Pre-budget scrutiny on the 2027/28 draft Scottish budget

Warmworks

Background

Warmworks was founded in 2015 as a joint venture between Energy Saving Trust, Changeworks and Sureserve, set up primarily to deliver the Scottish Government's Warmer Homes Scotland flagship national fuel poverty scheme, Warmer Homes Scotland, which Warmworks still delivers today. Warmworks is now a £100m business with almost 200 team members working across five offices throughout the UK. Warmworks' founding mission remains at its core, which has always centred on the provision energy efficiency upgrades to homes and families that are in or at risk of fuel poverty, with the aim being to reduce energy bills in a sustainable way.

Since 2015, Warmworks has upgraded almost 60,000 properties across the UK, delivering more than £0.5bn of Government-funded investment; making homes warmer and more affordable to heat.

The majority of grant-funded programmes delivered by Warmworks are focused on owner occupied and private rented homes; however, the organisation has also worked with Registered Social Landlords across the UK to deliver more than £20m of energy efficiency upgrades in this sector over the last three years.

The average energy bill saving delivered by Warmworks-managed programmes is c.£400 per year, although savings vary according to property type, household make up and the specific mix of measures installed.

Warmworks' role is to manage the end-to-end customer journey throughout the retrofit process, working with a supply chain of more than 30 local SME companies that it utilises to complete works that are required. Since we began in 2015, we have worked with our local supply chain to help 175 people into modern apprenticeships, create more than 900 new jobs, support over 250 work placements.

Responses to specific questions

1. Current funding provision to Warmworks in the 2026/27 Scottish budget

Warmworks manages the Warmer Homes Scotland scheme, which is working to a provisional £85m budget in the 2026/27 year. Warmworks also manages Energy Efficient Scotland: Area Based Schemes in Orkney, Shetland, Inverclyde and Comhairle nan Eilean Siar, which (in total) are due to receive a further c.£7.5m of Scottish Government funding in the 2026/27 year.

2. How Warmworks measures achievements against the targets and outcomes set

In respect of service quality, Warmer Homes Scotland has a range of contractual Key Performance Indicators (KPIs) and Service Level Agreements (SLAs) that are intended to drive high quality performance from Warmworks and its supply chain of local SME installers.

The three central KPIs in the contract are focused on the percentage of applications that are fully completed within 65 working days (Referral to Completion KPI), the percentage of applications where the work carried out passes an independent inspection at the first time of asking (Right First Time KPI) and the percentage of customers confirming that they are happy with the end-to-end service they received during the course of their application (Customer Satisfaction KPI). All three headline KPIs were on or ahead of target as at the end of September 2026.

Alongside service quality, the Scottish Government also monitors other key policy outcomes in the contract relating to the decarbonisation of heat and the uptake of renewable technologies (tracked via a monthly scorecard), the number of jobs, skills and training opportunities created (tracked through a bespoke Employment and Skills Plan) and the payment of SMEs within 30 days (also tracked via a monthly scorecard). All of the metrics tracking these outcomes are currently in line with expectations.

3. Views on the allocation there should be for 2027/28

Warmer Homes Scotland experienced high levels of demand in the last financial year (2025/26), and measures had to be taken to manage the rate of spend to prevent the scheme from exceeding the available budget. In the current financial year, demand is continuing to run at a high level and the Scottish Government has taken further steps to control spend by managing the rate of referrals coming into the scheme.

Demand has been driven by the scheme's success, and by the fact that other UK-wide energy efficiency support schemes were withdrawn by the UK Government last year. A further key factor influencing demand is the continued and sustained rises in energy prices, with two increases to the energy price cap already announced this year and another rise already on the horizon for January 2027. It is clear that people and families in fuel poverty are turning to whatever source of help they can find to try and better manage energy bills.

It is therefore not unreasonable to conclude that pressure on the Warmer Homes Scotland budget for 2027/28 is more likely to increase rather than decrease, and the scheme could help more homes and strengthen the Scottish Government's response to the energy price crisis if its budget were uplifted.

4. Implications of the Scottish Spending Review 2026

The Scottish Spending Review did not fundamentally alter the short to medium-term context for Warmer Homes Scotland or other Warmworks-managed programmes, which remain successful policy instruments but are heavily subscribed. With this in mind, there is nothing further to add to the response to question 3 above, which sets out these demand drivers in more detail.

5. Views on the longer-term outlook for the Scottish economy

It is clear that investment in tackling fuel poverty is not just about retrofitting homes with energy efficiency upgrades. As a recent report carried out by Social Value Lab (Creating Value and Warming Homes) demonstrated, investment in retrofit programmes that reduce fuel poverty has a diverse and statistically significant range of benefits to both the national economy and local communities.

The report estimated that a return on investment of almost 250% can be generated from funding committed to fuel poverty programmes and the range of resultant wider policy outcomes. In particular, the research highlighted that:

- 73% of the 1,000+ respondents said energy efficiency upgrades improved their health and/or wellbeing, including through a reduction in stress and mental health pressures, and better sleep
- 56% said the amount they spend on heating their homes had decreased
- 59% reported an increase to their confidence and self-esteem
- 47% of respondents with children found the work contributed to improvements in their educational experience, often through better sleep and concentration
- 32% identified improved social activity, including through better finances and having more confidence to invite friends and family to their home
- 72% said their homes felt safer, largely due to installation of new smoke and carbon monoxide alarms
- 56% said they felt more pride in their home, while 28% felt less 'embarrassed'
- 79% reported reduced barriers to accessing other support, including through greater confidence.

Meanwhile, a separate survey of SME supply chain businesses serving these contracts found that:

- 86% of companies reported increased staff recruitment opportunities
- 87% found improved financial security and sustainability
- 79% said they had greater opportunities to diversify their businesses
- 79% reported a positive effect on local economies.