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Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA/JH-/2217/22

Jenny Rathbone MS
Chair, Equality and Social Justice Committee
Welsh Parliament

05 July 2022

Dear Jenny

Thank you for your report of 18 May, regarding the inquiry into fuel poverty and the Warm Homes Programme undertaken by the Equality and Social Justice Committee.

We share the concerns expressed by the Committee about the impact the energy and cost of living crisis is having on households in Wales. As your report highlights, latest forecasts published in April suggest 45% of all households in Wales could be spending more than 10% of their household income on their domestic energy needs.

Our response to the recommendations within the report are attached.

Since October, we have committed £380m to a package of measures to support households most in need. More than 166,000 households benefitted from the £200 non repayable winter fuel support scheme last winter and a further scheme will be made available to eligible households this autumn. We are looking at how the scheme can reach more households. More than 330,000 households are benefitting from the £150 council tax rebate currently being processed by Local Authorities in Wales.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Support is also being made available to food banks and payments made to the most vulnerable households through our Discretionary Assistance Fund. On 10 June, we announced further funding of £4m to work with the Fuel Bank Foundation to support lower income households off the gas grid and those dependant on pre-payment meters to pay for their domestic energy.

These are measures putting money into the pockets of people who are now struggling to pay for essential day to day living costs. We are collaborating with stakeholders to explore what more can be done to lessen the burden for the winter to come. We recognise, however, these temporary measures do not address the underlying weaknesses in the UK energy sector, which remains reliant on the burning of fossil fuels to meet our energy needs.

Recent events underline how important it is to shift to a more sustainable and resilient energy supply, to ensure continuity and stable prices for consumers and deliver our shared net zero and social justice ambitions. For the last decade, the UK Government has failed to put in place sufficient incentives to move to the net zero energy system we need.

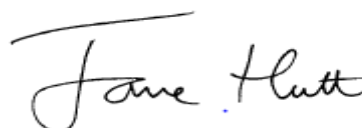
Despite repeated calls for the UK Government to take action to support those most at risk from high energy prices, the UK Energy Resilience Strategy does nothing to support citizens. Instead, it sets out an approach to energy supply which risks locking the UK into continued reliance on fossil fuels and places significant financial burdens on future generations when there are cheaper alternative options for deploying large scale renewable generation. We will continue to scale up investment in renewable energy in Wales and as we do, we will be seeking to maximise the economic and social benefits. This will include how we can directly reduce consumer bills for households in Wales.

Improving domestic energy efficiency remains one of the most effective measures under our control to relieve householders of the cost to maintain a satisfactory heating regime. As we set out in our evidence to the Committee, since 2010, our Warm Homes Programme has benefitted more than 67,100 lower income households, saving an estimated annual average of more than £300 on their energy bills, based on 2021 values. This year, we have increased the budget to the Warm Homes Programme by £3m to support more households to reduce their energy bills.

The public consultation on the next iteration of the Warm Homes Programme ended on 1 April and we are developing our proposals to present to the Senedd when it returns from the summer recess. Your valuable report will inform our thinking. At this stage in the programme development process, it is difficult to set out the financial implications of the Committee recommendations and the scale and scope of the next iteration of the Warm Homes Programme. We shall of course write to you and the Committee again when the development process is finalised.



Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change



Jane Hutt AS/MS
Y Gweinidog Cyfiawnder Cymdeithasol
Minister for Social Justice

Recommendations from the Senedd Committee on Equality and Social Justice report published May 2022
 Fuel Poverty and the Warm Homes Programme – Welsh Government response

Recommendation	Accept/ Reject	Draft Welsh Government response
<p>Recommendation 1. The Welsh Government should undertake a review of the support offered to low-income households via the Winter Fuel Support Scheme before autumn 2022. This review should ascertain whether improvements can be made in the targeting of support by:</p> <ul style="list-style-type: none"> ▪ assessing take-up rates by local authority area. ▪ assessing the effectiveness of promotion and awareness-raising; and ▪ considering whether further outreach work to proactively support harder to reach and vulnerable groups is needed. 	Accept	<p>The Welsh Government is reviewing the Winter Fuel Support Scheme that benefitted 166,000 low-income households in 2021/22. Officials are engaging in discussions with stakeholders, Local Authorities and communications teams to understand the effectiveness of the scheme and to ensure the scheme reaches as many households needing support before winter 2022.</p>
<p>Recommendation 2. The Welsh Government should expedite its review of the priority actions in the Tackling Fuel Poverty Plan with a view to identifying immediate- to short- term actions or measures that the government could take to support families struggling with fuel poverty and the setting of interim targets.</p>	Accept	<p>A review of the Welsh Government’s plan to tackle fuel poverty will start this year with a revised plan published in 2023. The Welsh Government has taken short term action to support households through the cost-of-living crisis. Since October 2021, funding of £380m has been made available for a package of measures to support households. On 10 June, an additional £4m of funding was announced to expand the activities of the Fuel Bank Foundation in Wales to support pre-payment meter top ups and a heat fund for the pre-purchase of heating oil for low-income households off the gas grid.</p>
<p>Recommendation 3. The Welsh Government should work with the Fuel Poverty Advisory Panel to identify immediate- to short- term actions or measures that the government could take to support families in fuel poverty. This should include taking into account opportunities to maximise the benefits of the recent VAT cut to energy saving materials and insulation.</p>	Accept	<p>The Welsh Government continues to work with the Fuel Poverty Advisory Panel and other relevant groups to identify and introduce appropriate opportunities to support families in Wales. As part of the plan to tackle fuel poverty, a campaign to raise awareness of the support available to improve household resilience to cold weather will take place this autumn (2022).</p>

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<p>Recommendation 4. In the next iteration of the Warm Homes Programme, the Welsh Government should remove the single application cap and design a more intelligent means of limiting costs than the current arbitrary grant cap.</p>	<p>Accept in Principle</p>	<p>The development of the new Warm Homes Programme is ongoing and includes an impact assessment of options. The consequences of removing the single cap in favour of an alternative approach is being considered to ensure a fair and equitable mechanism to manage the level of support provided.</p>
<p>Recommendation 5. In the next iteration of the Warm Homes Programme, the Welsh Government should develop smarter, less restrictive eligibility criteria which ensure, as a minimum, that any household that meets the definition of fuel poverty is able to access support when needed.</p> <p>Any changes to the eligibility criteria should also consider:</p> <ul style="list-style-type: none"> ▪ how EPC D- rated properties can be supported in future; and ▪ the introduction of a business turnover threshold (above which a primarily domestic household which is also registered as a business would become ineligible) to help support small-scale and rural businesses which are currently subject to eligibility restrictions. 	<p>Accept</p>	<p>The purpose and scope of the next iteration of the Warm Homes Programme will be set out when the Senedd returns from the summer recess 2022. The eligibility criteria will be designed to ensure domestic dwellings needing energy efficiency improvements are able to access support through the programme.</p> <p>The Welsh Government will consider the Committee’s recommendation when designing the detail of the eligibility criteria to ensure the points raised are addressed.</p>
<p>Recommendation 6. The Welsh Government should learn the lessons of the Audit Wales report and set out in its response how it intends to ensure that the next iteration of the Warm Homes Programme is bigger in scale, smarter in who it targets and greener in its interventions.</p>	<p>Accept</p>	<p>The purpose and scope of the next iteration of the Warm Homes Programme will be set out when the Senedd returns from the summer recess 2022. The programme will continue to support households in fuel poverty, whilst being part of the suite of programmes designed to decarbonise the 1.4m homes in Wales to fulfil our obligations to meet net zero by 2050. A lessons learned report will be published in the Autumn 2022.</p>

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<p>Recommendation 7. The Welsh Government should set out its preferred legal mechanism for underpinning the next iteration of the Warm Homes Programme including how it will ensure that the Senedd and other stakeholders are able to scrutinise these robustly.</p>	Accept	<p>The Welsh Government will bring forward draft regulations replacing the Home Energy Efficiency Schemes (Wales) (HEES) Regulations 2007. The Welsh Government will engage with members of the Senedd and wider stakeholders prior to the Regulations being made.</p>
<p>Recommendation 8. The Welsh Government should encourage boiler repair rather than replacement where possible, especially in instances where other measures such as draught exclusion and insulation have not been fully explored or where greener alternatives (such as air source heat pumps) are available.</p>	Accept	<p>The repair of an efficient gas boiler is possible under the current Warm Homes Programme and will be included in the new programme.</p>
<p>Recommendation 9. The Welsh Government should ensure that a future area-based scheme prioritises collaboration and partnership working between the scheme, local authorities, community groups and others</p>	Accept	<p>Successful area-based retrofit and regeneration schemes depend on effective local community engagement. The Welsh Government is working with Local Authorities to implement the Energy Company Obligation Scheme in Wales and our own Warm Homes Programme.</p>
<p>Recommendation 10. The Welsh Government should publish an assessment of the advantages and disadvantages of piloting the “example village” approach of targeting a village in its entirety to establish a blueprint for other towns and villages to emulate. This assessment should include existing research and examples of international best practice.</p>	Accept in Principle	<p>The Welsh Government will explore example village models and consider their applicability to Wales. We will assess how this approach could fit, and what benefits it could bring to our approach to decarbonisation and energy efficiency.</p> <p>Only through an evidence-based approach can we ensure that future investment relies on solutions that we can be confident work across different homes and different tenures.</p>

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<p>Recommendation 11. The Welsh Government should ensure that a future area-based scheme develops a community engagement strategy to ensure that the benefits of existing networks are maximised, and that local communities feel a much stronger sense of buy-in.</p>	Accept	<p>The Welsh Government recognises the benefit of community engagement in delivering and maximising benefit from Government objectives and priorities. The purpose and scope of the next iteration of the Warm Homes Programme will be set out when the Senedd returns from the summer recess 2022. If an area-based scheme is included as part of the Warm Homes Programme, agents will be required to develop and implement a community engagement strategy.</p>
<p>Recommendation 12. The Welsh Government should ensure that the next iteration of the Warm Homes Programme includes a robust data collection, monitoring, and evaluation framework which will aid the contract management and compliance process and enable better measurement of outcomes and regular audit.</p>	Accept	<p>The future programme is intended to include a robust data management system with annual reporting. Periodic reviews will ensure the programme is responsive to changing priorities.</p>
<p>Recommendation 13. The Welsh Government should clarify how it intends its “phased approach” in the next Warm Homes Programme to work in practice. We recommend that the phased approach is accompanied by periodic reviews to ascertain whether the Programme is delivering against its objectives. The number and sequencing of any such periodic review would depend partly on the length and duration of the Programme, however, we would expect one to take place at the half-way point as a minimum.</p>	Accept	<p>The Welsh Government intends to focus on managed mobilisation followed by periodic reviews. Our aim will be that the next iteration will be responsive to market and supply chain conditions, balancing demand with available capacity. The programme will remain fit for purpose and annual reporting on performance will assist.</p>

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<p>Recommendation 14. The Welsh Government should set out in its response to this report what action it has taken to ensure that the mistakes made as part of the procurement and contract management of the current scheme cannot be repeated in another government procurement exercise or scheme in future.</p>	Accept	<p>The Welsh Government has accepted the recommendations made by the Auditor General in relation to the procurement and contract management of the current programme.</p> <p>The Building Research Establishment has been commissioned to provide specialist technical advice and market intelligence to inform the procurement strategy for the next iteration of the programme. The procurement strategy will set out how the Welsh Government will engage with the housing retrofit sector to encourage suppliers to participate in the procurement exercise. Contract assessment procedures will include appropriate benchmarking to ensure value for money is secured.</p>
<p>Recommendation 15. The Welsh Government should ensure that the next iteration of the Warm Homes Programme has a fit-for-purpose regime for quality assurance, which includes:</p> <ul style="list-style-type: none"> ▪ a programme of post-installation checks to be undertaken by an independent third party; and ▪ robust processes for gathering, collecting, analysing and storage of performance data. 	Accept	<p>The Welsh Government introduced an independent randomised third-party quality assurance regime in 2018. This will be maintained as part of the next iteration of the Warm Homes Programme. The quality assurance for housing retrofit involving complex installations, such as external wall insulation, will be strengthened as recommended.</p>
<p>Recommendation 16. The next iteration of the Warm Homes Programme should look to cover the cost of ‘enabling works’ such as redecoration especially in the case of the lowest income families and ensure that all participants in the scheme are aware of any hidden costs that they will be liable for upfront costs.</p>	Accept	<p>Clear communication with householders about the implications of proposed work on their home will be an essential part of the new programme. There should be no surprises around costs or maintenance obligations. The lack of capacity to undertake enabling work on behalf of lower income households is being considered through the new programme.</p> <p>The scope and scale of enabling works that could be made available through the programme will be set out when the Senedd returns from the Summer 2022 recess.</p>

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<p>Recommendation 17. The Welsh Government should embed the ‘fabric and worst first’ approach to retrofitting, targeting the poorest households in the least fuel-efficient homes, into the core principles of the next iteration of the Warm Homes Programme.</p>	Accept	<p>The principle of a fabric and worst first approach has been accepted by the Welsh Government since 2010 and continues to be accepted in the Fuel Poverty Plan, published in March 2021. It will be core to the next iteration of the Warm Homes Programme.</p>
<p>Recommendation 18. The Welsh Government should work with the sector to formulate a clear, long-term strategy for decarbonisation with the aim of giving industry the confidence it needs to invest in skills, technology and people.</p>	Accept	<p>The Welsh Government is developing a comprehensive strategy and delivery plan that incorporates work across housing tenures. It will be rooted in evidence of what works in decarbonisation, based on learning the lessons of interventions such as the Optimised Retrofit and Innovative Housing Programmes. We are committed to getting as clear an understanding of the skills and workforce issues and committed to working with partners across the sector to ensure that our plan is evidence based and while ambitious is also ultimately achievable. Retrofitting requires a whole system approach – wider systemic change is essential to success in terms of skills, supply chains, materials and procurement is we are to decarbonise at scale and with pace.</p>
<p>Recommendation 19. The Welsh Government should update the Senedd and this Committee on progress towards publication of its Net Zero Skills Action Plan and should look to publish it as soon as possible and no later than the start of the Senedd’s planned Summer Recess in July 2022</p>	Accept	<p>The Wales Net Zero Skills Plan, to aid transition to Net Zero is expected to be published by no later than the end of December 2022.</p>

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<p>Recommendation 20. With the potential for gas prices to continue to rise for the foreseeable future, amidst renewed concerns regarding the security of energy supplies, the Welsh Government should identify the funding required to respond by reviewing the sufficiency of its spending allocations for energy efficiency in housing. This review should identify any actions or activities that can be prioritised, scaled up, or accelerated to both reduce demand and increase efficiency and be completed by December 2022.</p>	<p>Accept</p>	<p>The Ministers for Social Justice, Climate Change and Local Government and Finance hosted a cost-of-living summit in February. A further meeting is scheduled in July. Stakeholders are encouraged to submit suggestions on how the Welsh Government can expand existing programmes or introduce new measures to better support households through the cost-of-living crisis.</p> <p>Since October 2021, the Welsh Government has made available £380m to deliver a package of measures to support Welsh households. A further £4m was announced on 10 June to support households off the gas grid and dependant on pre-payment meters. In the longer term, spending decisions to meet our policy objectives and scheme design will be set out as part of the Senedd budget setting process.</p>
<p>Recommendation 21. The Welsh Government should create an energy efficiency scheme to tackle rural fuel poverty. This scheme should include a plan for addressing some of the specific challenges faced in rural areas including:</p> <ul style="list-style-type: none"> ▪ shortage of necessary skills in local workforces. ▪ supply chain issues. ▪ the higher proportion of off-grid, harder-to-treat, properties 	<p>Accept</p>	<p>The challenges faced by those living in rural Wales are addressed within the current programme and we will continue to tackle the issues highlighted by the committee experienced by householders in rural areas. The purpose and scope of the next iteration of the Warm Homes Programme will be set out when the Senedd returns from the summer recess 2022.</p>
<p>Recommendation 22. The Welsh Government should improve energy efficiency through a combination of incentives, standards and engagement.</p> <ul style="list-style-type: none"> ▪ To incentivise action the Welsh Government should promote the current zero-rated VAT on insulation measures and explore the feasibility of an energy efficiency loans scheme for landlords in the private-rented sector. 	<p>Accept</p>	<p>The Welsh Government continues to work with the Fuel Poverty Advisory Panel and other relevant groups to identify and introduce appropriate opportunities to support families in Wales. As part of the plan to tackle fuel poverty, a campaign to raise awareness of the support available to improve household resilience to cold weather will take place this autumn (2022).</p>

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<ul style="list-style-type: none"> ▪ To improve standards the Welsh Government should urge the UK Government to act on proposals to increase MEES to EPC C- by 2028 and, if unwilling to act, explore implementation of higher MEES standards in Wales only. ▪ To improve engagement with the sector the next iteration of the Warm Homes Programme should include improved advice and guidance which specifically targets private sector landlords and their tenants. 		<p>The Welsh Government is working with UK Government on proposals to encourage the financial services sector to encourage householders to invest in home energy efficiency measures and improving the energy efficiency of homes in the private rented sector. We are working to secure funding to support the private rented sector to achieve improved energy efficiency standards.</p>
<p>Recommendation 23. The Welsh Government should engage Rent Smart Wales in the development of the next Warm Homes Programme with a view to using that body as a conduit for engagement with the private-rented sector on energy efficiency and smart metering alongside identifying opportunities for partnership working. The Welsh Government should update us on progress with this work by November 2022.</p>	<p>Accept</p>	<p>The Welsh Government maintains an effective dialogue with Rent Smart Wales to support energy efficiency improvements in the Private Rented Sector. Rent Smart Wales are sharing lessons learnt from their experiences, which will inform future policy development, training and toolkits needed.</p> <p>Rent Smart Wales and the agent for the next iteration of the Warm Homes Programme will continue to collaborate to promote messages around the need to comply with energy efficiency requirements and to advance energy efficiency improvements.</p>