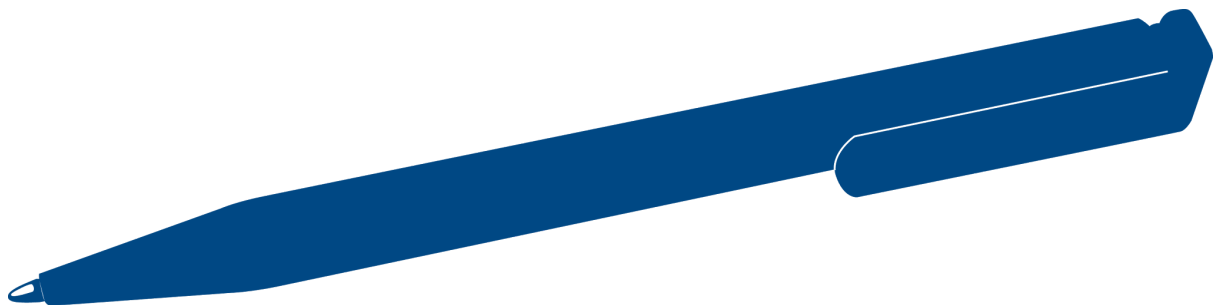


Consultation on Proposals for the next iteration of the Warm Homes Programme

Citizens Advice response
April 2022



Introduction

Citizens Advice welcomes the opportunity to respond to this consultation from the Welsh Government on the next iteration of the Warm Homes Programme (WHP). To date, Nest and Arbed have made an important contribution to alleviating fuel poverty in Wales. However, the pandemic, current cost of living, and energy price crisis brings into sharp focus the step change which is required in policy to meet the following interdependent targets:

- By 2035 not more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practicable; and no households are estimated to be living in severe or persistent fuel poverty as far as reasonably practicable¹;
- By 2025 around 148,000 Welsh houses to receive retrofit measures reducing heat loss²;
- Achieve net zero emissions by 2050.

Achieving these targets will require a new and ambitious approach to how the Warm Homes Programme supports households in, or at risk, of fuel poverty. Welsh Government will need to be bold in its commitments and look at the significant individual, societal, environmental and economic benefits that this can deliver for Wales.

However, we do have a number of concerns regarding the consultation process.

Firstly, the consultation in many areas asks open questions and we are therefore concerned that, where Welsh Government has not yet arrived at minded-to views, this could impact on its ability to meet the intended timeline of tendering this summer and the WHP being operational from 1st April 2023. We note that some of the areas where a position is not yet clear includes the challenging trade-offs to be made, as well as the primary objective of the policy. We believe Welsh Government should have sought to address some of these issues ahead of consulting on further details. As the consultation does not contain specific proposals, it also means no impact assessment has been provided alongside the consultation which would also inform responses. We also note that when tendering for Nest and Arbed under the current iteration of the WHP only two bidders submitted tenders for each³. If repeated, this could also affect the proposed timeline.

¹ Welsh Government, [Tackling fuel poverty 2021 to 2035](#), March 2021

² Welsh Government, [Net Zero Wales Carbon Budget 2 \(2021-25\)](#), October 2021

³ Audit Wales, [The Welsh Government's Warm Homes Programme](#), November 2021

We are also concerned that a range of important evidence bases have been unable to inform the consultation. To date, the Optimised Retrofit Programme⁴ does not appear to have provided Welsh Government with evidence of the optimal retrofit pathway for different properties, including measures, costs and targets, which would provide a clear evidence-base for a range of the questions asked in this consultation. While we appreciate the pandemic will have played a factor, this issue has also been raised by the Climate Change, Environment and Infrastructure Committee in its scrutiny of the Welsh Government Draft Budget 2022-23 which noted that *“it is unclear what tangible outcomes the ORP has delivered to date, or is expected to deliver through increased investment over the next three years”*⁵.

Lastly, advice will play a fundamental role in supporting households to access support and make decisions about their homes and we note that the Welsh Government will not be able to report on the final outcomes of its pilot on the delivery of energy advice until after this consultation has closed. We fully support the need to maximise the evidence from the pilot, however the timings mean we are unable to reflect on those final results in this response.

In some areas we will provide principles-based views where we expect Welsh Government to come to a decision based on the results of the evidence that will follow this consultation. This is particularly the case for the updated fuel poverty estimates which should influence the scope and scale of the WHP. In other areas we believe Welsh Government will need to ensure flexibility in its policy approach and contracting to enable important changes to be made as a result of future outputs of the Optimised Retrofit Programme.

⁴ The Optimised Retrofit Programme (ORP) was launched in 2020. Welsh Government said it would provide *“a much clearer picture about the true costs...to decarbonise all 1.4 million in Wales by 2050”*. More recently the Minister for Climate Change said learning from the Optimised Retrofit Programme would inform retrofit in the owner-occupied sector. Climate Change, Environment, and Infrastructure Committee, [Scrutiny of the Welsh Government Draft Budget - 2022-23](#)

⁵ Climate Change, Environment, and Infrastructure Committee, [Scrutiny of the Welsh Government Draft Budget - 2022-23](#)

Question 1 – Do you agree the Welsh Government should balance the need to alleviate fuel poverty and create a socially just nation with the need to tackle the climate emergency, or should one of these objectives take precedence in the new Warm Homes Programme?

The Warm Homes Programme (WHP) is first and foremost a policy to tackle fuel poverty and should therefore, in principle, take precedence. However, Citizens Advice believes that in practice these goals are not mutually exclusive and should be considered interdependent. We support the WHP taking a fabric-first and worst-first approach to support households in, or at risk of, fuel poverty. This means those in the greatest levels of fuel poverty and in the most thermally inefficient homes receiving support to improve the efficiency of the home, ensuring fabric improvements are made. The cheapest unit of energy is energy that is not used.

This approach simultaneously addresses fuel poverty, reduces the amount of energy needed to maintain a warm home and is, in turn, socially just. We understand that Welsh Government is concerned about installing some low carbon heating technologies which, although more environmentally friendly, may make energy bills unaffordable.

The UK government's 10-point plan includes a target for the UK to get all of its electricity from low-carbon sources by 2035 with the Energy Strategy suggesting 95% of electricity could be low carbon by 2030. Welsh Government should therefore bear in mind that the trajectory from April 2023 will mean that electrified heating will be increasingly low carbon.

However, it is right that where electrified heating would result in energy bills that are unaffordable that a pragmatic approach needs to be taken. This should ensure that all necessary fabric upgrades are made first given that this is low, if not, no regrets. While this may not make some homes net zero at this initial stage, it will nevertheless meet the aims of alleviating fuel poverty, tackling the climate emergency and creating a socially just nation. Where fabric and low carbon heating upgrades are possible and would alleviate fuel poverty, the Warm Homes Programme should enable such a multi-measure approach.

Question 2 - What is the gap in provision which you believe the next Warm Homes Programme should fill to achieve a greater benefit for Wales?

Citizens Advice believes that the WHP can play both a unique and complementary role to other policies. We also consider that there are gaps in provision under the current iteration which could be addressed in the future WHP.

It is crucial that the WHP takes a fabric-first approach to energy efficiency as is required under the PAS 2035 standard. The table below shows how, in recent years, loft insulation has only been installed in 1,200 homes with the vast majority of measures focussed on heating systems which have mainly been natural gas boilers. It is essential that insulation and other fabric improvements become the cornerstone of the next iteration of the WHP. This is necessary to try to compensate for the low levels of insulation seen under Nest and Arbed so far.

Homes receiving measures between April/October 2018 - March 2021⁶

Measures	Scheme	
	Nest	Arbed
New heating system	12,863 (99%)	2,095 (67%)
Solar panels	0 (0%)	1,777 (57%)
Loft insulation	827 (6%)	415 (13%)

We believe that there is an important role to be played by a future area-based scheme, building on Arbed. While ECO4 will expand the role that local authorities play via ECO flex, we stated our concerns in response to the ECO4 proposals⁷ that local authorities may not have the resources to deliver on such an increased scale on their own. Previously in Wales, some local authorities have benefited significantly more from ECO flex than others, with some areas having received no measures at all. Under ECO, there is therefore a risk that measures are unlikely to be delivered in an ‘area-based’ way.

However, an area-based scheme under the WHP could utilise all funding sources available to households in different financial circumstances in order to deliver a more viable street by street approach. An area-based approach in the WHP could therefore play a unique role in deploying Welsh Government and ECO funding side by side. We are aware that the concept of Welsh Government taking a coordination role with ECO flex funding, to maximise take-up, is already under consideration. Consideration should also be given to whether programme manager(s) of demand-based and area-based schemes could take responsibility for this role to bridge the gap and bring multiple

⁶Nest measures installed between April 2018 and March 2021. Arbed measures installed between October 2018 and March 2021 - Audit Wales, [The Welsh Government’s Warm Homes Programme](#), November 2021

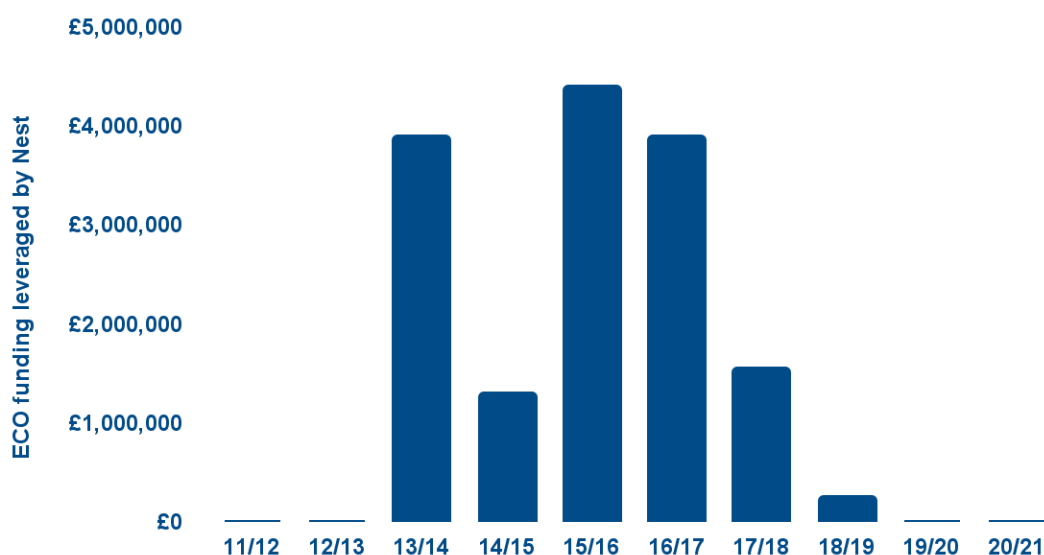
⁷ Citizens Advice, [Response to Energy Company Obligation ECO4: 2022 - 2026](#), September 2021

sources of funding together into one place, delivering greater net benefits more efficiently, while simplifying the process for people.

A future scheme should also be partly demand-based but not demand-reliant. Welsh Government should set ambitious targets to ensure that programme manager(s) are driven to publicise and target awareness and uptake of the scheme, and be informed by the updated fuel poverty estimates when they are available. Where possible, contracting for programme manager(s) could also include requirements to work with trusted organisations which, if resourced, could support these targets. Polling by Citizens Advice Cymru in February 2020 showed that only 22% of adults surveyed were aware of Nest while 5% were aware of ECO and 56% had not heard of any energy efficiency schemes in Wales⁸. Awareness will be critical to the success of the WHP and in meeting the goals of the Tackling Fuel Poverty Plan.

A review of Nest annual reports indicates that it has successfully leveraged £11.4m from ECO, peaking at £4.4m in 2015/16⁹. However, the amount of ECO funding leveraged by Nest has declined since then and, in recent years, it appears that no ECO funding has been leveraged within Nest at all. With the value of ECO4 set to be £1 billion per year between 2022 and 2026, it is essential that ECO funding is maximised within the delivery of the WHP. It is also important that Welsh Government builds in assumptions about the potential utilisation of ECO when setting targets, thresholds and caps, as we discuss in response to Questions 4 and 5.

ECO funding leveraged by Nest



⁸ Citizens Advice, Polling was a nationally representative sample of 1002 adults in Wales with fieldwork conducted 27th February - 2nd March 2020.

⁹ Nest, [Annual Reports 2011/12 to 2020/21](#)

The WHP has been successful in being able to support households who are in fuel poverty but are not in receipt of means tested benefits which makes up the majority of households (69%)¹⁰. While improvements have been made to ECO4 there is still a key role for the WHP to play in ensuring eligibility captures these households.

The WHP has also played a unique role in providing support to households in fuel poverty without requiring contributions from the household. Feedback to Citizens Advice previously has indicated that contributions have been required from fuel poor customers in the past under ECO, and have prevented those in most need from being helped¹¹. While the intention for ECO4 is that measures are fully funded there is still the risk that spending caps could mean some households have to contribute towards measures. We therefore support the WHP fully funding the cost of measures for households in fuel poverty.

Question 3 – In ‘Homes fit for the future, the retrofit challenge’, the Future Generations Commissioner for Wales estimated investment of £14.75bn over the next decade to both eradicate fuel poverty and meet our net zero ambitions. What suggestions do you have on where the funding for this level of investment should come from?

Citizens Advice supports the Future Generations Commissioner for Wales’ report setting out the scale of the funding challenge for Welsh Government to decarbonise homes in Wales. The report sets out in detail the range of funding options available to Welsh Government, specifying the ways it could fund the £4.82bn required to lift fuel poor homes to an EPC A by 2030 as recommended by the Better Homes, Better Wales, Better World report¹².

17% of this investment requires Welsh Government to double WHP funding to £732million until 2030 and to spend the majority of this within the first half of the 2020s. This would mean investing more in the next 3 years than was spent in the last 12 years.

At present it is unclear to what extent Welsh Government has explored the options set out by the Future Generations Commissioner for Wales last year despite the urgency

¹⁰ Welsh Government, [Fuel Poverty Estimates for Wales: 2018](#), August 2019

¹¹ Feedback from bodies delivering ECO collected by NEA on behalf of Citizens Advice, see [Citizens Advice response to the Help to Heat consultation](#), 2016

¹² Decarbonisation of Homes in Wales Advisory Group, [Better Homes, Better Wales, Better World Decarbonising existing homes in Wales](#), July 2019

and scale of the investment required. Even extending the target of EPC A from 2030 to 2035 to align with the timeline of the Welsh Government's Tackling Fuel Poverty Plan would still require Welsh Government investment of around £61million per year - double the historic annual spend.

Latest estimates by NEA also indicate that as many as an additional 100,000 households in Wales could now be in fuel poverty and is likely to be higher again in the updated fuel poverty estimates. Removing over 250,000 households from fuel poverty by 2035 could mean supporting up to 21,000 households per year - 4 times as many as supported by Nest annually, and would require even greater investment. It is therefore clear that much greater funding is required from the UK and Welsh Government to support the eradication of fuel poverty in Wales.

The 'Homes fit for the future, the retrofit challenge' report makes it clear that under virtually all scenarios, housing retrofit delivers a significant net benefit in energy bill savings, net tax profits, environmental benefits and health savings. The other economic benefit of investing in the WHP is supporting the development of the Welsh low carbon heating and retrofit supply chain and workforce. This is essential in order to decarbonise all 1.4m homes in Wales.

We believe Welsh Government should consider maximising the borrowing powers that it has to increase funding for the WHP and that the costs should be set against the expected net benefits.

Question 4 - Who do you think should be the primary focus of the next Warm Homes Programme?

The WHP should primarily focus on those in the most severe fuel poverty and in the most inefficient homes. However, in practice, the risk of limiting the WHP to only those in severe fuel poverty and in the most inefficient homes could prevent many households who cannot afford to live in a warm home from accessing much needed support.

The Welsh Government's fuel poverty plan aims that by 2035:

- no households are estimated to be living in severe or persistent fuel poverty as far as reasonably practicable;
- not more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practicable.

Welsh Government should therefore consider setting different but parallel targets within the WHP to ensure effective targeting and monitoring of progress. In 2018, 32,000 households were considered to be in severe fuel poverty, equivalent to 2% of all households. We believe Welsh Government should set targets and milestones for the delivery of the WHP to ensure that severe fuel poverty is eradicated well before 2035 and that the 5% target is also met.

Based on current fuel poverty estimates, setting a 2030 target for eradicating severe fuel poverty, for example, would require an average reduction of around 4,500 households per year. Meeting the fuel poverty target in 2035 would require an average reduction of around 10,000 per year. Setting targets in this way should drive the delivery of schemes to match the worst-first principle.

We estimate that based on the ECO4 proposals, around 5,625 households per year¹³ could receive measures in Wales between 2022 and 2026. In setting annual targets, as well as other parameters such as spending caps, we recommend that Welsh Government factors in the contribution that ECO4 and other funding sources like the Boiler Upgrade Scheme (BUS) could be expected to make in meeting these annual targets. A programme manager should be required to coordinate these multiple funding streams to maximise the improvements for each fuel poor household and to maximise Welsh Government investment to treat more homes.

Support should be available to those in homes with an EPC band D or below. The 2018 fuel poverty estimates indicate that nearly as many households in fuel poverty (48%) live in a home with an EPC band D as live in bands E-G (52%). Excluding band D properties would therefore prevent the WHP from supporting nearly half of all fuel poor households and would likely mean the policy is unable to effectively support the Welsh Government's fuel poverty targets. As described above, setting a quicker and ambitious target for those in severe fuel poverty will ensure that while eligibility is widened, schemes are encouraged to target as effectively as possible to those who need it most.

Similarly, we believe that lower income households not in receipt of means tested benefits should also be included within the eligibility. As noted earlier, 69%¹⁴ of those in fuel poverty are not in receipt of means tested benefits. Excluding such a large majority of those in fuel poverty from support will put at risk Welsh Government's ability to meet its fuel poverty targets. It is also worth noting that some households who are not in receipt of means tested benefits may actually be entitled to receive them. In 2020/21 Citizens Advice helped clients to gain an average of £7,717 in entitled income through

¹³ BEIS estimates around 450,000 homes would be treated over the 4 years of ECO4. To date, 5% of households in receipt of ECO measures have been in Wales. $(450,000 \times 0.05) / 4 = 5,625$
BEIS, [ECO4: 2022 -2026: government response](#), April 2022

¹⁴ Welsh Government, [Fuel Poverty Estimates for Wales: 2018](#), August 2019

their benefits¹⁵, highlighting the risk that households may not be receiving benefits they are entitled to and the need for promotion such as the Welsh Government's 'Claim what's yours' campaign.

It is also important that programme manager(s) are set targets to deliver as equitably as possible across Wales. Our analysis of the Nest annual report 2020/21¹⁶ and 2018 fuel poverty estimates indicate that Gwynedd and Ceredigion, which have the highest rates of fuel poverty in Wales at 23% and 21% respectively, received a similar proportion of all Nest installations (3% for Gwynedd and 4% for Ceredigion) as Bridgend and The Vale of Glamorgan, which both have the lowest rates of fuel poverty at 8%. This trend also appears to be consistent across multiple years of Nest since 2014/15. The future iteration of the WHP must be much more targeted in reaching households in local authorities which have the highest rates of fuel poverty, ensuring the WHP has equitable reach across Wales.

We believe the Warm Home Discount (WHD) should be used within eligibility, subject to the home having an EPC band D or lower. The fuel poverty targeting rate of the Warm Home Discount scheme has improved, especially for those in Core Group 2, and therefore those in receipt of the scheme should also be eligible under the WHP. This would bring WHP in line with the proposals for ECO4. The targeting of WHD should improve further with refined automatic data matching so the accuracy of this eligibility should also increase. In particular the use of data on property characteristics to estimate likely high energy costs should result in homes with low EPCs receiving the WHD.

Question 5 – At what level should the household income and savings threshold(s) be set, above which households would be excluded from home energy efficiency measures supplied at no cost to the householder?

Where possible thresholds should aim to be reasonably consistent with other support. The Energy Company Obligation (ECO) is the closest scheme to Nest and is also available in Wales.

¹⁵ Citizens Advice, [Impact Report 2020/21](#)

¹⁶ Nest, [Annual Report 2020-21](#)

Nest health eligibility criteria for those aged under 75

Household characteristics	Annual household income (after mortgage/rental payments)
1 or more adults aged 18 or over	£16,105
1 or 2 adults and one or two dependants	£21,352
1 or 2 adults and three dependants	£23,100
1 or 2 adults and four or more dependants	£25,700

ECO4 Income thresholds for those in receipt of child benefit

Number of children or qualifying young persons	Annual gross income	
	Single claimant	Member of a couple
1	£19,900	£27,500
2	£24,800	£32,300
3	£29,600	£37,200
4 or more	£34,500	£42,000

While not directly comparable¹⁷, we believe there is a reasonable similarity between the above thresholds¹⁸ used by ECO4 and the Nest health eligibility to suggest the Nest thresholds could be used to set future household income thresholds. It is important, however, to ensure these are updated to reflect inflation and wage growth. It is also crucial that the thresholds reflect the latest fuel poverty estimates, when they are available and reflect the reality of the energy cost crisis that many more households on relatively higher incomes will now be in, or at risk of, fuel poverty.

It may be more targeted and appropriate to emulate ECO4 by setting separate thresholds for households with one adult and those with more than one adult to ensure

¹⁷ ECO4 proposal is based on gross income and Nest health criteria accounts for housing costs

¹⁸ The median threshold between a 'single claimant' and a 'member of a couple' under ECO4 compared to the '1 or 2 adults' threshold under Nest suggests a differential for housing costs of an average of £4,773, £10,300 and £12,550 for households with 2, 3 and 4 dependants respectively which may be appropriate.

that thresholds are set appropriately to reflect different household characteristics and incomes. Under ECO, support would be available for a household with 2 adults and 2 children with a gross income up to £32,300. Under the current Nest health eligibility criteria, the same household would only receive support with a household income, after housing costs, of up to £21,352.

The evaluation of Arbed 3 highlights that there are households in Wales with relatively higher incomes who are in severe fuel poverty and benefit significantly from support. For example, the percentage of beneficiaries of Arbed spending more than 20% of income on energy (considered to be in severe fuel poverty) dropped from 18% to 2% for those households earning over £31,100¹⁹. This suggests that there is a need for these households to also be supported, though there may be a range of options in how this is funded. For example, if an income cap under the WHP was set lower than ECO and a household was excluded, they may still be eligible under ECO and could be supported by the programme manager and advice services. This could be an effective way to direct funding to where it is most needed, whilst also maximising the touchpoints that a programme manager might have. This is also an opportunity to ensure that the links between programme manager(s) and advice providers are highly effective to deliver home improvements for all households in, or at risk of, fuel poverty.

In 2018, the fuel poverty estimates suggested that households in the bottom three income deciles make up 87% of those in fuel poverty. It is therefore important that thresholds also reflect the updated fuel poverty estimates, when they are available, to ensure the income deciles most likely to be in fuel poverty are eligible.

Question 6 – Do you think the Welsh Government should extend the Warm Homes Programme to include other households in the owner occupier and private rented sector?

No, Citizens Advice does not agree that the WHP budget should fund measures for households who are not in, or at clear risk of, fuel poverty. We stated in response to Question 1, the WHP should be first and foremost a policy to eradicate fuel poverty. The worst first principle that the Welsh Government has committed to in its plan to tackle fuel poverty means that, in practice, the funding must be prioritised to those households who need it most. Taking this approach will still contribute towards decarbonisation goals provided that the WHP enables a deep enough retrofit.

We do, however, believe that there is currently a significant gap in Welsh Government policy to deal with the decarbonisation of the owner occupier and private rented sectors

¹⁹ Welsh Government, [Evaluation of Arbed 3: Final Report](#), February 2022

who may not necessarily be in, or at risk of, fuel poverty. The Homes fit for the Future report²⁰ shows the scale of the policy gap that Welsh Government faces in meeting its goals.

The consultation offers the following proposal:

“The report on the Warm Homes Programme published on 23 November 2021 by Audit Wales considered the difficulties evident in developing projects on an area basis in more detail. Extending the scope of the Warm Homes Programme to include grant support for households able to make a financial contribution, however modest, through the Warm Homes programme or collaboration with other programmes could significantly improve the deliverability and benefits of such schemes”.

We support this suggested model, however, we do not believe that it would be appropriate to use the WHP budget to meet the wider decarbonisation goals for homes not in fuel poverty.

We believe the WHP should have an area-based scheme which fully funds measures for households in, or at risk of, fuel poverty. To overcome some of the deliverability issues faced by Arbed, as highlighted by Audit Wales²¹ and the Arbed 3 evaluation²², we believe a separately funded budget for wider housing decarbonisation goals should be available to provide partial grants on a sliding scale based on household income. This would support and incentivise other households to take part in an area-based scheme, improving the viability and number of schemes undertaken. While delivery would be the responsibility of the appointed programme manager(s), it is important that budgets for the WHP and for wider housing decarbonisation are kept separate. Delivering in this way would ensure ringfenced WHP-budget supports those most in need, whilst enabling the range of benefits of an area-based scheme such as efficiency, economies of scale and developing much needed local supply chains and skills.

We note that the consultation states that an extended optimised retrofit programme could see similar programmes taking place in the owner occupied and private rented sector. It is unclear when such programmes might start but it is clear the WHP needs to be delivering energy efficiency improvements to fuel poor households from day one of the next iteration. To maximise the potential of the WHP, it may be necessary to support

²⁰ Future Generations Commissioner for Wales, [Homes fit for the Future: The Retrofit Challenge](#), July 2021

²¹ Audit Wales, [The Welsh Government’s Warm Homes Programme](#), November 2021

²² Welsh Government, [Evaluation of Arbed 3: Final Report](#), February 2022

and incentivise other homes to decarbonise ahead of an extended optimised retrofit programme commencing.

Question 7 – If yes, do you have a view on how this might be funded?

As noted above, we do not believe the WHP should fully, or partially, fund measures for households who are not in or at risk of fuel poverty. We do believe that a separately funded budget should be made available to incentivise homes not in fuel poverty to take part in area-based schemes, therefore increasing the viability of these schemes and the benefits to fuel poor households. As noted in response to Question 3, the Future Generations Commissioner for Wales has set out a range of funding options which the Welsh Government should consider. We also believe that Welsh Government should maximise borrowing powers in this area given the range of net benefits it could deliver for households, the health sector, the environment and society.

Question 8 – If other households are included in the eligibility for support through the Warm Homes Programme, should support be prioritised, for example limited to homes with a lower EPC rating such as EPC rating of D or worse?

We do not think that households who are not in, or at risk of, fuel poverty should be eligible for support from the WHP budget. As we note in response to Question 6 and 7 we believe a separately funded budget that can integrate with the delivery of the WHP could provide partial grants on a sliding scale relative to income, providing incentives to households to take part and improve the efficiency of their home. This would maximise the potential of a WHP-funded area-based scheme and deliver significant co-benefits. Under such a scheme, it may be appropriate to limit eligibility to homes with the lowest EPC ratings. As it is likely that areas will have broadly similar types of housing and EPCs²³, such limitations could be kept consistent with eligibility for the WHP. EPC band D or below would be an appropriate limit.

Question 9 – What are the ways in which low income households can be helped to offset the cost of higher energy bills in the short term if low carbon heating measures, when installed, increase bills?

As the WHP is first and foremost a policy to alleviate fuel poverty, it would be in conflict with the aims of the policy to install a heating technology where there is clear evidence

²³ See ONS, [Energy efficiency of housing in England and Wales: 2021](#) which shows how median energy performance scores contain differences and similarities between middle layer super output area level

that it would make energy bills unaffordable for households already in, or at risk of, fuel poverty. It is essential that the optimised retrofit programme provides evidence to the Welsh Government as soon as possible on the expected household energy bills for different typical property types in Wales, following a whole-house, multi-measure approach. This should enable the WHP to confidently install low carbon heating systems with the aim of reducing energy bills.

Where low carbon heating systems are installed alongside fabric improvements, it is possible that solar PV and battery storage may be effective ways to offset some increases in energy bills by generating and storing a proportion of a household's electricity demand, including for heating. The use of time-of-use tariffs could also potentially contribute towards offsetting costs. While Nest and Arbed were both set the same target of reducing energy usage per household by an average of 15,000 megajoules, there has been a significant difference in the savings reported between the schemes.

Nest reports shows an average saving of 17,727 megajoules²⁴ while Arbed has achieved an average reduction of 41,592 megajoules²⁵. Although the evidence in the Audit Wales report does not make it possible to directly attribute these energy savings to solar panels it is notable that over half of all properties treated under Arbed received solar panels, while Nest did not install any. Arbed also installed higher levels of loft insulation, as can be seen in the table below.

Percentage of homes receiving measures between April 2018 - March 2021²⁶

Measures	Scheme	
	Nest	Arbed
New heating system	99%	67%
Solar panels	0%	57%
Loft insulation	6%	13%

²⁴ Average energy saving per household in megajoules for the years where data is reported - 2016/17 and 2020/21 - Nest, [Annual Reports 2016/17 to 2020/21](#)

²⁵ Welsh Government, [Evaluation of Arbed 3: Final Report](#), February 2022

²⁶ Audit Wales, [The Welsh Government's Warm Homes Programme](#), November 2021

Welsh Government should further interrogate Arbed and Nest data to understand the potential impact that solar PV and battery storage could have in mitigating any increases in bills in the short term and keeping bills low in the longer term.

It is also crucial that adequate advice and follow-up support is provided. As many of these systems may also require behaviour change to maximise their efficiency, support must remain available after households benefit from the WHP.

Where it is not possible to install low carbon heating systems, for example in a rural property where fabric improvements cannot meet the required thermal efficiency for a heat pump, fabric improvements should be maximised. It would also be necessary to enable multiple applications to be made to the WHP over a longer period of time to enable appropriate heating technologies to be installed later as we state in response to Question 12.

Question 10 – Should the following be included or excluded in the next iteration of the Warm Homes Programme, taking into account carbon savings, fuel poverty, local air quality issues and market readiness?

In response to Question 17, we agree that PAS 2035 provides the most up to date standard and framework for the retrofit of properties. Under this standard a retrofit assessor is required to undertake an assessment of occupancy, energy use and condition of the property. These inform a retrofit coordinator on an energy efficiency improvement plan spanning a period of 25 years with each unique to the property.

It is therefore important that Welsh Government does not unduly restrict the potential of the PAS standard and the WHP by preventing measures deemed necessary from being installed in properties.

We therefore believe that all seven ‘fabric first’ measures listed in the consultation should be included in the WHP - Cavity Wall Insulation, Loft Insulation, Insulation top up, External Wall Insulation, Replacement windows, Replacement doors, Secondary Glazing and draught proofing.

In principle, we also support all seven of the heating systems listed in the consultation. However, it is likely to be necessary to include different heating systems depending on whether they are being newly installed or repaired. For example, where liquid gas and heating oil systems are broken and cannot be replaced by alternatives without increasing energy bills despite all fabric improvements, it may be necessary and more

economical to repair them. Installing new oil or lpg systems would be inconsistent with the CCCs recommended phase out target of 2028 and ECO4²⁷. We also agree with Welsh Government that this approach could also apply to natural gas boilers - repairing them rather than replacing them where other heating systems are not feasible. In this circumstance, we would still expect all possible fabric improvements to be made.

It may be appropriate to install hydrogen-ready boilers in some instances where there is no option but to replace a natural gas boiler and alternatives would put the household at risk of unaffordable energy bills. However, a decision on whether hydrogen will play a role in heating, where it will do so, and what form of hydrogen would be used, is not currently going to be made by the UK Government until 2026. The Climate Change Committee's (CCC) Balanced Pathway to Net Zero for Wales²⁸ suggests the use of hydrogen for heating ranges between some buildings switching to hydrogen where they are close to industrial clusters from 2030, to 20% of homes using hydrogen by 2035 after large scale conversions have taken place at industrial clusters from 2030. Both of these dates fall either side of the recommended 2033 phase out date of natural gas boilers by the CCC. It is therefore unclear which homes in Wales could potentially use hydrogen in the future. However, it is nevertheless appropriate to include hydrogen-ready boilers when they are available and it may be more appropriate to install these boilers rather than natural gas-only boilers where either option is the only feasible solution for a household.

It is appropriate and necessary that efficient electric heating is included in the WHP. Where it can deliver reduced energy bills for households, efficient electric heating systems like heat pumps can help meet both the fuel poverty and net zero goals. Welsh Government should also consider the important role the WHP can play in priming and building the supply chain and required installers for electrified heating. The Future Generations Commissioner for Wales²⁹ highlights the important role that Welsh Government investment can play in achieving this.

Solar PV and battery storage, thermal PV and thermal/heat storage are all effective ways to use less units of energy from the grid, therefore reducing energy bills, especially when combined with fabric improvements. It may also be possible to offset some shorter term increases in energy bills as a result of installing a heat pump if solar PV and

²⁷ "Government has decided to exclude the installation of all new and replacement oil and LPG heating systems, including hybrids using these fuels, in ECO4 in line with our goal to decarbonise off-gas homes" - BEIS, [ECO4: 2022 -2026: government response](#), April 2022

²⁸ Climate Change Committee, [The path to Net Zero and Reducing emissions in Wales](#), December 2020

²⁹ Future Generations Commissioner for Wales, [Homes fit for the Future: The Retrofit Challenge](#), July 2021

battery storage were also installed. While clearly the installation costs would be higher, Welsh Government should model the costs and benefits of such a combination where it could potentially meet both fuel poverty and decarbonisation goals.

We support the inclusion of ventilation as this is a key part of retrofitting a property and essential under the PAS 2035 standard. Increasing levels of insulation whilst not ensuring adequate ventilation can lead to damp problems.

While low energy lighting and water saving measures are important, Welsh Government should consider whether the availability and longevity of LED lightbulbs means that provision under the WHP is good value for money. It is also possible that water saving measures could risk duplicating the efforts of Dwr Cymru.

Heat networks are expected to play an increasing role in the decarbonisation of heat in the UK. The CCC estimates that heat networks will need to deliver low carbon heating to around 5.5 million homes by 2050, up from 500,000 today. However, given the budget constraints of the WHP we do not expect it would be possible for the programme to fund the installation of heat networks.

Question 11 - What is your view on continuing with a financial cap per household, noting that a lower cap will allow more households to gain support but of a lower value?

Citizens Advice believes that it may be necessary to continue with a financial cap per household. However, these caps must be evidence-based, and regularly adjusted to reflect changes in costs. It may also be necessary to set different caps according to property type as well as EPC. For example a mid-terraced home may have lower costs than a rural detached solid wall property. As a minimum, the inclusion of EPC D homes in eligibility should require a separate threshold. These should be set at a rate that enables adequate fabric improvements, including solid wall insulation for properties which require it, as well as enabling the repair or install of heating systems.

The following tables indicate how current financial caps under Nest and Arbed compare with the Local Authority Delivery (LAD) Scheme and the Home Upgrade Grant (HUG) which are available in England³⁰. Like Nest and Arbed in Wales, both schemes aim to support low-income households, living in energy inefficient homes by installing energy efficiency and low carbon heating upgrades. While LAD is targeted to homes on the gas grid, the HUG is specific to homes off the gas grid.

³⁰ BEIS, [Sustainable warmth competition: guidance for local authorities](#), June 2021

Nest and Arbed cost caps

	EPC E	EPC F&G
On-gas grid	£5,000	£8,000
Off-gas grid	£8,000	£12,000

Cost Expectations for On-Gas Grid Homes (LAD Phase 3)

Average must not exceed these values

All EPC bands

£10,000

Cost Expectations for Off-Gas Grid Homes (HUG Phase 1)

Average must not exceed these values

	EPC D	EPC E	EPC F&G
Electric	£10,000	£15,000	£20,000
Off-gas grid fossil fuel (oil, lpg, coal)	£15,000	£20,000	£25,000

This shows that for households with the same EPC rating:

- **on-grid** homes in England could receive up to twice as much financial support as in Wales
- **off-grid** homes in England could receive up to two and a half times the level of support as those in Wales

As the caps in England are also based on averages it is possible that some households could receive above these amounts, such as those requiring more costly fabric measures alongside low carbon heating systems.

There are also separate caps in England where support is provided to a home in the private rented sector. These caps require a contribution from landlords in order to benefit from grant funding and differ between the two schemes. This is another approach that the WHP could use to ensure fuel poor households in the private rented sector can be supported while also ensuring that landlords are incentivised to upgrade homes in line with the Domestic Minimum Energy Efficiency Standard (MEES).

As a guide, this suggests that the caps in the next iteration of the WHP will need to increase significantly to be at least as high as those for LAD and HUG if Welsh Government aims to install low carbon heating technology alongside fabric improvements in the homes of households in fuel poverty.

It is also crucial that programme managers delivering the WHP are incentivised to ensure maximum value for money in delivering the scheme whilst still maintaining high quality standards. Any inefficiency in delivery devalues the actual value of the cap for each household it is intended to support. This should include procurement of subcontractors and materials, as well as including an obligation to maximise all funding sources, including ECO, ECO flex and the Boiler Upgrade Scheme (BUS) as suggested under an area-based scheme in response to Question 2. Maximising these sources of funding would enable more homes to be treated and to a greater level, making WHP budgets go further without setting caps lower than necessary.

We also note that the consultation considers that a, *“a single deep retrofit would not be consistent with an optimised retrofit approach”* and that where *“suitably ordered and complementary measures, appropriate to the property and its decarbonisation pathway, are low regret and mitigate against the risk of unintended consequences, multiple interventions over time could make sense”*. While in principle we agree that such a pathway might be the most efficient and effective route for alleviating fuel poverty, we are not aware that the optimised retrofit programme in Wales has identified clear evidence of what this pathway could look like for different property archetypes.

We would therefore recommend Welsh Government ensures adequate flexibility in how the WHP is delivered so that where further evidence becomes available the delivery can be optimised.

Question 12 - Do you have a view on allowing multiple applications per household over a period of five or ten years?

Citizens Advice supports allowing multiple applications per household over a period of time. To allow for potential new innovation and reductions in cost, a period of five or ten years would seem appropriate. Where fabric improvements can be made but installing certain low carbon heating systems could impact the affordability of energy bills, it is appropriate that households could receive further measures at a later point in time. This approach would also be consistent with the principle advocated under an ‘optimised retrofit’.

However, this does raise a number of questions about how it would operate in practice. For example where an optimised retrofit pathway is identified for a property, it is important that future occupants are able to benefit from the assessment work undertaken under PAS 2035. However, in this instance we assume that new owners or tenants would not automatically be eligible for support.

Clarity should also be provided to eligible households about whether initial eligibility has any influence on future eligibility should a subsequent application be made by the same household occupants. Households can fall in and out of fuel poverty so it's important to consider whether eligibility at a later date would require some flexibility in the scheme. There is a risk that without flexibility a retrofit pathway could be prevented from being completed if household incomes are marginally above the threshold. It would also require Welsh Government to consider the material impact that inflation and wage growth would have on household eligibility over a period such as five or ten years and the impact this could have on the ability to complete retrofit pathways. Reviewing income and spending thresholds regularly may be important under a scheme where multiple applications are potentially common.

Question 13 –What are your views on the methodology and targets for the next iteration of the Warm Homes Programme?

Citizens Advice agrees that there are individual weaknesses in setting either an EPC target or a kWh target as we set out in the response to the tackling fuel poverty plan³¹. We therefore agree that it is appropriate to use both metrics initially and continually review them on a test and learn basis.

We also agree that the following minimum standards are appropriate, but stress the importance of monitoring household outcomes alongside these targets to ensure the aims of the policy are being met:

- Improve EPC Band F, or G homes to at least a Band D,
- Band D or E homes improved to at least a Band C and
- Aim to achieve a 21%, and not less than 15% reduction in energy used for heating.

We believe setting minimum EPC targets in line with ECO4 is appropriate. The additional target to achieve a 21% and not less than 15% reduction in energy used for heating is also welcome in principle though no evidence is provided in the consultation to suggest how this interacts with the EPC target in practice. We support an energy reduction target which encourages measures to be installed which achieve higher SAP ratings

³¹ Citizens Advice, [Citizens advice response - Tackling Fuel Poverty 2020-2035](#), December 2020

than the minimum in each targeted EPC band. However, Welsh Government should be mindful of the impact that the 'not less than 15% reduction' target could have in limiting this potential improvement to properties, and preventing spending caps from being maximised.

Where possible, homes should aim to achieve the 21% (or similar) target and Welsh Government should ensure that programme manager(s) have a responsibility to use the 15% targets as a back stop and by exception only. We also recommend the Welsh Government carefully and regularly monitor household outcomes to ensure that the combination of targets and the targets themselves have the desired impact of lifting households out of fuel poverty. Welsh Government should ensure that the programme has enough contractual flexibility to achieve this.

Consideration should also be given to how these targets would interact with multiple applications. For example, it is important that these targets are met at the initial installation phase even where it is necessary for further measures to be installed under PAS2035 to complete a retrofit pathway. In this instance, Welsh Government should consider what target and spending caps would apply at this later stage. The length of the WHP policy and contracting with programme manager(s) are also factors to consider here.

We welcome the reflection by the Welsh Government that there is an *"absence of accurate data and overreliance on modelled outcomes"*. We would therefore also recommend that clarification is provided on how the scheme would accurately isolate and monitor changes in the cost of heating. Particularly where electric heating is installed, it is not clear what steps would be taken to disaggregate electricity consumption for heating from other household uses.

Question 14 – Should the next iteration of advice services focus only on domestic energy efficiency?

No, Citizens Advice does not believe that the next iteration of advice services should focus only on domestic energy efficiency.

Question 15 - If not, how might domestic energy efficiency advice services in Wales be integrated with other advice services designed to maximise income and tackle poverty?

For many, advice gives people the confidence to find a way forward, whether that is taking an action or learning more about their options. To meet people's needs, advice should be holistic in its nature and frictionless so people get the right information at the right time.

Any domestic energy advice service should be properly funded up to specialist level. While it may be appropriate to achieve a one-stop shop customer journey, there are a range of ways this can be achieved. For example, it is unlikely that people who need 'energy efficiency advice' will all start from the point of seeking it. Rather, they may want to make their bills cheaper or homes more comfortable and find energy efficiency, possibly combined with grants or programmes, is the answer to their questions. We therefore recommend that strong referral routes will be crucial to support people seamlessly as they understand which options can answer their needs and that these are adequately resourced. A seamless and effective referral process also requires a feedback loop to ensure that those who refer into a service understand whether the outcome of the referral was successful. Evidence from advisers in Wales suggests that under Nest, no such feedback loop has been in place, meaning advisers are unaware of whether clients have successfully received measures under Nest, and if not, whether further support would have enabled them to be eligible.

The Single Advice Fund (SAF) is a Welsh Government funded Citizens Advice service designed to help people who are most in need of advice services, particularly those who would not usually seek advice. SAF offers quality assured advice on welfare benefits, debt, employment, education, housing, immigration and discrimination. The service aims to help people access the right advice, at the right time and make it easier for them to access services again if they need further help - whether that's about the same issue or something new. SAF could be a key route to referring into a future service.

Citizens Advice also runs the national Consumer Service across England and Wales, which offers first tier energy and general consumer advice. Through our statutory energy advice role, we are able to offer escalated referral routes to energy suppliers, Ombudsmen, Trading Standards and to our Extra Help Unit, which takes on complicated energy cases or energy cases where the person may be in vulnerable circumstances. It is crucial that any energy efficiency advice service is also able to refer smoothly to the Consumer Service if they identify people that might need further support. In the past,

our general consumer line has supported people to find a way forward when energy efficiency measures or their installation has fallen short of their expectations³².

An energy efficiency service must also link smoothly with any wider net zero advice services, both now and in the future. Advice will be a key part of the net zero infrastructure to ensure people feel informed and protected.

We highlight, in a soon to be published discussion paper, that there is a need for a strategy with regards to energy-related advice across Great Britain. This would identify and seek to resolve:

- where there are gaps in outcomes for people;
- inconsistent or incomplete data collection across advice services, making it harder to know where and how support is being delivered;
- a lack of core referrals embedded by design; and
- inconsistent or inexpert commissioning practices.

Without a coordinated approach to net zero advice, these are all risks that could continue. This could lead to inefficiencies in value for money, monitoring and access to data that could provide valuable insights and the ability to build a smoother, easier journey for people to make a change.

Welsh Government should also consider the potential to integrate any new services with the Welsh National Advice Network and should also seek to understand how a service could work with the following proposal in the UK Government's Energy Strategy:

"By summer we will launch a comprehensive Energy Advice Service on GOV.UK, which will help consumers navigate what can be unknown territory to improve the energy performance of their homes. We will launch additional support for homeowners through telephone support and specific local area advice for energy consumers"³³.

³² Citizens Advice, [Home truths: The challenge and experience of making home energy improvements](#), March 2021

³³ BEIS, [British energy security strategy](#), April 2022

Question 16 - Please share your views on the delivery of energy efficiency advice services and whether these should be independent of organisations appointed to deliver home energy efficiency improvements for householders?

Citizens Advice believes that organisations that offer advice should be distinct from organisations appointed to deliver home energy efficiency improvements. However, it is important there are close working relationships to deliver the best outcomes for households in Wales.

We believe that independent advice offers a stronger likelihood that individuals will be offered advice that they trust and relates to their needs, which may be wide ranging and may not initially be specific to energy efficiency. Advice which is independent from the delivery of home improvements also prevents the risk of any perverse incentives being created.

Question 17 - What standards should be used for the installation of energy efficiency measures?

We strongly agree that PAS 2035 provides the most up to date standard and framework for the retrofit of properties and should be used for the installation of measures under the WHP. Robust installation standards and the whole-house, end-to-end coordination of projects is essential to deliver a good consumer experience that is appropriate for their home. This would also align the WHP to other schemes funded by the UK Government where compliance with PAS 2035 is mandatory. It is worth noting that the principles followed by PAS 2035 are also 'fabric first' which is consistent with those expressed for the next iteration of the WHP. It may also be necessary for MCS standards to apply for some measures.

The PAS 2035 standard also provides a range of compliance protections enforced by Trustmark. The UK Government in its ECO4 plans has "*acknowledged stakeholder concerns regarding TrustMark's capacity*". While we therefore welcome the protection this should afford consumers, it is also crucial that Welsh Government employs its own monitoring and auditing of quality and complaints issues, to ensure that the protections are working for consumers. Where standards are not being met, WHP contracts should ensure that penalties can be applied to either the programme manager(s) or subcontractors to provide adequate incentives.

Welsh Government should also ensure that there is appropriate consistency and length in the guarantees provided to consumers for both the installation of measures and the

products used. The length of these guarantees should ensure that issues which might not be immediately apparent can still be addressed. As a minimum these should be 5 years though could be as long as 25 years. The UK Government is seeking to increase the guarantees provided under Trustmark for ECO4, however, *“the exact guarantee durations will be subject to Government working closely with Ofgem and TrustMark, taking into account scheme delivery costs for suppliers within the TrustMark Framework Operating Requirements”*³⁴. We would encourage Welsh Government to engage in these discussions to ensure that the use of PAS 2035 and Trustmark provides the necessary consumer protections for the WHP. Where these protections fall short, Welsh Government should seek to add in its own additional protections.

Question 18 – How can the Warm Homes Programme better support the development of skills and jobs in the low carbon and housing retrofit sectors?

While Citizens Advice is not an expert in this area, we believe there is adequate evidence to suggest that there is a need to significantly increase the number of qualified installers of home energy efficiency measures and low carbon heating technology. In particular we note that this was a contributing factor in the issues experienced with the Green Homes Grant in England. This will be essential to successfully delivering a WHP with increased scope and scale, and to meet wider decarbonisation of housing goals.

By fully funding measures under the WHP, the Welsh Government can prime the supply chains and demand for qualified installers. It is also possible to ensure there is an equitable spread of supply chain across Wales. By setting equitable targets across all local authorities and increasing the viability and scope of an area-based scheme (as we suggest in response to Question 4), this could encourage more of the supply chain to be closer to where it is needed and address some of the issues that were experienced in Arbed 3. The evaluation highlighted that *“the supply of contractors was very area dependent, with North Wales experiencing a greater shortage of overall numbers as well as gaps in specific expertise, for example cavity wall insulation”*³⁵.

Particularly crucial is that the WHP and other policies do not create a boom and bust policy cycle as we highlight in our report, ‘Lessons for net zero: What past energy efficiency and low carbon home improvement schemes tell us’³⁶. Inconsistent policy can

³⁴ BEIS, [ECO4: 2022 -2026: government response](#), April 2022

³⁵ Welsh Government, [Evaluation of Arbed 3: Final Report](#), February 2022

³⁶ Citizens Advice, [Lessons for net zero: What past energy efficiency and low carbon home improvement schemes tell us](#), October 2020

lead to higher delivery costs and lower quality work while consistent and clear policy with longer time frames will enable supply chains to plan skills and training needs.

Question 19 – Do you think the Warm Homes Programme needs to be set out in detailed Regulations, or can it be simply supported by scheme guidance published by the Welsh Government?

Citizens Advice believes there is a need to set some elements of the WHP in regulations, whether through primary or secondary legislation. In particular, regulations would give confidence to households, advice agencies, the supply chain and consumer advocates that the WHP is a long term policy to contribute to delivering the long term goals set out in the Tackling Fuel Poverty Plan. This also helps to alleviate any potential concerns the supply chain may have regarding a boom and bust of policy as described in response to Question 18.

However, the next WHP should rely much more on scheme guidance documents or similar, set by the relevant Minister. This could include elements of the policy such as eligible measures and improvement targets where flexibility is needed to allow the programme to evolve and respond to new technology and evidence from the programme. We are also keen to see the WHP driven more by targets as discussed throughout this response. While longer term volume targets could be set out in regulation or guidance, Welsh Government could consider setting interim targets through contracting arrangements with programme manager(s) which could be reviewed and amended periodically under guidance. This would help to avoid some of the issues experienced during the deliverability of Nest and Arbed, particularly on the capacity to scale up.

It is important that consumer protections, including any additions from Welsh Government, are put on a strong footing to give assurance to households engaging in the WHP.

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We are a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

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Published: April 2022.

Author: Sam Hughes

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.