



Llywodraeth Cymru
Welsh Government

POLICY AND STRATEGY

New Warm Homes Programme: policy statement

Statement on our long-term ambition to improve the energy efficiency of Welsh homes.

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Purpose

The Welsh Government's net zero ambitions and tackling fuel poverty are compatible objectives. Our long-term ambition is to improve the energy efficiency of Welsh homes, ensuring we use only the energy we need, to keep homes comfortably warm at an affordable cost.

Fuel Poverty is defined as not being able to maintain a satisfactory heating regime at an affordable cost. In Wales, fuel poor households are those needing to pay more than 10% of their full household income to maintain a satisfactory heating regime. Households needing to pay more than 20% are considered to be in severe fuel poverty. In March 2021, the Welsh Government (WG) published its [plan to tackle fuel poverty 2021/2035](#). By 2035, our aim is to have no more than 5% of all Welsh households living in fuel poverty and no households in persistent or severe fuel poverty.

We are in a climate emergency. [Net Zero Wales](#), our emissions reduction plan for 2021 – 2025, describes how we will drive down emissions across Wales working with local and regional governments, businesses, citizens and others. In 2020 Welsh homes accounted for approximately 11% of all greenhouse gas emissions in Wales. We set out that they need to be net zero by 2050, with publicly owned buildings and social housing leading the way.

The new Warm Homes Programme will continue to act as the Welsh Government's primary mechanism to tackle fuel poverty. It will also contribute towards achieving a net zero Wales by 2050 and directly enable a just transition - ensuring we leave no-one behind as we move to a cleaner, stronger, fairer Wales, through the twin objectives of tackling fuel poverty and the climate emergency.

There is an opportunity with the creation of the new Warm Homes Programme to develop an integrated approach: responding to the current cost of living crisis,

promoting sustainable Welsh materials, providing trusted energy efficiency and decarbonisation advice, supporting Welsh skills and jobs and learning from the lessons and experience gained in the Welsh Government's Optimised Retrofit Programme.

Welsh Government's intention is therefore to continue to take a fabric, worst and low carbon first approach, delivering measures to improve the energy efficiency of the least thermally efficient low-income households in Wales.

We will achieve this in two parts:

Part 1

By bringing forward the procurement of a replacement demand led service, we will ensure continuity to assist those least able to pay to 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 an integrated approach across all tenures and income levels to drive decarbonisation. The integrated approach will develop from the experiences of ORP and other Welsh housing initiatives.

This policy statement is focussed on Part 1 – a replacement demand led service.

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Who to Support

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All households in Wales, not just those in, or at risk of, fuel poverty, should continue to be eligible to access the Warm Homes Programme for advice and support on how best to improve the energy efficiency of their homes, and how measures can be funded. This replicates the current service, which is available to all households, irrespective of tenure and income. As new technologies become more prevalent, we recognise householders may need additional advice and support, for example as they transition to low-carbon heating.

In relation to the installation of energy efficiency measures, the Welsh Government believes the Warm Homes Programme should focus effort, and where required investment, on improving energy efficiency for households who are least able to pay for improvements themselves (i.e. households in, or at risk of, fuel poverty and those in severe fuel poverty) in the owner occupier, private rented and housing co-operative sectors. The Optimised Retrofit Programme (ORP) and the Welsh Housing Quality Standard (WHQS) already covers energy efficiency in social housing.

The eligibility criteria for energy efficiency measures should be further matured from the existing Programme. Current eligibility for financial support is subject to members of the household being in receipt of means tested benefits, living in a private dwelling and an Energy Performance Rating of E or worse.

Eligibility for support with energy efficiency measures in the new Programme will be based on:

- A low income threshold, rather than means tested benefits. This is to better target support at the poorest in society.
- Dwellings with an EPC rating of E and below

Individuals with a recognised health condition (such as a chronic respiratory, circulatory or mental health condition) living in a household with an EPC of D will also be eligible. A lower income household with an EPC of D but no health condition will be placed on a reserve list, with periodic reviews to ensure the

pipeline for works operates at capacity. As in the current Programme, eligible homes without a current EPC will not be prevented from applying; applicants who meet the low income threshold will receive an assessment of the current EPC rating of their home, which will inform their eligibility for further support.

Private homes registered for the purpose of business are eligible for support under the current Programme, subject to meeting the eligibility criteria. This will be made explicit in the new Programme.

It is likely that energy efficiency measures, particularly fabric improvements, for buildings that contain more than one dwelling e.g. a blocks of flats, are more effective by considering the building as a whole rather than treating the individual dwellings in isolation. Eligibility criteria may be adjusted, so as not to disadvantage fuel poor households who share buildings and live in close proximity to non- eligible households. In line with existing Welsh Government approach, landlords will be limited in the number of properties which can benefit from the scheme.

The cost of living crisis and increased energy prices is estimated to have **pushed up to 45% of Welsh Homes into fuel poverty**. It is therefore more important than ever that we better target households to identify those in most need and those who can most benefit from the support available, for example those homes with the poorest fabric, off-grid and rural homes, etc. We will work with local authorities and energy companies to maximise other funding streams such as the Energy Company Obligation.

What are we delivering: measures

At the heart of the new Warm Homes Programme is an understanding of each home's journey to an energy efficient and low carbon future. This is likely to be based on a Whole House Assessment and captured in a 'passport', ensuring

there is clear understanding of work required and in what order. It means measures can be installed at the optimum time in the retrofit journey.

Domestic energy efficiency measures available through the current Programme are still relevant and applicable so are expected to be maintained.

- Fabric First - Heating and ventilation measures would be available only when the thermal efficiency of the dwelling has been improved to a satisfactory standard to accommodate them.
- Low carbon technologies will be prioritised where it makes sense to do so.

The Welsh Government will move to increase the budget cap per household, reflecting the deeper retrofits required to move homes away from fossil fuels and towards a cleaner, low carbon future. Combined with the passport approach, we believe this will enable agents to make the appropriate changes at the optimum time for households most in need of support and learn lessons for the future. We will seek a minimum of one EPC band uplift or minimum of a band E – whichever is higher.

The current Programme is limited by the Regulations and only permits one application per household. Welsh Government intends to update the Regulations to allow for multiple applications, meaning that if a household supported by a previous Warm Homes scheme remains in fuel poverty and meets the eligibility criteria, they may apply for additional support. Welsh Government expects households in this category to be a small minority of overall grants made, and dependent on the previous measures installed compared to the home 'passport'.

Focusing resource on deeper retrofit for the worst off in society underlines our commitment to a just transition and will help us learn lessons to inform and enable wider and deeper retrofit in the future. In addition, Welsh Government recognises the need to stimulate skills and supply chain development in this sector, for which early adopters of low carbon heating may pay a premium.

While we recognise the longer-term pathway to decarbonisation, it is important the new Warm Homes Programme has some flexibility to support the most vulnerable in our society in exceptional circumstances. In cases where transition to a lower carbon heating source is not viable, either because a technical solution is not possible (for example in listed buildings) or the running costs to the household would be excessive, alternative measures might be considered if households energy bills and carbon emissions can be reduced.

For example, when moving from fossil fuels to an electric heating system that would cause a significant increase in running costs (due to complexities of the fabric improvement) the priority could be the repair of energy-efficient gas boilers.

Other innovative technologies such as hybrid heat pumps or communal systems may be considered where repair is not a cost-effective or viable option. Long-term investment in fossil fuel heating systems will be permitted only exceptionally under the new Warm Homes Programme.

Since the launch of the green homes voucher scheme in England in 2020, there has been demand on the Welsh Government to include replacement doors and windows in fuel poor homes. Whilst the thermal improvement gained by replacement doors and windows is marginal in most cases when compared to walls, floors and roofs, there can be an improvement in air tightness and personal comfort. They would be considered where not doing so would significantly and adversely affect the benefit of the newly installed measures.

In addition, the new Programme will consider enabling works, where relatively small funding is necessary to enable effective energy efficiency retrofit or ongoing maintenance. An example is minor replacement of roof tiles to enable solar PV to be installed. A pre-agreed financial limit will apply.

Maintenance costs for low carbon heating are slightly higher than for traditional fossil fuelled equivalents. The new Programme will include an uplift in the support available for servicing low-carbon technologies, and for a longer period than the current 12 months.

As is the case with the current Programme, we will apply conditions to our suppliers to ensure they make full use of local contractors and retain as much of the benefit from the contract in Wales.

Any installation services must be performed by an agent independent of the Whole House Assessment.

What we are delivering: Advice

Welsh Government recognise householders require good quality and trusted advice to undertake their decarbonisation journey. We believe to maintain confidence in the advice provided, it is important for the advice afforded under the Warm Homes Programme be independent from any installations undertaken by the scheme.

Welsh Government therefore remains committed to offering free impartial energy savings advice to all householders in Wales. This will be especially important for householders who have new technologies installed such as heat pumps, solar PV, battery storage, as these may be new and unfamiliar to operate.

Welsh Government will look to bring together low carbon energy advice being developed and offered across sister programmes, to support all households in Wales being able to receive trusted and accessible advice.

Standards

Welsh Government is committed to ensuring consumers are protected against the installation of measures that are unsuitable or delivered to a low standard. The current Warm Homes Programme works to the standards in PAS 2030 and

adopted some of the principled approaches in PAS 2035. Welsh Government expect this to continue in the new Programme.

Ensuring works are to PAS standards not only offers legal recourse etc. but opens up other funding streams such as the Energy Company Obligation (ECO)4 scheme, for which we intend to maximise access for eligible households across Wales.

Welsh Government believes the independence between the energy advice and the organisation installing the measures could extend to the randomised checking and quality assurance of the installing agents.

Monitoring

Robust monitoring and evaluation procedures must be implemented. The metrics used should be meaningful against the stated objective of the Programme.

As set out in the fuel poverty plan published in March 2021, the Welsh Government accepted the need to deliver outcome focused objectives.

Officials are expecting to include annual carbon reduction targets and reporting, both in respect of the individual households benefitting from the support and on a cumulative programme basis.

The Programme will need to assess:

- the impact measures have had on individual households in relation to bill savings, e.g. the energy efficiency measures once installed should result in a reduction in kilowatt hours needed to maintain a satisfactory heating regime in the home.
- the impact the scheme has on fuel poverty.

- carbon savings over the lifetime of the assets retrofitted, measured in CO₂e.
- the contribution made towards wider community benefits, such as skills and the foundational economy.

Contract management arrangements need to be strong and include close monitoring of contract compliance, address significant variations in costs charged for supplying and fitting the same energy efficiency measures and improve management information.

Welsh Government recognise and commit to the need for a clear appeals process.

Integration

The Welsh Government Warm Homes Programme makes a significant contribution across at least eight of Welsh Government's wellbeing objectives.

Action on energy efficiency is a major factor in green growth and the development of jobs, skills and supply chains. It is necessary if we are to meet our commitments to reduce carbon emissions and it directly addresses fuel poverty and reduces domestic energy bills.

Welsh Government believe the development of a whole housing stock approach to decarbonisation will provide a long-term strategy for improving energy efficiency of homes, reducing fuel poverty and decarbonisation of the sector. This will help meet the expectations of our second carbon budget Net Zero Wales and integrate with broader housing objectives.

To develop a whole housing stock approach to decarbonisation, Welsh Government will learn lessons from the current Warm Homes Programme and Optimised Retrofit Programme (ORP) and align to other Welsh Government

approaches such as the Welsh Housing Quality Standard (WHQS) and Local Area Energy Planning. We will also consider the evidence base informing our upcoming Heat Strategy and will be a key programme in its delivery.

A core element of the new Programme will be learning from the collaboration and partnership that has been gained through our multiple housing programmes, for example working successfully with local authorities, Registered Social Landlords (RSLs), community groups and others.

The Welsh Government has recently published its **Net Zero Skills Action Plan**. The new Warm Homes Programme will play a part in its delivery, supporting apprenticeships and skills growth in low carbon heating and related energy efficiency trades.

Suppliers will be encouraged to exemplify the Welsh Government's commitment to a circular economy, for example by:

- Using recycled or sustainable materials where possible and ensuring embedded emissions of the products used are as low as possible.
- Supporting the development of relevant markets and skills;
- Ensuring the programme doesn't drive unintended consequences through the use of materials that have extremely high embedded carbon.

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