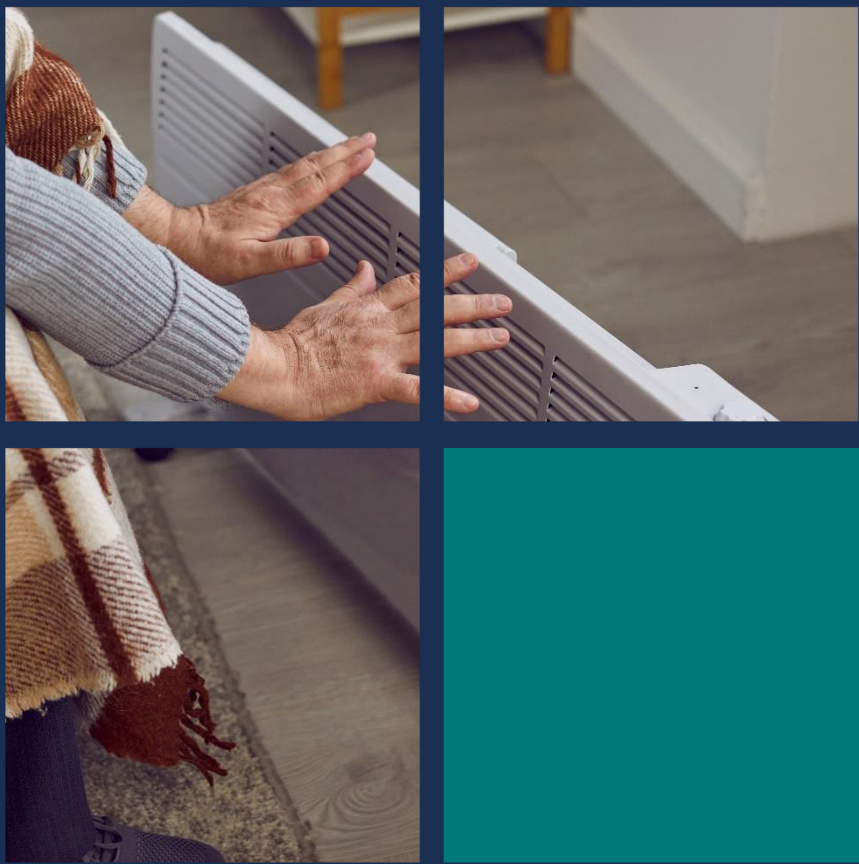
THE SCOTTISH
FUEL POVERTY
ADVISORY PANEL



Analysis of SFPAP call for evidence on income-based support versus money off energy bills for fuel poverty support

May 2026

Contents

Key findings

- **Lessons from other policy approaches:** learnings can be drawn from food insecurity and housing policy approaches. In the case of food insecurity, a cash-first approach is increasingly being taken by the Scottish Government and there are some early signs that this approach is having a positive impact on reducing food insecurity. However, flexibility is important, especially in rural areas where the costs of food and transport are higher. In the context of housing, a flexible approach is also shown to be appropriate. The Scottish choices allowance for direct payment of the Universal Credit housing element to a landlord has been shown to simplify money management and reduce money worries for those in receipt.

- **Advantages of cash-first:** in terms of income-based, or cash-first, approaches respondents to the Panel's call for evidence emphasised the dignity, choice and flexibility afforded by these approaches. Cash-first approaches are seen as giving people agency and serve to recognise that people are best placed to know what is right for them. In addition, a cash-first approach can reduce stigma and can build trust and engagement in wider support services.

- **Disadvantages of cash-first**: in terms of the disadvantages of a cash-first approach, respondents highlighted that it is substantially less effective at reducing fuel poverty as technically defined through the Scottish definition of fuel poverty because additional income is often absorbed by existing debt or urgent costs, without improving energy security or home warmth.

- **Evidence on labelling effects**: there is evidence that, despite being a cash payment with no obligation to spend in a certain way, there can be a labelling effect. Studies from Beatty et al and Paulo Santo Morais, found substantial labelling effects for the Winter Fuel Payment. Beatty et al's 2014 study pooled data from The Living Costs and Food Survey and found that households spent an average of 47% of the Winter Fuel Payment on household fuel. More recent research using data from the UK Household Longitudinal Survey (UKHLS) (2009-2017) found that WFP-eligible households increase their annual fuel spending by 6.40 per cent on average, compared to the ineligible group, with the strongest effects observed among recipients with health conditions.

- **Advantages of money off energy bills:** in terms of reducing what is spent on energy via money off energy bills as a method of fuel poverty support, respondents viewed this approach as more effectively tackling fuel poverty since funds are guaranteed to be used for energy costs. Furthermore, the approach was seen as reducing stress and decision-making/administration burden for households.

- **Disadvantages of money off energy bills:** however, in terms of disadvantages money off energy bills was seen as limiting flexibility for households to address other urgent needs. In addition, there is a risk that payments may be absorbed by existing debt rather than addressing current consumption needs. It is also a one-off method of support, where ongoing is needed.

- **Distinct approach to fuel poverty:** most respondents felt that there was a need for a distinct approach to fuel poverty. The reasons given for this primarily related to the existence of fuel poverty's distinct drivers and the fact that they cannot be addressed through income measures alone. The long and short-term implications of not having adequate funds to pay for energy were emphasised, including the risk of self-rationing, energy debt, and impacts on health and wellbeing.

- **The need to focus on energy efficiency investment:** there were also a number of other important points raised in the literature and call for evidence responses which the Panel may wish to reflect on. Turner et al at the Energy Demand Research Centre at the University of Strathclyde have carried out modelling to understand the relative benefits of public spending on direct bill support. Their findings show that policy focus needs to shift from transitory direct bill support to delivering the more sustained benefits of energy efficiency investment. Some respondents to the call for evidence also discussed the effectiveness of reducing the amount that households spend on energy through improvements to energy efficiency and clean heating. Energy efficiency measures are a long-term solution, whereas income or bill support provide important but ultimately short-term relief.

- **Minimum Income Guarantee and a social tariff:** two complementary approaches to tackling fuel poverty were discussed by respondents. The case for a Minimum Income Guarantee was laid out by Citizens Advice Scotland, who argued that this approach would be effective through increasing incomes as well as reducing energy costs through a social tariff. The Scottish Federation of Housing Associations, too, discussed the need for a social tariff.

- **Energy debt:** all the respondents who responded to the Panel's questions on energy debt felt that this debt should be managed differently to energy bill support. Where energy bill support is used to pay off energy debt, rather than support current energy consumption, it undermines the purpose of the policy. It was felt that energy debt should be managed through a separate, dedicated programme.

- **Fuel poverty calculation:** there were calls amongst some respondents for a review of the methodology behind the fuel poverty calculation. Energy Action Scotland (EAS) highlighted that the metric was developed with an intrinsic assumption that energy prices would be relatively flat, which has not been the case. EAS also highlighted the fact that energy debt is not directly captured in the fuel poverty calculation and there is no factoring of the additional costs of repaying debt reflected in the fuel poverty definition. Finally, IPPR Scotland argue that the 10% energy threshold does not add any insight into households' financial challenges not already captured by the MIS90 threshold.

1. Introduction and context

The Scottish Government's fuel poverty definition considers the proportion of household income post housing that is required to heat a home. At a household level, levels of fuel poverty can be mitigated by reducing the volume of energy used (i.e. through the installation of energy efficiency measures), or by increasing household income, or reducing the amount paid for fuel. The Scottish Fuel Poverty Advisory Panel are interested in the relative efficacy of approaches which increase household income or reduce the amount paid for fuel as mechanisms for mitigating fuel poverty, Currently, a variety of approaches are used for this end. Warm Home Discount is directly applied by energy suppliers to eligible households' bills, whereas cold weather payments including Pension Age Winter Heating Payment, Winter Heating Payment, and Child Winter Heating Payment are provided as cash.

The Analytical Annex to the Scottish Government's Fuel Poverty Strategy states that in the majority of case reducing fuel bills directly is a more effective means of reducing fuel poverty rates than providing a more general income-related benefit[1]. This is due to the criterion in the fuel poverty definition that fuel costs are more than 10% of net income after housing costs. As a result, this analysis finds that in terms of reducing fuel poverty as technically defined, £10 off a fuel bill would have the same effect as increasing income by £100. However, there are arguments for a cash-first approach to poverty support on the grounds of personal choice, dignity, and autonomy. In the example of food insecurity, the Scottish Government has moved towards a cash-first system in order to prioritise beneficiaries' dignity and autonomy and enable people to make their own choices to meet their essential needs[2].

In the example of housing, with the introduction of Universal Credit (UC), the Department for Work and Pensions moved to a model where housing costs are paid directly to the benefit recipient. In Scotland, a recipient can request to have the housing element of UC paid directly to their landlord after the first payment is made – this is referred to as "Scottish choices". In England and Wales, this is only possible through an Alternative Payment Arrangement for those who are struggling to budget, in rent arrears, or vulnerable.

Within the context of fuel poverty there is minimal discussion of the comparative advantages and disadvantages of income-based support versus money off energy bills question. Given this, SFPAP issued a call for evidence to a range stakeholders who work within the areas of fuel poverty specifically and poverty more generally. Questions were issued in November 2025. The questions asked are provided in Annex A to this report. The following organisations responded to the Panel's questions:

- Changeworks
- Citizens Advice Scotland (CAS)
- Energy Action Scotland (EAS)
- Energy Saving Trust (EST)
- Energy UK
- Fuel Bank Foundation (FBF)

- The Institute for Public Policy Research Scotland (IPPR Scotland)
- The Poverty and Inequality Commission (PIC) and their Experts by Experience Panel
- The Scottish Federation of Housing Associations (SFHA)
- The Wise Group

Given the small number of respondents, the findings presented in this report do not represent the perspectives of the whole poverty sector, but they do provide an interesting overview of the relevant arguments.

The report that follows provides the arguments from these organisations' responses, as well as supplementary evidence from the limited relevant literature that exists. Part 2 of this report will focus on income-based support, with part 3 focusing on money off energy bills. Following these, part 4 will focus on other approaches to fuel poverty as discussed by the respondents to the call for evidence. Part 5 will discuss potential approaches to energy debt, and part 6 will analyse other comments from the call for evidence.

2. Income-based support

2.1 Evidence from other poverty policy areas

In recent years, the Scottish Government and others have moved towards a cash-first model of support for those experiencing food insecurity. In 2023, the All Party Parliamentary Group on Ending the Need for Food Banks carried out an inquiry on effective responses to destitution[3]. The inquiry found that several of the main challenges with food-based support are mitigated by a cash-first approach, and they heard how cash grants offer a more accessible, dignified, and flexible form of support to people facing financial crisis. However, the evidence also cautioned against a one-size fits all approach, recognising that people should be able to access the support that suits them best. The Group also highlighted that cash-first approaches need to be part of a strong local support system that prioritises good coordination of local services and effective referral pathways to help target support and prevent crises from recurring.

Specifically, the Parliamentary Group found that, unlike other approaches, cash-first approaches can put money directly and immediately into people's bank accounts, meaning that many of the barriers associated with accessing support can be mitigated. Furthermore, a common theme from the evidence received was that people experienced feelings of shame and stigma when they asked for support from food banks. In most cases cash was said to remove this barrier because cash places trust in people facing financial crisis as individuals with agency and gives them the choice to buy the things they need to suit their priorities[4].

In 2022, the Scottish Government published an analysis of the responses to the consultation on their national plan to end the need for food banks[5]. The analysis showed support for cash-first approaches to food poverty. Respondents on the whole were supportive of a cash-first ambition. They said it has the potential to offer a dignified response for those in need which can reduce stigma and promote choice, and is linked to income strengthening measures and referrals to other supports that aim to address drivers of poverty. There were some qualifications, however, respondents sought reassurance that measures would be taken so that people living in rural areas would not be disadvantaged, and others sought reassurance that alternatives could be put in place for those users who struggled to cope with managing money. Furthermore, those in debt may not be able to make full use of any money paid to them, and homeless and other at risk people are unlikely to have a bank account and may find handling cash challenging.

There were mixed views on the introduction of shopping vouchers. Some of the respondents commented that they supported vouchers/cards. At a minimum they were considered a reasonable short-term alternative to food banks, offering more choice and flexibility to the users, and a step towards a cash-first approach. A few said that vouchers offered an advantage over cash payments: controls could be placed over the types of goods purchased, to ensure that the vouchers were not used to buy items considered undesirable or non-essential[6].

In June 2023, the Scottish Government published *Cash-First – towards ending the need for food banks in Scotland: plan*[7]. The Plan sets out the Scottish Government's ambition for a Scotland without the need for food banks. The Plan contains nine distinct actions over three years (2023-2026) to improve the response to crisis, using a cash-first approach so that fewer people need to turn to food parcels. The Cash-First Programme is a two-year fund of up to £1.8 million. The approach prioritises beneficiaries' dignity and autonomy, enabling people to make their own choices to meet their essential needs. The interim evaluation of the Programme reviews the first year of activity (April 2024 – December 2024)[8]. There are some early signs of cash-first approaches having a positive impact on reducing food insecurity, though long-term impacts are yet to be seen. Almost three-quarters of those who had been referred for wrap-around support (73%) were referred on to welfare rights/money advice services, with 11% being referred for fuel poverty support, and 3% being referred to housing support services. This wrap-around support provided is viewed very positively by beneficiaries, and further work in this space is likely to ensure long-term positive impacts for individuals and households. There is also some early evidence that the Programme is positively impacting on wellbeing through increased confidence, reduced stress, and by addressing isolation. To date, cash-first approaches have not reduced food bank use among all service beneficiaries, but there is qualitative evidence from some beneficiaries that they have used food banks less as a result of cash-first[9].

In their response to the Panel's call for evidence, Citizens Advice Scotland highlighted that support for food insecurity delivered through a cash-first approach allows greater choice over how people feed themselves and their family. However, advisers at rural and island CABs have fed back that some people they support prefer a referral to a food bank due to high prices in local shops, as well as high travel costs and lower availability of public transport. CAS argue that a similar choice should be afforded through measures to address fuel poverty, dependent on individual circumstances and demographics, and the way in which they pay for their energy.

2.2 Evidence from call for evidence

In response to the Panel’s call for evidence, respondents posited the following advantages for income-based support:

- This type of support offers dignity, choice and flexibility to meet diverse household needs.
- It recognises that people are best placed to know what is right for them. Evidence from across the Citizens Advice Network demonstrates that many people struggling with the cost of energy are likely to be facing difficulty in other areas such as rent arrears and council tax debt and priorities may need to vary from month to month.
- People may feel they have more agency if they are given the choice about what they spend money on.
- A cash-first approach can reduce stigma and can build trust and engagement. SFHA highlight that this approach can help build a relationship with “hard to reach” tenants and this can in turn generate additional anti-poverty support interactions.
- Aligns with cash-first principles used in broader poverty strategies, including child poverty, food insecurity, and in other Scottish Government policy areas.
- Helps households respond to multiple pressures beyond energy alone.
- Can improve overall financial wellbeing where income is stable and debt manageable.

The following are disadvantages of income-based support as highlighted by respondents:

- Is significantly less effective at reducing fuel poverty as technically defined.
- Additional income is often absorbed by existing debt or urgent costs, without improving energy security or home warmth. There is a risk that this can lead to under heating of the home.
- Does not address structural drivers such as poor housing quality or high energy costs.
- There are some people for whom increasing household income may not support better outcomes or combat poverty. For example, people who experience financial abuse in the household. There is also a risk of diversion to harmful spending, for example on addictions or gambling.

Poverty and Inequality Commission commissioners generally supported a cash-first approach for many of the previously stated reasons, seeing it as consistent with wider poverty reduction strategies and offering flexibility and dignity to households. At the same time, commissioners acknowledged the distinctive nature of fuel poverty and the fact that the seasonal urgency and technical definition of fuel poverty may justify tailored interventions.

The Scottish Federation of Housing Associations also favoured a cash-first approach for wider poverty alleviation[10], noting, however, that this is dependent on the specific circumstances of the recipient and must sit alongside tailored support. They highlighted that for housing associations, income-based support is a cost-effective measure to prevent evictions, arrears, and the health implications of inadequately heated homes on health and care. The SFHA response provided two case studies of successful cash-first support.

Example one: Social Housing Support Fund/Fuel Insecurity Fund

SFHA administered the Scottish Government Social Housing Fuel Support Fund between 2021 and 2024. This supported a range of interventions which included both fuel vouchers and direct cash payments as well as advice programmes and energy efficiency measures. Phase three of the fund in particular was focussed on fuel crisis intervention and debt relief with applicants encouraged to adopt a cash-first approach, unless it would undermine the benefit to the individual (for instance where a direct bank transfer would be swallowed up by fees, or there is concern about domestic abuse).

Feedback from SFHA members suggested that the direct financial support offered through this fund and other similar schemes is most effective when coupled with tailored advice and support. For example, in one project financial support was tailored based on an individual income and expenditure exercise and bespoke support from an Energy Officer.

Beyond the financial benefits, the evaluation[11] of this fund also demonstrates projects which provided fuel vouchers or direct payments to clear fuel debt provided the largest social value returns and greatest impact on tenants' wellbeing. However, despite the benefits, as short, term crisis support, such schemes would not impact the technical definition of fuel poverty.

Example two: Homeless Prevention Fund

SFHA developed a cash-first element of the £1m upstream Homeless Prevention Fund jointly administered with Homeless Network Scotland. This provides support to tenants who are at risk of homelessness and around £400k has been committed to cash payments via the following practice:

- Direct transfers to bank accounts.

- Collaboration with other local cash-first partnerships.

- Alignment with support and advice services.

- Commitment to reduce reliance on foodbanks.

- To incentivise suitable tenancy transfers.

- Flexible options to receive cash to suit the person.

SFHA members provided the following learnings on this approach:

- Direct cash payments have enhanced engagement, trust, and dignity for tenants. The projects describe it as a cost-effective way to empower choice, reduce stigma, and create impact. Participants shared that tenants feel more comfortable opening up about other issues when this approach is taken.

- Cash-First support is impactful when it is paired with tenancy support - projects are combining cash-first with tenancy sustainment, health, well-being, and household essentials.

- Some projects are designing direct-to-supplier payments for value and convenience, rather than tenants receiving cash themselves. Others provide delegated authority to spend: it may depend on the relationship between the tenant and the landlord, the individual's needs, and the ease of accessing goods or services in the area.

- Cash-first at key points of intervention are useful for prevention activity (e.g. supporting tenants with rental arrears in avoiding evictions or providing support to new tenants so they don't immediately fall behind on rent with the costs of fitting white goods in their home).

- The cash-first approach has identified areas for improved information dissemination through applications (e.g. awareness raising on other support tenants might be eligible for).

SFHA also drew attention to a cash lump sum trial for people experiencing homelessness run by the Centre for Homelessness Impact. Evaluation of this trial is being undertaken by researchers at the Policy Institute at King's College London. As a randomised control trial, half of all the people taking part have been given an unconditional cash sum of £2,000 and the other half will continue to receive support from homelessness charities and other services. Researchers will assess after one year the impact on participants' housing stability and any impact on their housing quality and satisfaction, wellbeing, financial security, social connectedness and contact with public services and the criminal justice system. Initial observations show that participants use the sum to invest in a better future for themselves, including spending on the likes of household goods and training to boost their job prospects[12].

2.3 Evidence from the literature - the impact of labelling fuel poverty support

Government transfers to households and individuals are often given labels indicating that they are designed to support the consumption of a particular good or service. When such transfers are made in cash there is no obligation to spend all, or even any, of the payment on its intended purpose. Standard economic theory implies that the label of a particular transfer should have no bearing on how that transfer is ultimately spent since all income is fungible. However, Beatty et al's 2014 study found statistically significant and robust evidence of a substantial labelling effect[13]. Using data from The Living Costs and Food Survey (LCFS) pooled from 2000 to 2008, the authors found households spent an average of 47% of the Winter Fuel Payment (WFP) on household fuel. If the payment was treated in an equivalent manner to other increases in income the authors would expect households to spend only about 3% of the payment on fuel. The authors conclude that if labelling cash or cash-equivalents influences how they are spent, then governments might use labels innovatively to increase consumption of particular goods or services that are thought to be under-consumed.

In their 2019 research looking at the effects of the Winter Fuel Payment, Angelini et al discussed the concept of mental accounting, first developed by Richard Thaler[14]. They highlight that individuals have a system of mental accounts in which they group categories of income and expenditure (e.g. food, entertainment, housing). Each of these mental accounts might have a specific budget and the marginal propensity to consume can differ across them. Within this framework, individuals are particularly susceptible to sources of income labelled according to one of their mental accounts. Mental accounting, therefore, suggests that the label attached to cash transfers can affect consumption patterns. Although this payment can be spent on any goods and services, labelling the cash transfer as payment for 'winter fuel' attempts to 'nudge' recipients towards increasing domestic heating, thereby combating fuel poverty.

Research aligned with these findings was presented at the Understanding Society Scientific Conference in 2025[15]. The presenter, Paulo Santos Morais, looked at the labelling effects of the Winter Fuel Payment using data from the UK Household Longitudinal Survey (UKHLS) (2009-2017) and a Multi-Cutoff Regression Discontinuity Design. The research found that the following:

- WFP-eligible households increase their annual fuel spending by 6.40 per cent on average, compared to the ineligible group, with the strongest effects observed among unhealthy recipients.
- Among unhealthy recipients, the WFP not only prompts increased spending on fuel but also leads to significant improvements in self-reported health.
- By linking UKHLS data to outside temperature data, the labelling effect is more pronounced during milder winter conditions, when heating is more discretionary, as indicated by significant increases in home temperature.
- The labelling effect is also stronger for individuals not receiving benefits, who have to apply for the payment, reinforcing the importance of the label's salience.

3. Money off energy bills

3.1 Evidence from other poverty policy areas

As touched upon in the introduction, within the context of housing, the introduction of Universal Credit moved to a model where housing costs are paid directly to the benefit recipient. In Scotland, a recipient can request to have the housing element of UC paid directly to their landlord after the first payment is made – this is referred to as "Scottish choices". The 2021 evaluation of Scottish choices found that, as of August 2020, 195,540 households had taken up one or more of the Scottish choices, representing 38 per cent of the eligible population[16]. A desire to reduce stress by ensuring that rent was always paid was a key driver for taking up the Direct Payments to Landlord Scottish choice. The evaluation found that people on Universal Credit described a range of positive impacts from having their rent paid direct to their landlord, including: simplifying their money management; ensuring their rent was paid; and reducing their worries about their housing and money. The impact of direct payments in reducing worry was particularly evident among those claimants who had previous negative experiences of housing insecurity, and among those with health issues that meant they were more susceptible to serious negative impacts from stress. Direct payments were viewed as a means of removing the risk of arrears, eviction and homelessness particularly – though not exclusively – by those with experience of these issues[17].

3.2 Evidence from Panel's call for evidence

3.2.1 Advantages of money off energy bills

Respondents to the call for evidence gave the following as the advantages of money off energy bills:

- More effectively tackles fuel poverty by guaranteeing that funds are used for energy costs.
- Provides protection against the risks of self-rationing or disconnection.
- Reduces stress and decision-making/administration burden for households. In their response, Citizens Advice Scotland (CAS) highlighted that people accessing support from local Citizens Advice Bureaux (CABs) are often managing a limited budget with multiple financial pressures, this makes managing bills overwhelming, taking up significant amounts of time and effort.
- CAS also emphasised that living with energy debt can result in real psychological harm as a result of debt collection action by energy suppliers and self-rationing of energy usage. A reduction applied to energy costs could help prevent people from going through what can be a harrowing experience.
- Can help manage cumulative debt when applied carefully.
- When linked to energy efficiency measures or tariff support, can deliver sustained reductions in bills and improved household resilience.

Energy Action Scotland felt that public funds designed to support households with energy costs or energy debt must be used in ways that maximise their impact on reducing fuel poverty. Where support is explicitly linked to energy use, it should be delivered in a form that directly reduces bills or is clearly attributable to that purpose. This ensures that the assistance provided reaches those who need it most and contributes meaningfully to the fuel poverty calculation. They did, however, note that eliminating fuel poverty requires a person-centred approach that recognises the different circumstances people face. They recognised that not all social security payments serve an energy related function, and it is important that these payments continue to be treated as income in the fuel poverty calculation.

Energy UK also have a preference for providing a reduction on what is spent on energy. This is because they see targeted bill reductions as the most effective and reliable tool to directly reduce the potential of harmful underconsumption.

Fuel Bank Foundation highlighted the fact that when people are in acute financial crisis there will be many competing priorities for every penny, including creditors. Therefore, they argue that if the policy intent is to reduce what people pay for energy, it is more effective to reduce the bill than to give them money which may be spent on other things. Members of the Poverty and Inequality Commission's Experts by Experience Panel strongly favoured direct reductions to energy bills, highlighting the sense of security and reduced stress this provides. The Panel members also believe that fuel poverty support should differ from other forms of fuel poverty support, prioritising direct reductions in energy bills to ensure heating needs are met. However, it should be noted that other people with lived experience may take a different view. For example, the Commission's previous Experts by Experience Panel included individuals reliant on off-grid fuel, who found the Warm Home Discount of little use.

In their response, Changeworks argued that reducing energy costs would provide more warmth and comfort in the short term than increasing household income. They pointed to a rising block or social tariff as examples of how this could be done. They did note, however, that in the long-term, fabric improvements for households will be most effective in tackling fuel poverty. This will be discussed in more detail in part 4 of this report.

3.2.2 Disadvantages of money off energy bills

Respondents to the call for evidence gave the following disadvantages of a reduction in what is spent on energy via money off energy bills:

- Limits flexibility for households to address other urgent needs, such as food or other bills.
- There is a risk that payments may be absorbed by existing debt rather than current consumption.
- May not be suitable for households that use off-grid fuel.
- On its own, does not address the wider instability many households face.
- Is a transactional/one-off intervention rather than ongoing support. Without ongoing support, households frequently disengage – missing supplier appointments, abandoning repayment plants, or avoiding contact altogether due to fear, low trust or past negative experiences.

Currently, energy bill discounts are administered through energy companies. IPPR Scotland argue that this adds a layer of bureaucracy and information sharing – something which could be removed if support was administered directly through Social Security Scotland. Furthermore, they pointed out that funding energy bill discounts through energy bills means the savings given to recipient households are paid for by households who do not receive support, including low income households. IPPR Scotland argue that income tax is a far more robust way of ensuring that the costs of support are distributed progressively. The possible disadvantage (or political consideration) of this approach would be that funding through public finances makes the cost of support more visible, and either puts pressure on other public services or triggers tax rises.

In their response Citizens Advice Scotland highlighted that, currently, the majority of people in Scotland eligible for the Warm Home Discount (WHD) have to apply to receive it[18], so the advantages (convenience, easier for budget management) of having financial support applied as a direct reduction to energy bills is undermined by the precarious nature of the WHD application process. Evidence from the Citizens Advice network demonstrates that people often experience difficulties with short and poorly advertised application windows and problems engaging with their energy suppliers to access the support. As such, CAS argue that fuel poverty support applied as a direct reduction in energy costs needs to be delivered seamlessly, otherwise the benefits are negated.

In addition, CAS argue that the ways through which fuel poverty support is provided need to be flexible to people's circumstances. For example, for people with traditional prepayment meters support applied as a direct reduction to bills, such as the WHD, is received in the form of a barcode or voucher that is delivered through the post and redeemed at a PayZone or PayPoint. For people moving home, or leaving temporary accommodation, they're at risk of missing out on this support in the home move process. There are also instances where the voucher or barcode is lost in the post, meaning people must go through the often-onerous process of chasing it up with their supplier, or miss out on the support altogether. The requirement to travel to a PayZone or PayPoint also presents barriers for those living in rural communities, with scarce provision of public transport and for people with disabilities, where accessible transport options may be limited.

Similarly, CAS highlighted that for people living in park homes, who do not have a direct relationship with their energy supplier, they are unable to receive the support as others do and must apply to a specific scheme run by Charis to access it. In these situations, they argue, it may be preferable for financial support to be delivered as a seasonal uplift to social security payments. For people with a credit meter, having support applied directly to their balance could be preferred as an option that is less of an administrative burden.

3.2.3 Approach to fuel poverty support in relation to other poverty support

The majority of respondents to this question (of which there were eight) recognised the need for a distinct approach to fuel poverty. The reasons given for this primarily related to the existence of fuel poverty's distinct drivers and the fact that they cannot be addressed through income measures alone. Several respondents pointed out that a household with an above average or 'good' income can still experience fuel poverty if their home is thermally inefficient or if their energy usage is greater due to their personal circumstances. Furthermore, Energy Saving Trust pointed out that since there are four drivers of fuel poverty there are levers available in fuel poverty policy that are not available for other forms of poverty.

EAS highlighted that while fuel poverty needs a distinct approach, interventions that combine income support with action on energy costs and housing costs, ultimately complement, rather than conflict with, wider anti-poverty strategies.

Changeworks highlighted that supporting those in fuel poverty is time intensive and complex. Approaches to fuel poverty need to include support that is appropriately funded, including training for advisors for more complex cases. This message is echoed by Citizens Advice Scotland, who argue that people's experiences of poverty cannot be neatly siloed into issue-specific categories, with people facing multiple interconnected issues that require joined up policy solutions to address. This includes providing access to free, impartial and confidential advice to ensure incomes can be maximised and rights realised.

Similarly, the Wise Group emphasised the importance of fuel poverty policy prioritising the reduction of energy costs alongside investment in the support infrastructure that enables households to benefit from that support in practice. For the Wise Group, this infrastructure is prevention rather than crisis-focussed, and is a model that links energy rebates to monitoring, debt support and home improvement in order to deliver better outcomes and reduce pressure on public services over time. They acknowledge that this preventative approach can appear more expensive than traditional advice or crisis response models. However, they posit that the outcomes achieved – sustained bill reduction, reduced debt, improved wellbeing and lower demand on public services – deliver greater long-term value and social return than reactive interventions.

PIC Commissioners generally favoured a consistent, cash-first approach to poverty support, but they acknowledged that the seasonal urgency and technical definition of fuel poverty may justify tailored interventions. Experts by Experience Panel members, however, believed that fuel poverty support should differ from other forms of poverty assistance, prioritising direct reductions in energy bills to ensure heating needs are met, although Panel members have broadly supported a cash-first approach addressing poverty overall. Fuel Bank Foundation also advocated for a distinct approach to fuel poverty, emphasising the far-ranging long and short-term implications of not having adequate funds to pay for energy, including the risk of self-rationing, energy debt, and impacts on health and wellbeing.

4. Other approaches to fuel poverty

4.1 Evidence from the literature

Turner et al at the Energy Demand Research Centre at the University of Strathclyde utilised an economy-wide scenario simulation model to understand the relative benefits of public spending on direct bill support[19]. The model set a £9 billion budget, based on what would be required to close the fuel poverty gap, measured at £417 in 2023 prices. The findings show that providing direct bill support of £417 per annum will benefit households living in fuel poverty by enabling them to spend this amount on more energy and/or on other goods and services. Giving people more money to spend will generally trigger a limited (and constrained) consumer spending driven economic expansion. However, the results suggest that where spending is directed to non-energy spending, this will support a greater uplift due to the relatively higher labour and wage intensity of other consumer-facing sectors. This model assumes that if government pays part of the energy bill, the £417 support can be entirely directed to non-energy spending

Where the model assumes government provides direct bill support by paying part of the energy bill, and households living in fuel poverty consequently spread the £417 uplift to their income (as a result of lowered energy spending) on non-energy goods and services, the results suggest the wider economic expansion peaks in 2030-31 with a potential GDP uplift of close to £628 million (0.03%) above what it would otherwise be in 2031, while net job gains peak at almost 6,000 in 2030. Gross (full-time equivalent, FTE) jobs gains are concentrated in consumer facing sectors.

In an alternative scenario, the boost to total spending of households living in fuel poverty is greater if direct bill support is not directly tied to energy bills. That is, if a straight income transfer gives those households more freedom in how they spend the £417, here assuming they spread it in line with existing spending, which implies some of it goes to more relatively costly energy. However, the boost to the wider economy is smaller (and associated CPI pressure more limited) because spending on energy supports less employment and thus triggers more limited further rounds of income and spending gains in the household.

The authors therefore argue that, while it may be tempting to stick with direct bill support, which helps all households in fuel poverty from the outset while delivering time-limited wider economic gains (and associated revenues to the public purse that can help offset the direct cost), it fails to deliver long-term benefits or to make progress on the net zero agenda. They posit that, ideally, policy focus needs to shift from transitory direct bill support to delivering the more sustained benefits of energy efficiency investment, but in such a way as to not harm those currently receiving the benefit, and to allow time (and a clear signal) for the construction sector and its supply chain to respond.[20]

4.2 Evidence from call for evidence

4.2.1 Energy efficiency measures and clean heating systems

In their responses, several organisations highlighted that a meaningful approach to fuel poverty must also involve action on other drivers of the issue, namely the poor energy efficiency of the homes and insufficient heating systems. While recognising that financial measures (either as an income-related benefit or as a reduction to fuel bills directly) remain essential for addressing immediate hardship, both Energy Saving Trust and Changeworks emphasised the effectiveness of reducing the amount that households spend on energy through improvements to energy efficiency and clean heating.

Energy Saving Trust argue that reducing the amount of money that households spend on energy through energy efficiency and clean heating measures has a number of advantages compared to increasing household income alone:

- Income or bill support provide important short-term relief, but long-term reductions in energy demand are key to permanently bringing down bills and shielding households from future price rises.
- Investment in energy efficiency and, in many cases, low carbon heating delivers long-term reduction in energy bills and reduces the need for ongoing subsidy.
- For households that previously underheated, bills may go up when they start heating to a healthy level, but those bills will still be lower than they would otherwise would have been without the improvements.

- The SHCS[21] shows that lower rates of fuel poverty are associated with higher energy efficiency standards.
- Reducing energy demand provides a lasting benefit for household budgets because it tackles one of the root causes of unnecessarily high energy demand in homes.
- Reducing energy demand through energy efficiency and clean heating can also support wider policy objectives, including improved health, climate change mitigation and greater security of energy supply.

Changeworks drew attention to evidence from the 2022/23 Area-Based Scheme with Edinburgh City Council. In that year the scheme delivered energy efficiency installations to 673 residential properties of mixed tenures. This included fabric improvements and renewable technologies. Changeworks' evaluation found that:

- 73% of households now find it affordable to heat their homes.
- 70% reported their homes feel warmer after having wall insultation installed.
- It is also consistently identified that the impact of various measures improves when households feel confident through effective support and guidance.
- These measures deliver lasting benefits that extend beyond the current occupants, ensuring fuel poverty is addressed even if household circumstances change.

IPPR Scotland argue that fuel poverty should be integrated with clean heat policy. They see fuel poverty as sitting in unproductive tension with decarbonisation policy. A programme which switches households to clean heat risks this intervention shifting fuel poverty from one group to another. At current prices the risk is that households adopting clean heat face bill increases. In future the picture could flip, meaning households who have not been supported to shift away from gas are disadvantaged. It is important to protect individual households from these potential injustices. IPPR Scotland argue that this could be done by recognising that a household has switched to clean heat in the social security system. Ideally, this would be stitched into universal credit, but with devolved powers the Scottish Government could provide supplementary payments along the model of the Scottish Child Payment. These payments would be indexed to the type of heating system a household has and relative prices, with the design aiming to ensure (at minimum) households who do switch to clean heat are not worse off than those who have not (yet). These ideas are explored in more detail in their 2024 report No home left behind: Funding a just transition to clean heat in Scotland.

4.2.2 Minimum Income Guarantee (MIG) and Social Tariff

Citizens Advice Scotland (CAS) advocate for a Minimum Income Guarantee (MIG), as laid out in the Minimum Income Guarantee Expert Group report: a roadmap to dignity for all. This is long-term policy change which would be delivered via a three-phase approach over 15 years. As an overarching framework it would contribute significantly to eliminating fuel poverty in Scotland, central to which would be the introduction of a social tariff for energy.

CAS argue that a MIG would ensure that no one falls below an agreed income level set to allow everyone to live a dignified quality of life, offering financial security and unlocking opportunities for all. This would be achieved through a combination of fair and accessible paid work, reform on costs, high-quality services and strong social security. Reform on costs includes reducing energy costs in targeted ways, namely through a social tariff for those on the lowest incomes or with unavoidable high usage. CAS highlighted that:

> "Each component of the MIG must work together in harmony; if one element of it is underdelivering then the MIG will have less of an impact. This means increasing incomes as well as reducing costs."

SFHA, too, discussed the need for a social tariff. They provided the example of tenants living in remote and rural Scotland and reliant on electricity for heat face much higher costs than the typical dual fuel customer. They stated that, whether through rebates or direct financial support, the value of support required to improve the ability for these households to heat their home to a comfortable standard, or tackle existing energy debt, must be proportionate to need if it is to have a significant impact. Current schemes like the Warm Home Discount and Winter Heating Payments which offer flat rate payments could be improved, they argued, through a more sophisticated social tariff as proposed by the Social Tariff Working Group.

5. Energy debt

5.1 Evidence from the call for evidence

Of the respondents who responded to this question, all (seven) felt that energy debt should be managed differently to energy bill support. Fuel Bank Foundation recognised that energy suppliers need to recover money owed by consumers, but argue that energy bill support should be exempt from this process. They note that since the recipient of this support will have had to have met certain criteria to become eligible for the support, it is very likely that they will have some kind of vulnerability, which further underlines the need to receive the full value of the payment. The Warm Home Discount is also paid in the winter months when the need for financial support is most acute and so any deduction for debt could lead to adverse outcomes for the household. Furthermore, Fuel Bank Foundation pointed out that the level of the discount has not kept pace with the large increase we have seen in energy prices since 2020, so it is even more critical that recipients receive the full value of the payment.

The Poverty and Inequality Commission's Experts by Experience Panel were clear that money taken off bills should not primarily be used to pay down existing debt – or at least only a proportion – since this could leave households still struggling to keep warm. If there were no way to guarantee this, it is likely that the Panel's preference between cash payments and bill reductions may shift, as maintaining adequate heating remains the priority for many. The Commissioners agreed that energy debt should be managed separately from fuel poverty support to avoid unintended consequences.

Energy Action Scotland highlighted that support for fuel poverty and support for energy debt should not be treated interchangeably. They flagged that while people in energy debt are more likely to be in fuel poverty, the two conditions do not always overlap. Fuel poverty is driven by the interaction of income, energy prices and the energy efficiency of the home. Energy debt, by contrast, is a financial liability that can arise for many reasons, including billing practices, estimated readings, or temporary financial shocks. Some people will have energy debt and arrears but will not meet the definition of fuel poverty.

Changeworks emphasised that cash support for energy bills from the Government should not be used to pay off debt, as this will not reduce fuel poverty but instead undermine support intended for fuel poverty alleviation. This view is echoed by Energy UK, who argue that when the Warm Home Discount rebate or other types of bill support are absorbed by existing debt and arrears, they fail to achieve their key outcome – to facilitate the safe and appropriate levels of energy consumption and improve ongoing affordability. Citizens Advice Scotland agreed with this, highlighting that support designed to alleviate the pressures of high costs should not be siphoned off for debt repayment where it causes detriment to people. According to CAS, the impact of fuel poverty support being swallowed by automatic debt deductions can have a ripple effect of harm: damage to people's health, resulting increased strain on public services, and avoidable extra pressure on advice services that already face significant challenges.

CAS provided the following case study which demonstrates this impact:

Shilpa was referred to her local CAB for advice as she had minimal funds on her prepayment meters but wasn't eligible for a local authority crisis grant, having received three in the past year. Having accrued debts on both the gas and electricity meters totalling £2,500, part of each top up she made was taken towards repayments, meaning she was left with little money to cover her usage. Shilpa has cancer and had recently left hospital; the psychological strain of living in debt was having a profound effect on her physical and mental health.

Both Changeworks and EAS recommend that energy debt should be managed through a separate, dedicated programme. Changeworks suggested that this could be similar in design to the Home Heating Support Fund, and should be administered by experienced energy advisers and debt support organisations. Changeworks also noted that energy debt needs to be tackled with earlier intervention from energy companies and through more effective repayment options. Energy UK emphasised that the package of support should, where there are circumstances such as a chronic inability to pay, enable an energy supplier to serve that customer in a way that supports their best interests. This will include both using energy where needed but also minimising debt.

CAS recommended that the interlinked crises of energy affordability and debt should be addressed holistically. CAS argue that to tackle the high cost of energy a social tariff should be introduced, alongside a robust scheme to write off existing energy debt (which goes further than Ofgem's existing plans, which CAS viewed as inadequate). The SFHA also stated that those eligible for WHD and already in considerable debt should be directed to other debt support schemes, and felt that the forthcoming Debt Relief Scheme[22] should play an important role here.

6. Other comments from the call for evidence

6.1 The need for a review of the methodology behind the fuel poverty calculation

In their response, Energy Action Scotland called for a review of the methodology behind the fuel poverty calculation. They argue that when the metric was developed, the outlook for energy prices did not predict the volatility and price increases that have occurred. There was perhaps an underlying assumption that energy prices would be relatively flat, albeit increasing over time, and it was assumed that incomes would negate increases and energy efficiency would produce savings for households, effectively reducing fuel poverty.

In EAS's view, these circumstances or factors necessitate at least a review of the methodology used to calculate fuel poverty in Scotland to ensure it reflects the rapid and sustained increase in energy costs and the nature of support that can be reasonably be associated with cost reduction to provide a fairer picture of fuel poverty in Scotland.

In addition, EAS discussed energy debt's relationship to the fuel poverty calculation. They highlight that energy debt is not directly captured in the fuel poverty calculation, which means that reducing debt does not significantly change fuel poverty rates. The only point at which debt appears in the model is through the socialised debt servicing charge applied to all domestic energy consumers which then adds to the cost of energy, either through standing charges or unit costs. For consumers repaying energy debt it is likely that their fuel poverty likelihood will increase, however EAS highlighted that there is no factoring of the additional costs of repaying debt reflected in the fuel poverty definition. As such, households repaying energy debt may be underrepresented in the fuel poverty figures or have the nature of their fuel poverty underestimated.

IPPR Scotland also questioned elements of the fuel poverty calculation. They argue that the reasoning for including the 10% energy threshold in the revised fuel poverty definition was weak, and primarily served to maintain some continuity with previous definitions. They stated that the 10% threshold does not add any insight into households' financial challenges not already captured by the MIS90 threshold. For example, a household who cannot afford a decent standard of living when they pay their energy bill at 9% of their income is still a household who cannot afford a decent standard of living.

Endnotes

[1] Scottish Government (2021) Fuel Poverty Strategy Analytical Annex
[2] Scottish Government (2023) Ministerial Foreword - Cash-First - towards ending the need for food banks in Scotland: plan - gov.scot
[3] All Party Parliamentary Group on Ending the eed for Food Banks (2023) Cash or food? Exploring effective responses to destitution | Trussell
[4] Ibid
[5] Scottish Government (2022) Ending the need for food banks - draft plan: consultation analysis - gov.scot
[6] Ibid
[7] Scottish Government (2023) Ministerial Foreword - Cash-First - towards ending the need for food banks in Scotland: plan - gov.scot
[8] Scottish Government (2025) Cash-First Programme: interim evaluation - updated - gov.scot
[9] Ibid
[10] As will be discussed in more detail in section 3.2.3, SFHA point out that cash first for poverty alleviation needs to be considered differently if the objective is to tackle fuel poverty specifically.
[11] HACT (2024) Fuel_suppport_fund_v2.pdf
[12] Centre for Homelessness Impact (2025) Groundbreaking study begins to reveal how £2,000 grant helps people escape homelessness
[13] Timothy K.M. Beatty, Laura Blow, Thomas F. Crossley, Cormac O'Dea (2014), 'Cash by any other name? Evidence on labelling from the UK Winter Fuel Payment', *Journal of Public Economics,* 118
[14] Viola Angelini, Michael Daly, Mirko Moro, Maria Navarro Paniagua, Elanor Sidman, Ian Walker, Matthew Weldon (2019) 'The effect of the Winter Fuel Payment on household temperature and health: a regression discontinuity design study', *Public Health Res,* 7(1)
[15] Winter is coming: Can a labelled cash transfer increase household fuel spending and well-being? Evidence from the UKHLS using the Winter Fuel Payment - Understanding Society Scientific Conference 2025
[16] Scottish Government (2021) Supporting documents - Universal Credit Scottish choices: evaluation - gov.scot
[17] Ibid
[18] It should be noted that from next winter (2026/2027) those in Scotland who are in receipt of qualifying benefits and meet certain other conditions, such as having a child under five or getting a disability-related uplift as part of your benefit, will be eligible for automatic payment of WHD.
[19] Karen Turner, Antonios Katris, Long Zhou, Hannah Corbett (2024) Addressing fuel poverty: what are the relative benefits of public spending on direct bill support or energy efficiency? - Energy Demand Research Centre
[20] Ibid
[21] Scottish Government (2025) Scottish House Condition Survey: 2023 Key Findings - gov.scot
[22] In November 2025, Ofgem published proposals for a Debt Relief Scheme will work to provide one-time debt relief for households in payment difficulty, who accrued debt during the energy crisis.

Annex A: Panel questions to stakeholders

Q1a. What are the advantages and disadvantages of providing a reduction in what is spent on energy versus increasing household income?

Q1b. What is your organisation's preference?

Q2. Should the approach to fuel poverty support differ to support for other forms of poverty (e.g. child poverty, food insecurity, housing)?

Q3. We know that when Warm Home Discount is applied to an energy account it can end up being used to cover debt where this exists on an account. Should energy debt be managed differently from support to those in fuel poverty?

Q4. Is there any other evidence you would like to draw our attention to?