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Chair
Equality and Social Justice Committee
Welsh Parliament
Cardiff Bay
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Dear Jenny

Fuel Poverty in Wales

Thank you for the invitation to give oral evidence as part of the Committee's inquiry into Fuel Poverty in Wales, including coverage of the updated Warm Homes Programme. I hope the Committee will understand why, on this occasion, I feel I must decline your invitation.

I am always keen to support Senedd committees in their work. Indeed, as you will be aware, my staff provided support to your previous inquiry into this topic, including a private briefing with Committee members based on my landscape [review of Fuel Poverty in 2019](#) and a [review of the Warm Homes Programme in 2021](#).

It was an excellent example of how Audit Wales can support Senedd committees in inquiries that cover areas where we have carried out recent audit work. Since then, however, my office has not undertaken any further work in this area and so I would have no new audit evidence to offer beyond what is already in the public domain

I nonetheless remain eager to assist the Committee. I am aware that the Welsh Government issued a Policy Statement on new arrangements for the Warm Homes programme in June 2024. Following dialogue with your clerks, I understand the Committee wishes to test the extent to which the updated programme is addressing the issues we previously identified.

The Policy Statement focuses on new arrangements for the demand-led Nest programme. It does not set out what, if anything, will replace the area-based Arbed scheme which ended in 2021 and was previously part of the Warm Homes programme. The Policy Statement clearly reflects an intention to address some of the weaknesses identified in my reports and the Committee's previous report. It includes:

- A commitment to make the new programme greener to align with the Welsh Government's wider ambitions of achieving net zero carbon emissions.
- An intention to increase the budget cap for support per household, reflecting the higher cost currently to move homes away from fossil fuels and towards a cleaner, low carbon future.
- A recognition that contract management arrangements needed to be stronger.

I would offer the following thoughts on where the Committee might probe and seek assurance that the practical arrangements and early delivery match the intention described.

Greener measures. My 2021 report identified that under the Warm Homes scheme, most people who had heating systems installed had gas boilers fitted, with few having non-fossil fuel systems installed. It also noted a potential reluctance from households to adopt newer technologies, such as heat pumps. The Policy Statement reflects an intention to move away from fossil-fuel systems through Nest. It recognises the additional associated costs and has increased the amount it is prepared to spend on each home. The Committee may therefore wish to explore:

- the extent to which experience from the early phase of the updated Nest scheme shows an increase in the use of green technologies;
- the financial implications of using more green technologies and the extent to which the Welsh Government has increased the budget to accommodate the extra cost or reduced its expectations in terms of the number of households supported; and
- how the scheme is addressing any reluctance from householders to adopt new and unfamiliar technologies.

The core purpose of Nest and the extent to which the updated scheme will be driven by responding to households with broken boilers. My 2021 report identified that the Nest scheme was trying to balance competing social justice aims. The first is fuel poverty, which is a longer-term issue of the affordability of keeping a warm home. The second is the specific problem of low-income households being unable to afford the costs of replacing a broken boiler even though they are not technically fuel poor because they live in an energy efficient home. We found that the

scheme could respond to the latter problem through the way the Scheme Manager interpreted the EPC rating. However, we highlighted the risk that this approach diverted resources away from the core problem of fuel poverty. And it disincentivised the scheme from seeking out those most in need.

It is also worth noting that my report reflects the Welsh Government's view at the time that it did not intend to develop the option of repairing existing boilers. However, the Policy Statement sets out that this view has changed and that the scheme will offer the option of repairing energy efficient boilers.

The Committee may wish to explore the following areas around how the Nest programme will work in practice:

- the extent to which data on the early implementation of the updated Nest scheme shows it is still driven in large part by people with broken boilers;
- whether the contractor will still be able to lower the Energy Performance Certificate (EPC) rating of homes with a broken boiler, thereby allowing households who would not otherwise be eligible to access the scheme;
- how many households have benefited from boiler repair, and what the costs have been, in the early days of the updated scheme; and
- how the Welsh Government intends that the scheme will reach out to households who are in fuel poverty but don't have the immediate driver of a broken heating appliance to incentivise them to access the scheme.

Securing value for money from the procurement and management of the Nest contract. My 2021 report highlighted variation in the cost of the same measures between the Nest and Arbed schemes. It also identified opportunities to improve contract management. The Committee may wish to explore the extent to which, in letting the new contract and setting up management arrangements for Nest, the Welsh Government has:

- carried out benchmarking between bidders and to the current market costs of energy efficiency measures;
- set clear requirements in relation to the industry standard specifications for the installation of energy efficiency improvement measures, including lighting and water systems;
- included clear performance measures and/or targets and arrangements for oversight; and
- updated arrangements to get more timely and comprehensive support from its independent external quality assurance arrangements.

The current position in relation to a replacement for the area-based Arbed scheme. When I reported, the Welsh Government had not replaced the area-based Arbed scheme, which formed part of the Warm Homes programme. As part of its consultation, the Welsh Government said it was exploring whether an area-based approach remained feasible. The Policy Statement is clear that it focuses only on the demand-led element (Nest). The Committee may want to explore whether the Welsh Government has decided on its future approach to area-based fuel poverty schemes. And if it does intend to run an area-based scheme, how it will manage the problems experienced by Arbed in finding areas where there are sufficient numbers of eligible homes to make the interventions viable.

I hope that the suggestions provided above are helpful to the Committee. The Committee may wish to note that, as part of my indicative forward work programme I am considering carrying out an examination looking at decarbonising housing, which could potentially include an element of follow-up of my previous reports. However, if I do go ahead with this work, it would not start until 2025-26 at the earliest.

Audit Wales staff would be happy to discuss further with the Committee's clerking and research teams if that would be beneficial.

Yours sincerely



ADRIAN CROMPTON
Auditor General for Wales