



Llyr Gruffydd MS  
Chair, Climate Change, Environment and Infrastructure Committee  
Senedd Cymru

29 January 2025

Dear Llyr,

Thank you for your letter of 16 December 2024, requesting information on the draft budget for 2025-26 relating to the Warm Homes and residential decarbonisation and quality Budget Expenditure Lines (BELs). Detailed comments to respond to your questions regarding the specific use of capital and revenue funding in BEL 0950 Warm Homes and BEL 1065 Residential Decarbonisation and Quality, are contained in Annex A.

I was pleased to have been able to increase the budget in some key areas within my portfolio for the next financial year, including interventions to address homelessness. While the residential decarbonisation general Capital budget is unchanged, the focus needed to be on provision of more homes for those in need. I was able to include a 7% uplift in Capital budget to the Warm Homes Nest scheme (BEL 0950) in recognition of the continuing need to invest in energy efficiency, reduce bills and lower carbon emissions from poorly insulated homes.

We are using the independent Nest advice service to signpost callers to other schemes that households in Wales may be eligible for, and consequently we are not dependent only on the Capital within this BEL to fund energy efficiency measures for those in fuel poverty.

In addition to £92 million of investment in social homes through the Optimised Retrofit Programme, I am also allocating £3 million of financial transactions capital (FTC) in 2025-26 to extend the Green Homes Wales pilot. The scheme is designed to provide additional incentive to those who wish to invest in energy efficiency and low carbon heating but lack the upfront capital. It has attracted a significant amount of interest since its introduction last summer and I am delighted to be able to support it again next year.

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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.

Yours sincerely,

A handwritten signature in black ink that reads "Jayne Bryant". The signature is written in a cursive style with a large, stylized 'J' and 'B'.

**Jayne Bryant AS/MS**

Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai  
Cabinet Secretary for Housing and Local Government

## **Annex A: Responses to detailed questions**

### Warm Homes Programme: BEL 0950

Resource Budget:           £ 3.731 million  
General Capital Budget:   £ 37.5 million

When developing the new Warm Homes Nest scheme, we worked on the assumption we would provide measures to approximately 1,500 homes per year based on £30 million per year of capital investment. This estimate accounted for the changes to the programme's eligibility criteria and the deeper retrofit requiring more costly measures, alongside recent construction cost inflation. As the scheme is demand-led, the number of homes assisted in any year will vary depending on the level of interest and the types of interventions recommended through the whole house assessment.

While it is not possible to accurately forecast demand in 2025-26, it is reasonable to assume that a scaling of the capital investment will result in a similar percentage increase in properties supported. It should be noted that a proportion of the funding in this BEL will also be used to rectify poor workmanship in legacy schemes such as those in Caerau, Bridgend and Bryn Carno, Caerphilly. Officials will be providing me with advice on this before the end of this financial year.

The Warm Homes Nest scheme operates as a domestic energy efficiency scheme, albeit with eligibility criteria to ensure those in fuel poverty are supported. There are significant technical crossovers between this scheme and our work on social housing and, through Green Homes Wales, with owner occupiers who are investing themselves. As we move towards greater use of low carbon technologies, and consider cross-tenure area-based interventions, the argument for having these programmes in the same portfolio is clear.

The Cabinet Secretary for Social Justice has a keen interest in the Nest scheme, and an external Fuel Poverty Advisory Panel inputs into the scheme design. Over the last six months, we have worked with the Panel to introduce a crisis route for households without heating or hot water, and subsequently refined the approach in light of the panel's feedback. This has allowed us to support those in immediate need without losing sight of our longer-term climate goals.

My officials are currently working through the review of the new Nest scheme and work on this will be completed by April / May. Once we are confident the demand-led scheme is working well, we intend to discuss with the contractor the potential of expanding into small area-based activities such as blocks of flats or rows of terraced housing. This will be included within the Capital allocation for the Nest scheme.

Decarbonising on a wider area basis, in particular co-ordinating switching to low carbon heating systems across different housing tenures, will need detailed planning involving a wide range of stakeholders. UK Government decisions, such as around the strategic decision on hydrogen for home heating and the future of the gas network, will have a significant impact on any work we plan here in Wales. This long-term work requires careful consideration to understand potential future consequences.

Most of the revenue budget for the Warm Homes Programme (BEL 0950) is used to fund the Nest advice service and independent quality assurance function associated with the Nest scheme. The remainder is used for evidence and policy development around fuel poverty, such as the revision of fuel poverty estimates.

## Residential decarbonisation and standards (BEL 1065)

Resource Budget:	£ 1.673 million
General Capital Budget:	£ 92 million
Financial Transactions Capital:	£3 million

The general capital allocation for 2025-26 is £92 million, which is unchanged from 2024-25. This will be used to fund the Optimised Retrofit Programme (ORP). ORP3 will be extended for up to a further two years, focused on its existing priorities. This will allow us to gather evidence from social housing landlords on their compliance against the WHQS2023 standard, the evaluation of ORP and our policy development work ahead of Carbon Budget 3, which will inform future policy options.

The remaining £3 million of Capital in the 2025-26 budget is Financial Transactions Capital. This will be allocated to upscale our Green Homes Wales pilot, supporting owner occupiers to decarbonise their homes through the provision of interest free finance. This is an increase on the approximately £0.5 million of Financial Transaction Capital which will be drawn down by the Development Bank of Wales this year, reflecting the maturity of the scheme and the time lag between initial expressions of interests through the process of retrofit assessment, installer quotations and loan applications. Loan values range from between £1,000 and £25,000 and are based on the recommendations of each individual retrofit assessment. We do not yet have sufficient pilot data from year 1 to accurately predict the average value of a loan application. We should have greater detail at the end of year 2 of the pilot.

Resource funding for this BEL stands at £1.673 million in 2025-26. It includes funding for staffing, running a net zero decarbonisation hub in Wales, resource costs associated with running Green Homes Wales, the team responsible for the regulation of Registered Social Landlords and evidence, research and evaluation costs.

To note, the general capital allocation to BEL 1065 is unchanged at £92 million. In 2024-25 there was an allocation of Financial Transactions Capital of £4 million in total, however there are limitations on its use. We anticipate approximately £0.5 million will be drawn down from the 2024-25 allocation to fund the Green Homes Wales pilot, which launched in the summer of 2024.