



Llywodraeth Cymru  
Welsh Government

PUBLICATION

# Next iteration of the Warm Homes Programme: review and recommendations report

This report informs the development of the next Warm Homes Programme. It reflects the input of stakeholders and numerous reviews and audits.

**First published:** 13 June 2023

**Last updated:** 13 June 2023

This document was downloaded from GOV.WALES and may not be the latest version.

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report-html> for the latest version.

Get [information on copyright](#).

# Contents

**Introduction**

**Key messages and themes**

**Audit Wales Reviews**

**Climate Change Environment and Rural Affairs Committee**

**Equality and Social Justice Committee Inquiry**

**European Regional Development Fund Review**

**Nest 2 and Arbed 3 scheme management**

**This document was downloaded from GOV.WALES and may not be the latest version.**

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report.html> for the latest version.

Get [information on copyright](#).

# Introduction

The Warm Homes Programme consisting of the Welsh Government's **Nest** and **Arbed Schemes**, have been improving the energy efficiency of homes since 2009, making them warmer and more comfortable places to live. The schemes have supported some of the most vulnerable people in our society by improving their wellbeing and resilience to avoidable ill health, while also making an immediate, sustained and positive contribution to decarbonising Welsh homes.

On 8 November 2022, the Minister for Climate Change set out **proposals** to improve the energy efficiency of all Welsh Homes. The intention set out is to continue to take a fabric first, worst first and low carbon approach, delivering measures to improve the energy efficiency of the least thermally efficient low-income households in Wales.

This will be achieved in two parts:

- Part 1 - By procuring a replacement demand led service, we will ensure continuity to assist those least able to pay and respond to the cost of living crisis. This will also ensure a just and affordable transition to low carbon homes.
- Part 2- The development of a whole housing stock approach to decarbonisation to provide a long-term strategy for energy efficiency, fuel poverty and decarbonisation for the sector.

It is right that we reflect on the lessons we have learned. While some lessons have already been implemented, for example through the Health Conditions Pilot and more recently with the introduction of solar PV and battery storage solutions as potential low carbon measures, there is more to do. The delivery of the Warm Homes programme provides valuable insight and evidence, alongside the responses to the public consultation, to support the design and development of Part 1, the next iteration of the Warm Homes Programme.

**This document was downloaded from GOV.WALES and may not be the latest version.**

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report-html> for the latest version.

Get [information on copyright](#).

This report provides a summary of the findings from the following formal and informal reviews of the Warm Homes Programme:

- Audit Wales' Landscape review into Fuel Poverty October 2019 and Report on the Warm Homes Programme November 2021.
- Senedd Committee for Energy, Environment and Rural Affairs Report 2020.
- Senedd Committee on Equality and Social Justice April 2022.
- Miller Research Consulting Evaluation of Arbed 3: Final Evaluation Report February 2022.
- Lessons learned from Nest 2 and Arbed 3 Contract management.

These reports have been collated to provide a single body of evidence to support the development of the replacement scheme(s). Whilst many of the findings are specific to the Arbed and Nest schemes, the experience is invaluable to support the design of the replacement schemes alongside other evidence such as the outputs from the public consultation, as well as learning from the Optimised Retrofit Programme.

## Key messages and themes

Across the reports and reviews, a handful of key messages and themes are apparent. Summarised below, the accompanying policy statement will set out our response to these. The themes are:

- Learning from the past, what has and has not worked to avoid repeating any mistakes. This document forms part of our response to that recommendation.
- Clarity of purpose. The reviews agree that Welsh Government needs to be clear what its objective is (e.g., tackling fuel poverty rather than simply replacing broken boilers for those on means tested benefits). This clarity of purpose needs to be reflected in better targeting of households who are in

**This document was downloaded from GOV.WALES and may not be the latest version.**

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report-html> for the latest version.

Get [information on copyright](#).

fuel poverty and revising the eligibility criteria to ensure the support is focussed on those in most need.

- Pursuing the twin goals of tackling fuel poverty and decarbonising. A clear theme in the reports was about balancing both objectives and ensuring progress is made against each. The work to address fuel poverty must be mindful and coherent with both work on the wider poverty agenda, as well as a longer term decarbonisation strategy for heat in buildings. The reviews are clear that the scheme must support multiple policy outcomes, including for example on skills.
- How and what is measured. Multiple reviews found that any future scheme needs to have robust monitoring and evaluation procedures in place, and that any metrics should be meaningful against the stated objective of the scheme.
- Collaborating and partnering with others, particularly communities and local government, which will promote engagement and buy-in to the new scheme objectives and delivery.
- Better contract management with the reviews and reports recommending tighter management, and, for example, benchmarking of costs, clearer and improved installation standards and fit for purpose independent quality assurance to ensure delivery quality is maintained.
- Scheme features cropped up in multiple reviews, with recommendations covering a wide variety of areas including:
  - Developing more intelligent means of limiting costs than single cap.
  - Ensuring cost implications are fully understood.
  - Clarifying whether an area-based approach remains viable.
  - Developing an offer for those ineligible for the new scheme.
  - The need to consider funding for enabling works.
  - The need to consider the different factors affecting rural homes.
  - The need to consider domestic households who are also businesses.
  - The need to pursue boiler repair rather than replacement.

**This document was downloaded from GOV.WALES and may not be the latest version.**

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report-html> for the latest version.

Get [information on copyright](#).

# Audit Wales Reviews

## Landscape review into fuel poverty October 2019

1. In October 2019, the Wales Audit Office (WAO) published its **Landscape Review of Fuel Poverty in Wales**. The aim of the report was to provide insight since the publication of the **Welsh Government's 2010 Fuel Poverty Strategy** and to identify key issues for the Welsh Government to consider in developing the new plan to tackle Fuel Poverty. The WAO made ten recommendations, while acknowledging some of the determinants contributing to Fuel Poverty were outside of the control of the Welsh Government.
2. Audit Wales acknowledged the Welsh Government has sought to work with other bodies and coordinate its own departments to address the wider causes of fuel poverty, including wider investment in supporting programmes, such as work to achieve the Welsh Housing Quality Standard across social housing. It noted the challenge of eradicating carbon emissions from domestic housing while also supporting fuel poor households.
3. The investment in energy efficiency, the report notes, seems to have helped to reduce the levels of estimated Fuel Poverty. The data on the Warm Homes programme show significant improvements in the energy efficiency of the homes that have benefitted from the programme. The evidence does not show whether the people in those homes have been lifted out of Fuel Poverty.

# Recommendations from the Wales Audit Office Landscape Review into Fuel Poverty in Wales

## Strategic direction

R1 The Welsh Government should reflect on the purpose of the target related to eradicating Fuel Poverty and whether that purpose could be better served by setting an ambition or goal that is more closely aligned to the Welsh Government's sphere of control and influence.

R2 The Welsh Government should clearly articulate the lessons learnt from the failure to meet the targets set in 2010 and set out how those lessons have been applied in setting any new ambitions and the mechanisms for achieving them.

R3 The Welsh Government should consider developing a more nuanced suite of measures for the impact of its programmes and efforts to tackle Fuel Poverty, in particular:

- Developing measures for its Warm Homes programme that are based on working out how beneficiaries are better off in ways that matter to them alongside improvements to the energy efficiency of the home.
- Working with its partners to develop measures that enable a collective understanding of whether efforts to co-ordinate activity across organisational and sectoral boundaries are having the intended impact.

## Co-ordination and integration

R4 The Welsh Government should explore and articulate a long-term financial and carbon analysis of the costs, benefits and trade-offs of prioritising fuel poor households as part of its wider plans for de-carbonising homes.

R5 The Welsh Government, working with partners, should more clearly articulate how Fuel Poverty schemes should link up locally to other work to tackle the underlying causes that led individuals and communities to be vulnerable to experiencing Fuel Poverty.

R6 The Welsh Government should reflect, in light of the views expressed to us, on its approach to involving and engaging with stakeholders, including exploring whether any formal mechanisms for regular involvement and engagement with stakeholders need to be put in place.

### **Funding for energy efficiency schemes**

R7 In setting future budgets for the Warm Homes programme, the Welsh Government should take a broad view, in line with the ways of working under the Well-being of Future Generations Act, on how Fuel Poverty schemes could: prevent future costs in other service areas; and contribute to wider policy goals, including the 80% reduction in carbon from housing by 2050.

R8 The Welsh Government should clearly set out whether, and if so how, it will support fuel poor households who are not eligible for Nest and do not live in an area covered by Arbed.

R9 The Welsh Government should clearly set out how it will support those in severe Fuel Poverty, as they are potentially less likely to be engaged with services.

R10 The Welsh Government should fully explore the reasons behind the underspend in Arbed and if there are fundamental issues with the area-based approach which mean this situation is likely to continue, the Welsh Government should look at options for changing the funding balance between Nest and Arbed.



## Warm Homes Programme Review November 2021

4. This [report by Audit Wales](#) followed the earlier Landscape Review into Fuel Poverty published in October 2019. Work started on this report in February 2020.
5. Audit Wales considered comments by Welsh Government officials, Warm Homes Programme Nest and Arbed Scheme Managers and the Welsh Government's independent quality assurers, Pennington Choices during the preparation of the report.
6. The findings and recommendations were broadly welcomed by the Welsh Government.
7. Audit Wales recognised the Warm Homes Programme has helped many households by providing them with free energy efficiency measures. They reported that with the current Programme coming to an end over the next two years, the Welsh Government has key strategic decisions to make over its future. Any future replacement schemes will need to be greener to align with the Welsh Government's wider ambitions of achieving net zero carbon emissions.
8. The report found that most of the measures installed across both schemes involved new heating systems. At the time, 95% of the main heating systems installed in properties by Nest and 98% by Arbed were fossil fuel based. The higher costs of low carbon alternatives, such as heat pumps, would mean fewer households being helped if these measures are used more widely, unless there is a significant funding increase, or costs fall substantially.
9. The report discussed the need to be clear on any successor programme's core purpose and who it is designed to help. Originally brought in to tackle fuel poverty, Nest is increasingly being used to replace broken or inefficient boilers for people on means tested benefits who might not necessarily be fuel poor.
10. Turning to Arbed, the Welsh Government needs to consider whether the area-based approach to targeting households remains viable, given the

This document was downloaded from GOV.WALES and may not be the latest version.

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report-html> for the latest version.

Get [information on copyright](#).

scheme had under-delivered against its original and revised targets. This under delivery was partly due to COVID-19, but even before the pandemic there were substantial delays and around £7.5 million of EU grant funding had not been used.

11. The report also said that overall contract management arrangements need to be strengthened in future schemes. This includes closer monitoring of contract compliance, addressing significant variations in costs charged for supplying and fitting the same energy efficiency measures and improving management information.

## **Recommendations Strategic and policy alignment**

R1 For future schemes, the Welsh Government should review the energy efficiency measures that are available to ensure they align with its ambitions to reduce carbon emissions and ensure the cost implications of switching to greener measures are fully budgeted.

R2 The Welsh Government should clarify the core purpose of the Nest or any successor scheme and whether it is about replacing broken boilers for poorer households or providing wider support to those most at risk of being in fuel poverty.

R3 The Welsh Government should review whether the area-based delivery approach used by the Arbed scheme remains viable or needs significant amending given under-delivery.

R4 The Welsh Government should ensure under future iterations of the Warm Homes Programme that contracts are flexible enough to shift funding and capacity between schemes to maximise the overall delivery of the Programme.

## **The Welsh Government's Warm Homes Programme Recommendations**

**This document was downloaded from GOV.WALES and may not be the latest version.**

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report-html> for the latest version.

Get [information on copyright](#).

## Contracting arrangements

R5 Before developing the next iteration of the Warm Homes Programme, the Welsh Government should carry out a full review of the lessons learnt from management of the current contracts and develop a clear plan for applying those lessons in the next iteration. Based on our review, we expect those lessons to include the need to:

- carry out appropriate benchmarking between bidders and to the current market costs of energy efficiency measures to ensure consistency in pricing and obtain value for money.
- be clear on the expectations of Scheme Managers in relation to the industry standard specifications for the installation of energy efficiency improvement measures.
- ensure that Scheme Managers provide their disaster recovery plans as required by the contracts.
- more closely monitor performance with more complete and accurate management information; and
- obtain more timely and comprehensive support from its independent external quality assurance arrangements.

## Climate Change Environment and Rural Affairs Committee

12. The Senedd's Committee for Climate Change, Environment and Rural Affairs laid [its report on fuel poverty in Wales](#) before the Senedd on 24 April 2020. The report contains 21 recommendations, which were all accepted. Many of the recommendations highlighted in the Committee's report, were addressed in the Welsh Government's [Plan to Tackle Fuel Poverty](#), published in March 2021.

This document was downloaded from GOV.WALES and may not be the latest version.

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report-html> for the latest version.

Get [information on copyright](#).

# Recommendations from the Senedd Committee for Climate Change, Environment and Rural Affairs published April 2020

1. The Welsh Government's new fuel poverty strategy must comprehensively address the three determinants of fuel poverty - energy prices, household incomes and energy efficiency.
2. The Welsh Government's new fuel poverty targets must be challenging but realistic. The overall targets must be accompanied by interim targets and clear milestones against which progress can be measured.

In setting its new targets, the Welsh Government should consider:

- adopting a similar approach to that taken by the Scottish Government; and
  - how the targets can best align with the wider ambition to decarbonise Wales's housing stock by 2050.
3. The Welsh Government should consider introducing new statutory fuel poverty targets. It should report back to the Committee on the outcome of its consideration before publishing its final fuel poverty strategy. If the Government decides against statutory targets, it must set out its reasons.
  4. The Welsh Government must establish a robust monitoring framework to oversee progress in delivering its new fuel poverty strategy.

This should include:

- the publication of annual fuel poverty estimates (aligned with the new definition of fuel poverty), including estimates on the number of disabled households living in fuel poverty.
- an Advisory Board on Fuel Poverty, or a similar formal structure, recognising the key role of stakeholders in monitoring and reviewing

progress, and in providing external scrutiny; and

- a commitment to regular reporting by the Welsh Government on progress towards its new fuel poverty target.
5. The Welsh Government should adopt a more appropriate definition of fuel poverty: one that more accurately reflects the lived experience of fuel poor households in Wales. As its starting point, it should consider the 'residual income' approach, learning lessons from England and Scotland. This work should be undertaken in conjunction with relevant stakeholders and be completed within 12 months of the publication of this report.
  6. The Welsh Government should ensure that fuel poverty estimates reflect the new definition. This work should be completed in time to inform the fuel poverty estimates for 2020.
  7. The Welsh Government must work with Nest and Arbed am Byth to develop a robust monitoring and evaluation framework, which includes measuring the impact of the schemes on fuel poverty.
  8. The Welsh Government must work with Arbed am Byth, and its partners, to establish more sophisticated tools for targeting support for households in fuel poverty under the scheme.
  9. The Welsh Government must report back to the Committee on:
    - the number of properties improved and the total spend through Arbed 3 for the second year of the three year programme; and
    - action it intends to take if figures on improvements and spend suggest that Arbed 3 is continuing to underperform.
  10. The Welsh Government must review the eligibility criteria for free energy efficiency improvement packages under Nest, taking account of the new definition of fuel poverty. The review must consider, in particular, broadening the eligibility criteria to include low-income households living in, or at risk of falling into, fuel poverty.
  11. The Welsh Government must ensure that funding is available through the Warm Homes Programme to meet the cost of enabling works for households that would otherwise be unable to benefit from home energy efficiency

improvements under government schemes.

12. The Welsh Government must reflect on the evidence received about the need for adequate lead-in time for the completion of enabling works ahead of energy efficiency improvements under schemes.
13. The Welsh Government should establish a pilot scheme for an in-house advice and support service for vulnerable households in, or at risk of falling into, fuel poverty.

The service should:

- operate based on a holistic approach, providing advice and support on improving energy efficiency, maximising income and reducing energy costs; and
  - provide direct assistance to households, for example, in taking up financial entitlements, checking energy tariffs and switching energy suppliers.
14. The Welsh Government must establish a suitable support mechanism to enable local authorities to maximise funding for energy efficiency improvements through ECO Flex.
  15. The new fuel poverty strategy should aim to increase the use of smart meters in households across Wales, those using prepayment meters, and those living in, or at risk of falling into, fuel poverty.
  16. The Welsh Government should:
    - provide details of the task and finish group on promoting take-up of Pension Credit, including its terms of reference and timeline for its work, and
    - report back to the Committee on the findings of the task and finish group, and on the actions the Welsh Government intends to take and time lines involved.
  17. The Welsh Government must seek to secure a Welsh representative on the Board of Ofgem and to strengthen the regulator's presence in Wales.
  18. The new fuel poverty strategy should include provisions aimed at addressing

the distinct challenges faced in rural areas. This should include a bespoke programme with appropriate levels of funding that take account of the more complex and costly measures required to address rural fuel poverty.

19. The Welsh Government must work with relevant partners to develop financial support mechanisms to enable private landlords to improve the energy efficiency of their properties. This work must be undertaken as a matter of priority, given the introduction of new Minimum Energy Efficiency Standards from April 2020.
20. The Welsh Government, in conjunction with local authorities and Rent Smart Wales, must undertake work to identify and address barriers to enforcement of Minimum Energy Efficiency Standards. The Welsh Government must report back to the Committee on the outcome of this work at the first available opportunity.
21. The Welsh Government must ensure that new energy efficiency standards in new homes are sufficiently ambitious, and that changes to Part L Building Regulations are progressed with no further delay.

## Equality and Social Justice Committee Inquiry

13. In January 2022, the Senedd's Equality and Social Justice Committee began an inquiry into fuel poverty and the Warm Homes Programme to consider:
  - The main lessons learned from the Welsh Government's current Warm Homes Programme.
  - 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.
  - The eligibility criteria for home energy efficiency measures available under the scheme.
  - Whether an area-based approach to tackling fuel poverty (Arbed) should continue.

This document was downloaded from GOV.WALES and may not be the latest version.

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report-html> for the latest version.

Get [information on copyright](#).

- What specific support should be made available to meet the challenges associated with rural fuel poverty; and
  - Encouraging private sector landlords to tackle fuel poverty amongst tenants.
14. The committee explored how any successor scheme(s) can better advance equality and social justice considerations and align with efforts to decarbonise Welsh housing.
15. Noting the Welsh Government has limited powers to influence levels of fuel poverty in Wales, [the committee's report](#) published May 2022 makes 23 recommendations.

## **Recommendations from the Senedd Committee on Equality and Social Justice report published May 2022**

### **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:

- 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.

### **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

**This document was downloaded from GOV.WALES and may not be the latest version.**

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report-html> for the latest version.

Get [information on copyright](#).



actions or measures that the government could take to support families struggling with fuel poverty and the setting of interim targets.

### **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

### **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.

### **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. Any changes to the eligibility criteria should also consider:

- 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.

## **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.

## **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.

## **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.

## **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

## **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.

## **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.

## **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.

## **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.

## **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

## **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:

- 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.

## **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 up front

## **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.

## **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.

## **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.

## **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.

## 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:

- shortage of necessary skills in local workforces;
- supply chain issues;
- the higher proportion of off-grid, harder-to-treat, properties

## Recommendation 22

The Welsh Government should improve energy efficiency through a combination of incentives, standards and engagement.

- 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.
- 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.

## 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

## European Regional Development Fund Review

16. **Millers Research Ltd conducted a review of Arbed 3**, in relation to the European Regional Development Funding the scheme attracted between 2018 and 2022.
17. The report notes that possibly the biggest challenges of future programmes are those of scale and future proofing. Whilst the area-based approach appears reasonable, the level of impact needs to be increased by an order of magnitude to make substantial inroads into the levels of fuel poverty in Wales. In terms of future proofing, the challenge of enabling affordable, low carbon heating is one that faces Governments beyond Wales. The report noted that the Welsh Government should carefully consider the most effective technologies for future interventions prior to investing.
18. The report concluded whilst Arbed 3 can be considered a success in many respects, there are several elements where recommendations and changes can be adopted.

## Recommendations from the evaluation of Arbed 3: Final report, published February 2022

There should be more of a concerted effort to gather data surrounding the economic status of potential beneficiaries at the outset, ahead of scheme selection. This includes information on householder energy spend and annual income, ensuring there is no reliance on self-reported data from a household beneficiary survey to determine the programme's economic impact.

This document was downloaded from GOV.WALES and may not be the latest version.

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report-html> for the latest version.

Get [information on copyright](#).

There should also be an increased focus on the Private Rented Sector, with the possibility that landlords contribute towards the costs of installation. This would ensure a more sustainable funding arrangement, potentially allowing for a larger budget per property. In turn, this would enable the installation of longer-lasting measures that makes an even greater economic, environmental, and social impact at a programme level. Alternative funding arrangements could include partial homeowner contribution or the introduction of interest free loans for beneficiaries having measures installed.

Given the heavy involvement of Local Authorities in Arbed 1 and 2, the 'intermediary' role of Local Authorities in Arbed 3 led to an inconsistent relationship with AaB depending on Local Authority area. Although involved in scheme selection and promotion, many authorities felt they were not used to their potential given the legitimacy, knowledge, and reputation they have in the community, as well as citing a lapse in communication with AaB following staff turnover. Therefore, in future operations any third party should look to collaborate closely with Local Authorities, using them in a strategic capacity to help research local data on fuel poverty and effectively target the area's most in need, alongside achieving buy-in from beneficiaries.

As well as holding more communication with Local Authorities, there should be more regular and consistent communication with householders throughout the duration of the process.

## **Nest 2 and Arbed 3 scheme management**

In addition to the findings of the formal audits, inquiries and evaluation reports set out above, the Welsh Government has reviewed its arrangements for the current Warm Homes Programme against eight broad headings. The findings have been summarised below.

**This document was downloaded from GOV.WALES and may not be the latest version.**

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report-html> for the latest version.

Get [information on copyright](#).



## **A. Warm Homes Programme management**

### **Issue**

Between April 2018 and April 2021, Nest installed measures in 18,047 homes, the majority of which received a new central heating system, primarily gas boilers.

Between October 2018 and November 2021, Arbed installed measures in 4,453 homes, of which 2,599 (58%) received a new heating system, with 2,834 (64%) homes receiving solar panels and 718 (16%) receiving loft insulation.

### **Lessons learned and recommendations**

The significant number of fossil fuel boiler replacements is not sustainable. While replacing a gas boiler with a more efficient one delivers some carbon savings, even an efficient fossil fuel boiler generates significant amounts of carbon.

For future schemes, the Welsh Government should review the energy efficiency measures that are available to ensure they align with our ambitions to reduce carbon emissions and ensure the cost implications of switching to greener measures are fully budgeted for.

### **Issue**

Nest - By restricting eligibility to the most energy inefficient homes, the Welsh Government aimed to ensure that the Nest scheme focused its limited resources on those most at risk of being in fuel poverty.

## **Lessons learned and recommendations**

By providing a new boiler for poorer households that have no hot water or heating, the Welsh Government prioritised a social justice aim. However, helping poorer households with broken boilers was never the core aim of Nest and future schemes should carefully consider if there are better ways to identify eligible homes.

### **Issue**

Nest - The Welsh Government decided that the Scheme Manager should interpret the energy efficiency rating of a house in a way that allows more people to qualify for support, potentially including some who were not fuel poor.

## **Lessons learned and recommendations**

The Welsh Government should clarify the core purpose of the Nest or any successor scheme and whether it is about replacing broken boilers for poorer households or providing wider support to those most at risk of being in fuel poverty.

### **Issue**

Arbed - The restrictions of the area-based approach meant Arbed struggled to identify the households it was supposed to benefit.

## **Lessons learned and recommendations**

Reliance on largely out of date EPC data incurred slower scheme development

and costs – this reliance should be avoided if possible.

## **Issue**

Reliance on means tested benefits as a measure of low income for the Nest and Arbed schemes potentially excludes people living on lower incomes who nonetheless experience difficulty meeting the cost of their home energy needs.

## **Lessons learned and recommendations**

Evaluation of lower incomes as part of the Health Conditions pilot suggested low incomes defined as a percentage of the UK median income level ensures programmes are targeted not only for households struggling to meet the cost of maintaining a warm home, but also people at risk of falling into Fuel Poverty.

This approach would align with the Welsh Government's measure of relative low-income poverty more accurately rather than the reliance on receipt of means tested benefits.

## **Issue**

The Warm Homes Programme schemes have been relatively successful in contributing towards key Welsh Government policy, such as the Wellbeing of Future Generations Act, with the Community Benefit Toolkit outlining how the programme meets the individual goals of the Act. The schemes contributed towards 'A More Prosperous Wales' with direct spend on Welsh SMEs and suppliers, as well as supporting the Welsh economy through employment and training.

## **Lessons learned and recommendations**

WHP 2 should look to build on the community benefits of the previous schemes by including community benefits as part of the tender specification. Consideration should also be given to WG policy on appointing ethical contractors when tendering for WHP 2.

## **B. Appointment of Scheme Manager**

### **Issue**

Arbed – Insufficiently clear specification and lack of clarity during the procurement process prevented suppliers from being attracted to the tender, illustrated by low engagement through NPS during the tender process.

## **Lessons learned and recommendations**

A clearly defined and attractive specification is imperative for tender engagement. Clarity of the programme objectives, delivery expectations and targets allow for prospective bidders to effectively assess how attractive the tender is.

### **Issue**

Welsh Government compared costs between tender bids for each of the schemes. However, the comparison was limited due to the small number of bids received, two for each scheme. The Welsh Government did not compare the prices offered in the tender bids to market costs to obtain a broader

understanding of their reasonableness.

## **Lessons learned and recommendations**

Carry out appropriate benchmarking between bidders and to the current market costs of energy efficiency measures to ensure consistency in pricing and obtain value for money. Welsh Government should have a clear understanding in relation to the industry standard specifications for the installation of energy efficiency improvement measures.

## **C. Scheme Pipeline Development**

### **Issue**

Arbed - Used a dedicated mobilisation manager and demonstrated good governance by reporting against milestones and delivery to targets. However, lack of mobilisation payments linked to milestones and the complexity of bespoke schemes led to significant costs and risk carried by the contractor.

### **Lessons learned and recommendations**

Mobilisation payments linked to milestones reported against defined targets will reduce the risk to the scheme manager.

### **Issue**

Arbed – Some local authorities (LA) proposed schemes which were not sufficiently mature or were not appropriate under the terms of the contract, and

lacked resources to provide support. LA engagement much higher where an energy team was in place.

## **Lessons learned and recommendations**

Engagement across local authorities is not uniform and needs to be considered during contract and programme development.

## **D. Key Performance Indicators**

### **Issue**

The Arbed and Nest contracts have Key Performance Indicators (KPIs) measuring whether beneficiaries are receiving a quality service. These are used to calculate performance related payments to the Scheme Managers. Other indicators monitor whether the schemes are achieving their overall objectives in reducing fuel poverty and delivering environmental and community benefits.

## **Lessons learned and recommendations**

Whilst KPIs measuring scheme manager performance worked reasonably well in reporting on performance, more thought needs to be given on how KPIs can be used to measure the success of schemes in achieving the wider objectives of the Warm Homes Programme in relation to Welsh Government policy.

## **Issue**

The quality assurers did not complete audits of the accuracy of SLA and KPI data annually. As a result, the Welsh Government has not always known whether it needed to recover any payments. The quality assurer completed its first KPI and SLA audit of Nest in July 2021.

## **Lessons learned and recommendations**

Obtain more timely and comprehensive support from the independent external quality assurance arrangements. This will allow the Welsh Government to quickly rectify any problems with the quality of installations and with the quality of reporting on which contractual payments depend.

## **E. Individual/Scheme Identification – Targeting**

### **Issue**

Arbed - The lack of an up-to-date EPC on many properties caused delays in scheme development, it is unclear how many clusters of properties with EPC ratings of E, F or G still exist across Wales. Many homes initially identified were found to have higher energy efficiency ratings due to improvements that had already been made. There was an over-reliance on EPC data.

### **Lessons learned and recommendations**

Strong communication with Local Authorities regarding geographical data sets is required.

The Welsh Government should review whether the area-based delivery approach used by the Arbed scheme remains viable or needs significant amending given under-delivery.

The Welsh Government should ensure under future iterations of the Warm Homes Programme that contracts are flexible enough to shift funding and capacity between schemes to maximise the overall delivery of the Programme.

## **Issue**

Arbed - The scheme manager was responsible for some decisions to allow for more autonomy. The process and decisions to go over the allocated spending cap was initially cumbersome but improved over time. There were a large number of 'over-caps' required to achieve desired outcomes.

## **Lessons learned and recommendations**

The measure of energy efficiency effectiveness needs to be explored further i.e., is raising EPC certificates to A, B, C feasible.

Individual property delivery challenges need to be taken into account, cost per EPC band/SAP point uplift varies considerably depending on several variables.

## **Issue**

Arbed - Evaluation found that rented properties were poorly represented using the area approach. WG data suggest those living in private rented accommodation are more likely to be living in fuel poverty than owner occupiers.



## **Lessons learned and recommendations**

Rent Smart Wales (RSW) should be introduced as a partner organisation for area elements as well as being retained as a partner in a demand led scheme as is the case with Nest. As the agency for private landlords, RSW engage with local authorities who enforce the Minimum Energy Efficiency Standards (MEES) in Wales. RSW could enable the identification of private rented sector households in a potential scheme area and then support engagement through data and / or communications.

## **F. Supply chain**

### **Issue**

Arbed - Procurement was undertaken via Sell2Wales. Engagement events with installers took place across Wales to outline the Arbed vision, available opportunities under the contract and standards required on the project.

## **Lessons learned and recommendations**

A proactive engagement approach built strong relationships, in particular holding engagement workshops proved a positive development which should be utilised for any future programme.

### **Issue**

Arbed – Good operational relationship with suppliers. Arbed adopted the risk of

using smaller and more local installers to reduce embedded carbon emissions and raise the quality standards across installations.

Large well-established operators dominate framework contracts not allowing smaller contractors a foothold in the industry.

## **Lessons learned and recommendations**

It is important that the tender is set up in such a way that local and specialist contractors are able to take part in the programme, keeping earnings from the programme in the local economy.

## **G. Quality Audit & Assurance (QAA)**

### **Issue**

Arbed - Individual Domestic Energy Advisers (DEA) standards vary leading to inconsistencies in EPC ratings used to qualify and QAA homes.

### **Lessons learned and recommendations**

Arbed am Byth mitigated this by where possible using the same DEA for pre and post EPC certificates. Consideration should be given to appointing a team of independent assessors to ensure consistency of evaluations.

### **Issue**

Arbed - Delivery/Contractual audit conducted at the end of the programme meant there was insufficient time

for recommendations to fully take effect.

## **Lessons learned and recommendations**

Audit/review to be conducted periodically during the contract such as annually to investigate rigor and process improvement.

### **Issue**

Under Arbed 3 and Nest 2, revised arrangements to quality assure the work undertaken were put into place to reduce the risk of problems arising in the future. Independent surveys have been commissioned by the Welsh Government to determine the cause of any reported failure of Warm Homes Programme measures.

No formalised arrangements are in place for the management of issues when they arise, or how issues will be remedied for home owners.

## **Lessons learned and recommendations**

The current Warm Homes Programme Schemes work to the standards in PAS 2030 and adopted some of the principled approaches adopted in PAS 2035. The intention is to continue to deliver home energy efficiency measures in accordance with the quality requirements established under PAS. Further consideration will need to be given as to whether contractors delivering the Welsh Government Schemes will need to be Trustmark accredited. If the decision is to require Trustmark accreditation, consideration as to how the Welsh Government supports implementation of the accreditation will be required.

## H. Customer Service and Complaint Handling

### Issue

The contracts awarded for delivery of schemes under the Warm Homes Programme do not include arrangements for how people can appeal decisions following the whole house assessment, or when installations have led to unintended consequences and where the scheme provider has not resolved the persons' concerns to their reasonable satisfaction. Accountability between the Welsh Government and scheme providers are, therefore, unclear.

Lack of clarity in appeals process has resulted in complaints directly to Ministers.

### Lessons learned and recommendations

The process for handling complaints and appeals under the current programme is unclear for many applicants and needs improvement in the next iteration of the Warm Homes Programme.

A clear appeals process beyond the scheme manager should be included in documentation issued to householders and be prominently displayed on scheme websites.

**This document may not be fully accessible.**

For more information refer to our [accessibility statement](#).

**This document was downloaded from GOV.WALES and may not be the latest version.**

Go to <https://www.gov.wales/next-iteration-warm-homes-programme-review-and-recommendations-report-html> for the latest version.

Get [information on copyright](#).