financial support should be as progressive as possible, target the most vulnerable households, and incentivise uptake.

Principle 6: Application design should encourage access to funding and be informed by the lived experience of users and the experience of organisations.

Principle 7: Public funds should be robustly evaluated using a common monitoring and evaluation framework, proportionate to spending on delivery, and with a published output.

Recommendations

Recommendation 1: Scottish Government should target winter support payments to those most in need and consider paying them to individuals through energy companies to reduce energy costs and to maximise the impact on fuel poverty levels.¹

Recommendation 2: The Scottish Government should continue to advocate to the UK Government to introduce energy bill support in the form of an energy discount mechanism, often referred to as a social tariff.²

Recommendation 3: While an energy discount mechanism is being developed, the Scottish Government should urge the UK Government and Ofgem to reform the Warm Home Discount (WHD) by increasing the payment rate and introducing regional variation which also covers the needs of people using unregulated fuels.

Recommendation 4: The Scottish Government should launch a feasibility study to understand how data could be shared to support automatic WHD payment in Scotland, coordinating this with the UK Government where practicable.

Recommendation 5: The Scottish Government should ensure that there is always a pot of flexible crisis money targeted at energy costs available, recognising short-term crisis shocks, seasonal factors, and the long-term trajectory of increasing rates of fuel poverty. For example, a fund building upon the learning of the Fuel Insecurity Fund.

Recommendation 6: The Scottish Government should lead on considering the feasibility of consolidating existing funding for energy efficiency measures in Scotland into a single scheme.

Recommendation 7: In the interim, the Scottish Government should work with the UK Government to create a central mechanism to facilitate greater synergies between the various capital funding schemes and greater flexibility in their (co-) delivery.

Recommendation 8: The Scottish Government should create a simple eligibility checker which looks across funding schemes, drawing on the expertise of energy advice agencies, coordinating this with the UK Government, Ofgem, local authorities, and energy companies.

Recommendation 9: The Scottish Government should work with the UK Government and Ofgem to extend funding windows across all fuel poverty funds to facilitate long term planning and support delivery.

¹ The Panel's [response to the Scottish Government's consultation on the Pension Age Winter Heating Payment \(PAWHP\)](#) provides more details on what reform should look like.

² The Panel published [recommendations for a Social Tariff](#) in August 2023.

Recommendation 10: The Scottish Government should ensure that there are consumer protections for anyone who has energy efficiency works undertaken, coordinating with the UK Government.