

## Energy Saving Trust response to the Senedd Equality and Social Justice Committee consultation 'Fuel poverty and the Warm Homes Programme

Energy Saving Trust is an independent organisation dedicated to promoting energy efficiency, low carbon transport and sustainable energy use. We aim to address the climate emergency and deliver the wider benefits of clean energy as the UK transitions to net zero. We empower householders to make better choices, deliver transformative programmes for governments and support businesses with strategy, research and assurance – enabling everyone to play their part in building a sustainable future.

We have provided the central coordination point for the Welsh Government's Nest Scheme element of the Warm Homes Programme since 2011, providing energy efficiency and affordable warmth advice and support to households, building referral pathways with partners across Wales to reach the most vulnerable households and promoting the scheme.

We were also half owners of the 50:50 joint venture, Arbed am Byth which delivered the Arbed scheme until November 2021.

### What are the main lessons learned from the Welsh Government's current Warm Homes Programme?

Both the Nest and Arbed elements of the Warm Homes Programme have been effective in terms of supporting some of the most vulnerable households in Wales to reduce their energy bills, improve the comfort and quality of their homes and reduce carbon emissions. One of the most significant lessons from our perspective delivering the Nest phone service has been the value of this advice line. While not everyone who contacts the Nest advice line will be eligible for free energy efficiency measures all callers were supported with energy saving advice and could benefit from referrals into partners for benefit entitlement checks and debt advice. Future iterations of the Warm Homes Programme should continue to offer free and impartial advice.

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In terms of delivery, a great strength of the Warm Homes Programme has been the focus on local skills and supply chains and the training of apprentices. Ensuring that tradespeople in Wales have the skills required to deliver high quality retrofit will be essential for meeting both fuel poverty and decarbonisation targets. This approach should be carried forward into the next iteration of the Warm Homes Programme.

There have been challenges involved in delivering aspects of the Warm Homes Programme, especially as priorities have rightly expanded to include decarbonisation alongside fuel poverty alleviation, a dual focus that we strongly support. The need for flexibility in the design and focus of the Warm Homes Programme to allow for new technologies, approaches and priorities is recognised as a key lesson moving forward.

**How can these lessons help shape the next iteration of the Warm Homes Programme to ensure that it better supports those living in, or at risk of, fuel poverty?**

As discussed above we should retain and strengthen the elements of the existing programme which work well.

The importance of impartial and expert advice cannot be overstated, especially as we look to decarbonise our housing stock alongside alleviating fuel poverty. Nest advisors are already being contacted by customers who are asking about low carbon heating options and saying that they don't want replacement gas boilers. Advisors should be able to support consumers on these topics so that as well as advising on energy efficiency measures advice can be given on low carbon heating, maximising benefits, accessing Warm Homes Discount, switching supplier, and potentially on smart technologies, low carbon transport or renewable energy. Advice should continue to be available to anyone who feels they are struggling to heat their home affordably so that anyone who gets in touch is offered some form of support – even if they don't qualify for a package of funded improvements. Future iterations of the Warm Homes Programme should look to offer more in-depth tailored and personalised advice using smart meter data and in-home advice for some households. Throughout, the customer journey must be made as smooth as possible with the process made clear and excellent customer service offered.

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The use of partner referral pathways with local and national organisations has allowed some of the most vulnerable and disengaged households to access support. This work has been aided by the promotion of schemes through a number of channels. We know that promotions that are supported by local authorities that target benefit recipients using local authority data work well to reach eligible households. This should be a central feature of future schemes.

The use of companies based in Wales to deliver the Warm Homes Programme has been a welcome success, as have the apprenticeships that have been offered through the programme. Moving forward an even greater focus on increasing skills across the country and strengthening local supply chains would be welcome. We know from our experiences helping to deliver similar programmes in Scotland that SMEs and trainees can benefit greatly from these government programmes (see 'Our Sub-Contractors' in the latest WarmWorks annual report<sup>1</sup>).

**In particular:**

**what should the eligibility criteria for home energy efficiency measures be,**

While the eligibility criteria will ultimately be under the Welsh Government's discretion and at least partly dictated by the scope of the future Warm Homes Programme we have some general views on eligibility criteria.

We agree that a primary focus of the Warm Homes Programme should be supporting vulnerable households to move out of fuel poverty and be left with more comfortable homes and more manageable bills. This is particularly important in the context of the current high energy prices and expected rises to come later in 2022. To help achieve these aims eligibility should be based on a combination of income and energy efficiency with consideration given to those more likely to be in or at risk of fuel poverty.

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<sup>1</sup> <https://www.warmworks.co.uk/download/4870/>

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Any eligibility criteria should be easy to assess and as closely aligned with fuel poverty as possible. In practice this means assessing eligibility using workable proxies, as a full assessment of household income and outgoings and the energy efficiency of a property is both financially and administratively costly. For income and energy efficiency proxies to be effective they must align relatively well with the reality of those who are in fuel poverty, this means having good data on the characteristics of fuel poor households.

Being in receipt of means-tested benefits is no longer a useful proxy for being in fuel poverty. In 2018 around 70% of people in fuel poverty were not in receipt of any means-tested benefits. These figures are from 2018 and so do not take account of the impacts of either Covid-19 or the current energy crisis. In practical terms this means that eligibility based solely on receipt of means-tested benefits is unlikely to be suitable, receipt of other benefits (e.g. disability living allowance, personal independence payments etc.) should feature, as well as a robust, clear and evidenced income assessment. The future scheme should consider discounting benefit payments from income assessments to allow more vulnerable households to be supported. Welsh Government should also consider raising the income threshold to support more people impacted by the energy price increases. Self-reporting of typical costs and comfort in the home, while lacking the statistical rigour favoured for reporting purposes, can be an effective means of triaging households that engage with the service in the first instance. Assessing whether a household is spending 8%, 10% or 20% of their income on energy bills is a relatively easy way of determining what support might be available to a household.

In terms of the energy efficiency of the home as an eligibility criteria, many people don't know what their EPC rating is (or may not have one for their home), or if they do this may be out of date. The future Warm Homes Programme could meet the cost of undertaking an EPC assessment on a property to overcome this initial barrier. There are many valid criticisms of EPCs but our view is that they remain a useful tool. Our view is that the current EPC criteria for Nest (EPC E to EPC G with some EPC D households also able to be supported with free energy efficiency measures if they meet other criteria) is worthwhile retaining but with the understanding that some households living in homes with higher EPC ratings can still experience fuel poverty if their incomes are especially

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low or their energy needs higher than average. To help address these households the future iteration of the Warm Homes Programme could build on the success of the Health Conditions Pilot to take account of additional medical conditions such as cancer and arthritis which form part of the eligibility for ECO, as well as other factors that can place households at greater risk of fuel poverty including property type, single parent households, number of dependents etc. (see [recent research into fuel poverty risk factors](#)). Taking this more nuanced approach has proven successful in terms of supporting those with underlying health issues through the Health Conditions Pilot. The pilot was introduced in September 2017 and updated in July 2019 to reach households living with a health condition made worse by cold or damp housing and living in fuel poverty or at risk of fuel poverty. The current criteria include those with a chronic respiratory, circulatory or mental health condition. From July 2019 to June 2021 6,000 of those referred met the health criteria and were referred for an income assessment. A total of 3,486 households passed the income assessment, therefore meeting all the criteria (2,146 of these households had measures installed).

**should the area-based approach to tackling fuel poverty (Arbed) continue,**

We think there is value in an area-based approach to tackling fuel poverty and retrofitting homes alongside a national programme that householders who are struggling can access at any time rather than having to wait until an area-based scheme comes to their area. The previous Arbed scheme had many successes, including the installation of more varied measures. We know from our experiences in delivering Home Energy Scotland that an area-based approach can be effective alongside a national programme. There may be value in combining the area-based and centrally administered elements of the current Warm Homes Programme in future iterations.

Area based schemes enable insulation improvements to be made in flats and terraces of houses that would either not be possible or much more difficult at individual property level. Mass external insulation to properties across an area can improve the appearance of the area and community members report what a significant impact this has. From a delivery perspective it makes more sense to deliver external wall insulation on an area basis with this likely to be more cost effective due to economies of scale and

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householders more likely to agree to the insulation when it is being done *en masse* in the area.

Local Area Energy Plans, which build on Regional Energy Strategies, are now being developed in Wales with these due to be completed by the end of the 2023/24 financial year. This work could look to incorporate an area-based approach to retrofit. The Optimised Retrofit Programme is also moving towards a more area-based approach with local authority-led bids looking to improve private homes adjacent to council stock. Area-based schemes could look to combine ECO funding alongside Welsh Government, private and social landlord funding to improve outcomes for communities and trial new approaches. This approach has proven effective in Scotland where Scottish Government and local councils have delivered energy efficiency improvements to over 100,000 households through an area-based approach since 2013.

**what specific support should be made available to meet the challenges associated with rural fuel poverty?**

Rural households face particular challenges when it comes to heating their homes and affording energy, with rural areas experiencing higher rates of fuel poverty than urban areas. Rural properties tend to be older with poorer insulation and a higher proportion of off-gas heating while average incomes in rural areas are lower than those in urban areas.

A relatively simple form of support could be to increase the grant cap for rural properties. Alternatively, larger grants could be made available for detached properties, those off the gas grid or older homes. The current Warm Homes Programme already sets a higher grant cap for homes off the gas grid.

A significant proportion of the additional costs for rural property retrofit is because supply chains in rural areas tend to be weaker with fewer suitably skilled tradespeople. At a fundamental level it would be welcome to see the focus on upskilling and training of the current programme continue with a particular focus on developing local supply chains and training apprentices in rural areas.

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Future schemes should be sufficiently flexible to accommodate rural property specifics with those giving advice and support aware of the challenges rural households face in improving the efficiency and heating of their homes. This could mean in-home advice being made available to hard to treat and rural homes, something that we would support provided there was sufficient funding to enable this. 'Energy coaching', including aspects of behaviour change, has been shown to achieve significant bill savings in rural communities and would be a valuable addition to a future scheme<sup>2</sup>. We look forward to seeing the outcomes of the ongoing in-home advice pilot which is due to report in Spring 2022.

One issue with the current programme which disproportionately impacts rural areas is that properties listed as business premises are ineligible for support through Nest. Even if a self-employed person who works seasonally and has a very low income only lists their home as a business premises to receive tax returns they become ineligible for support. In many rural counties a fifth of the population is self-employed, in Powys 26% of people are self-employed, double the figure for Wales as a whole<sup>3</sup>. A future programme could look to address this issue by increasing the flexibility of the scheme.

Rural off-gas properties offer an opportunity to install heat pumps alongside energy efficiency measures as a low-regrets priority area given the very high fuel costs associated with oil and LPG heating. Prioritising the installation of heat pumps in these properties could be an effective way of introducing these measures into the programme while benefiting consumers.

## how can private sector landlords be encouraged to tackle fuel poverty amongst tenants?

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<sup>2</sup> Page 3. [http://www.nea.org.uk/wp-content/uploads/2016/07/Relationship-experts\\_final-report.pdf](http://www.nea.org.uk/wp-content/uploads/2016/07/Relationship-experts_final-report.pdf)

<sup>3</sup> <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Employment/Persons-Employed/StatusOfEmployedPersons-by-WelshLocalAuthority-Measure>

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Addressing fuel poverty in the private sector must be a priority given that this is the worst-performing sector in terms of energy efficiency and private renters are disproportionately represented in fuel poverty statistics. We recognise that this is arguably the most challenging sector given the limited powers Welsh Government has over it. It is welcome that recent annual statistics from Nest show that a high proportion of private renters are being supported.

The Minimum Energy Efficiency Standards (MEES) set by UK Government which apply in Wales are designed to offer a strong incentive to landlords to improve the efficiency of their properties over time. It is essential that these legal requirements are properly enforced. Rent Smart Wales is well positioned to oversee this ratcheting of standards alongside local authorities but must be supported to do so. We understand that three local authorities in Wales have been given funding from BEIS to set up teams tasked with enforcing MEES but that elsewhere enforcement teams are less well-funded and are taking different approaches from one another. Targeted outreach to landlords from central and local government should also be undertaken. We understand that in one of the local authorities benefiting from having a dedicated MEES team prominent advertising has been published signalling the MEES changes and the team intend to send a series of letters to private landlords informing them of the changes and offering assistance.

In Scotland interest-free loans of up to £38,500 are available to private sector landlords for a combination of energy efficiency (up to £15,000), renewable generation (up to £17,500) and energy storage (up to £8,000). To qualify, properties and landlords must be registered and properties cannot be second homes or holiday homes and must be currently or soon to be occupied by tenants. If the landlord has five properties or fewer the loan is interest free. If they have six or more properties in their portfolio, the loan is subject to interest at 3.5% APR. The repayment period can be up to a maximum of 8 years. Central to the scheme is the delivery of impartial advice. Applicants must contact Home Energy Scotland personally to get impartial advice about their home and engage in a decision-making process about how best to improve it. An EPC assessment must also be produced recommending the chosen measures.

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We noted the Minister for Climate Change referred to concerns around the MEES uplift in the private rented sector when announcing the Private Sector Leasing Scheme, explicitly linking the funding available to private landlords to upgrade their properties through the leasing proposal to the EPC MEES uplift, the reduction of fuel poverty and tackling climate change ([Plenary 30/11/2021](#) para. 153). While at an early stage this approach could be an effective means of improving the energy efficiency of rented homes and reducing the rates of fuel poverty of tenants.

**how can any successor scheme(s) better advance equality and social justice considerations?**

As previously discussed, the eligibility criteria and targeting can be designed to support those who are most vulnerable. Bespoke impartial and expert advice further supports vulnerable groups. There are lessons learned from the Nest advice line which should be carried over to the next iteration. In particular the benefits of partnership working cannot be overstated. The Partnership Development Managers have been able to build trusted referral pathways which allow more households to access support. As well as energy advice those accessing Nest are helped to access funded benefit entitlement checks and tariff switching services – an integral part of the programme.

**How can the Welsh Government ensure that the next iteration of the Warm Homes Programme better aligns with its efforts to decarbonise Welsh housing?**

It is important to highlight that decarbonisation and alleviation of fuel poverty do not have to be competing interests, both can be achieved simultaneously. The current Nest scheme is usually only able to fund the installation of insulation OR heating. This is most likely an issue with the grant cap (the cap is set at £5,000 for EPC E homes on-gas and £8,000 for EPC F and G homes on-gas, the cap is higher for off-gas properties). This, coupled with the fact that households can only access funded Nest support once means that householders tend to opt for new heating systems, most often new gas boilers. The future scheme should adopt a strong fabric first approach and ideally set a grant cap that allows for both insulation and heating to be installed. Allowing households to access Warm Homes Programme support more than once could also

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improve uptake and see more fabric measures installed which would reduce emissions and lower bills.

Projected carbon savings as well as fuel bills savings could be used to identify potential packages of support for households with a commitment to never offering a package of measures that either increases running costs or increases emissions.

The installation of heat pumps as part of the future Warm Homes Programme should become commonplace. If installed correctly in homes that are suitably insulated heat pumps can heat homes at reasonable cost. These costs are likely to be reduced as levies on electricity shift either onto gas or general taxation as committed to in the UK Government’s Heat and Buildings Strategy. Moving to electric heating will not only support decarbonisation but, as an increasing share of electricity is supplied through renewable sources, it will reduce the exposure of fuel-poor households who receive a heat pump to global gas markets and so help protect them from future price shocks. For the installation of heat pumps to be successful as part of the future Warm Homes Programme households will have to be supported at each stage of the process. It will have to be made clear that heat pumps operate differently to traditional gas boilers and so households’ behaviour may have to adapt. To ensure a smooth transition to clean heat, the role of an independent advice and support service from a trusted source will be important in helping consumers have confidence in the choices they need to make around low carbon heat as well as additional energy efficiency measures which will help lower costs.

An impartial advice service can:

- Proactively engage people with the benefits of decarbonising their homes and moving to low carbon heat
- Provide user-friendly, practical advice available through multiple channels which is responsive to people’s needs
- Provide tailored and specific advice to address the unique issues that people face as a result of their personal circumstances and property characteristics and help them understand the options that are available
- Help people to recognise how taking action will benefit them personally
- Provide reassurance and support throughout the process and advise and help people making changes to their homes

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- Help people to understand what support is available at all stages of the process and how to access this, for instance grants and funding schemes.
- Provide advice on what happens if anything goes wrong and how they can get redress.

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