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Y Gweinidog Cyfiawnder Cymdeithasol
Minister for Social Justice



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA/JH/00831/22

Jenny Rathbone MS
Chair of the Equality and Social Justice Committee
Welsh Parliament

8 March 2022

Dear Jenny

Thank you for your letter of 15 December, regarding the inquiry into fuel poverty and the Warm Homes Programme being undertaken by the Equality and Social Justice Committee.

As requested, I have attached my evidence for consideration by the committee. Tackling poverty is a cross Government endeavour and I work closely with Julie James MS, Minister for Climate Change who leads on the delivery of the Warm Homes Programme.

On 17 February, I convened a cost of living summit with key stakeholders to explore how best the Welsh Government can support households through the current crisis. I was joined by my Cabinet Colleagues, Julie James MS Minister for Climate Change and Rebecca Evans MS, Minister for Finance and Local Government, together with representatives from the Welsh Local Government Association. We heard directly from key partners, including National Energy Action, Bevan Foundation and Citizens Advice about the impact this cost of living crisis is having on households across Wales. I will continue to work with our partners as we navigate this latest crisis.

May I also take the opportunity to welcome the committee's scrutiny at a time when bill payers are facing significant increases in their domestic energy bills, fuelled by dramatic fluctuations in the global wholesale price of oil and gas. The increase in the default and variable domestic energy tariff price cap announced by Ofgem on 7 February is a direct consequence of the continuing market volatility. Households identified as being at risk of fuel poverty in 2018 are likely to be in fuel poverty today, meaning more than a quarter of all Welsh households are struggling to meet the basic costs of heating, food and housing bills.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

It is with regret and disappointment I note the limited actions the UK Government have taken to relieve lower income and vulnerable households from this cost of living crisis. The announcement made by the Chancellor of the Exchequer in the UK Parliament on 3 February falls short of the help needed. A £200 rebate paid in October, six months after the price increase takes effect, adds further costs in the form of a “buy now, pay now and pay later” tax. This is a further regressive tax on households least able to pay and is storing up more problems for the future.

The Minister for Climate Change and I have called on the UK Government to remove the social and environmental costs added to domestic energy bills. These costs should be met from general taxation. We have also called for an increase in payments available through the Warm Homes Discount Scheme and for energy debt write off schemes to be available through energy suppliers to relieve bill payers from the immediate crisis. We have also joined others calling for the UK Government to introduce a windfall tax on the significant additional profits of the oil and gas companies to help meet the cost of the additional support needed by hard pressed households.

Whilst these are matters reserved to the UK Government, the Welsh Government has taken action using our limited resources to support households most at risk. The Committee will be aware that I announced a £51m household support fund in November, with £38m being allocated to support a winter fuel support scheme. This offered working age households in receipt of means tested benefits a one off payment of £100 toward the cost of their energy needs. On 1 February I announced a doubling of this payment to £200.

On 15 February, the Minister for Finance and Local Government announced a £330m package of measures to tackle the rising costs of living. This will ensure that our Winter Fuel Support Scheme can be extended to run again next winter, reaching even more households. The package of measures also includes a £150 cost-of-living payment to be provided to all households in properties in council tax bands A to D. This payment will also reach households who receive support through the Council Tax Reduction Scheme in all council tax bands. In the absence of sufficient action by the UK Government, this will help households meet the cost of living and energy crisis now upon us.

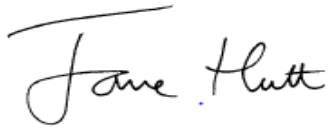
Longer term, the Committee will know we are also consulting on the future of the Warm Homes Programme. Our aim is to balance the twin objectives of environmental and social justice, learning lessons from the past to provide support to those in fuel poverty.

Despite our efforts, considerable challenges lie ahead of us in 2022. The loss of the £20 Universal Credit uplift, the increase in taxes coming into effect in April together with continuing energy cost volatility means households across the UK are likely to suffer and will increasingly need to make difficult choices about where to spend their limited funds.

The Welsh Government is continuing to press the case for action by the UK Government to safeguard households from the abject poverty many will experience. I heard first hand from front line service providers during a round table held on 17 February of the desperate plight of those dealing with this cost of living crisis.

It is important for the Welsh Government to continue to work with our partners, helping families and the most vulnerable in our society. I look forward to the findings and recommendations that emerge from the Committee's inquiry to help identify further actions that we can take to support households through this difficult period.

Yours,

A handwritten signature in black ink that reads "Jane Hutt". The signature is written in a cursive style with a horizontal line above the first few letters.

Jane Hutt AS/MS

Y Gweinidog Cyfiawnder Cymdeithasol
Minister for Social Justice

WELSH GOVERNMENT EVIDENCE TO THE EQUALITY AND SOCIAL JUSTICE COMMITTEE REGARDING FUEL POVERTY AND THE WARM HOMES PROGRAMME

Introduction

[Fuel poverty statistics published in August 2019](#) suggests 155,000 households, approximately 12% of all households, were living in fuel poor homes. New estimates of fuel poverty have been commissioned by the Welsh Government and will be published in May 2022.

The Welsh Government published its [plan to tackle fuel poverty](#) in March 2021. The plan covers the period to 2035 at a high level, including our ambitions and targets, but focuses on ten short term actions to be delivered over the next two years. Given the speed of change in this sector, delivery is monitored and subject to regular review. This provides Welsh Government with the opportunity to revise and update our action plan to ensure activities remain correctly focused to achieve our targets by 2035.

While noting the Welsh Government cannot influence all of the wider determinants of fuel poverty, our plan includes meaningful and stretching targets. These take account of lessons from the past and the representations submitted to us during [the public engagement exercise](#), which ended on 31 December 2020. By 2035, our aim is that:

- No households are estimated to be living in severe or persistent fuel poverty as far as reasonable practicable;
- Not more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practicable; and
- The number of all households “at risk” of falling into fuel poverty will be more than halved based on the 2018 estimate.

The actions Welsh Government are taking are described in the plan in detail. However, in order to support the Committee’s work, I would like to highlight a few here.

- Investment in the Warm Homes Programme has continued, and has contributed to estimated levels of fuel poverty in Wales being halved between 2008 and 2018. As at the end of March 2021, investment of more than £397m¹ delivered through the Warm Homes Programme (Nest and Arbed) had improved the energy efficiency of more than 67,100 homes in Wales. More than 160,000 people have received energy efficiency advice through the Programme since 2011. These schemes support some of the most vulnerable people in our society by improving their resilience to avoidable ill health and preventing premature death. Creating a comfortable home also supports our children to give them the best start in life to help them better realise their full potential.
- Welsh Government has issued a consultation on the next iteration of the Warm Homes Programme, which started on 22 December. This consultation seeks to learn the lessons of the past and balance the twin goals of climate and social justice.
- The cold weather resilience plan was published on 3 December. This set out a series of actions we are taking to encourage and support lower income households to improve the cold weather resilience of their homes.

¹ Includes European, UK and Welsh government funding delivered through the Warm Homes Programme

- Welsh Government has set up a Fuel Poverty Advisory Panel. Through this valuable forum, the Welsh Government has co-ordinated the Welsh response to consultations undertaken by the UK Government to reform the Energy Company Obligation Scheme and Warm Home Discount Scheme.

In addition to the work of our Fuel Poverty Advisory Panel, I will continue to work with organisations who were represented at the cost of living summit I hosted on 17 February. The summit was a clear demonstration of how Ministers are working across Government to harness our efforts to tackle poverty in all its forms, in concert with the range of organisations in the public, private and third sectors who have dedicated themselves to the task ahead of us.

More recently, we have seen energy prices spiral. Approximately 145,000, or 11% of all Welsh households in 2019, were at risk of living in fuel poverty, spending between 8% and 10% of their household income on their domestic energy needs. The October 2021 increase in energy bills announced by Ofgem, together with the further increase announced in February means most, if not all of the households at risk of fuel poverty in 2018 are now likely to be living in fuel poverty. National Energy Action has advised the increase in the domestic energy default and variable tariff price cap will mean more than 280,000 households in Wales could be in fuel poverty come April. This represents a further 100,000 households since October 2021 and an 80% increase compared to Welsh Government 2018 estimates.

The Welsh Government has taken action to tackle this, alongside other contributing factors to the cost of living crisis such as the withdrawal of the £20 universal credit uplift, increasing interest rates, and increased national insurance contributions. Using our limited resources to best effect as described in the covering letter to this evidence paper, we will continue to lobby the UK Government to shoulder its fair share of the burden and to support those in greatest need.

The Minister for Climate Change and I have called on the UK Government to remove the social and environmental costs added to domestic energy bills. These costs should be met from general taxation. We have also called for an increase in payments available through the Warm Homes Discount Scheme and for energy debt write off schemes to be available through energy suppliers to relieve bill payers from the immediate crisis. We have joined others calling for the UK Government to introduce a windfall tax on the excess profits of the oil and gas companies to help meet the cost of the additional support needed by hard pressed households.

Further action is also required by the UK Government to reconsider their approach to Local Housing Allowance (LHA). The increase in LHA rates to the 30th percentile for Housing Benefit and Universal Credit recipients living in the Private Rented Sector was a welcome response to the Covid-19 crisis. The LHA rates, however, were frozen in 2021 and the announcement that the rates will not be increased until at least the beginning of the 2023 financial year, with no guarantee of an uplift then, is a disappointment. Consequently, the LHA rates in payment up until the 31 March 2023 will be reflective of the rental market for the period October 2018 – September 2019.

I would now like to turn to the questions set out in your letter.

Main lessons learned from the Welsh Government's current Warm Homes Programme

The Warm Homes Programme Area-based Arbed Scheme ended in November 2021. The demand led Nest Scheme continues until April 2023. Assessment of our current programme

is ongoing and will be published with the outcome of the consultation exercise currently underway.

In advance of this, I was pleased to be able to draw on the findings and recommendations within the [Warm Homes Programme Report published by Audit Wales in November](#), together with the recommendations made [fifth Senedd's Climate Change, Environment and Rural Affairs Committee report on fuel poverty](#), which have helped to shape the consultation on the next iteration of the Warm Homes Programme. The Welsh Government accepts the recommendations in both reports and has already implemented changes in the current schemes where appropriate to do so. Learning from the Welsh Government's [Optimised Retrofit Programme](#) alongside the [consultation exercise undertaken on the plan to tackle fuel poverty in 2020](#) have also helped shape the consultation on the next iteration of the Warm Homes Programme.

Examples of lessons include:

- The tension between affordable and clean heat, while supply chains and skills are still maturing.
- The over-reliance on means tested benefits as a measure of low income needs to be addressed. This has potentially excluded people living on lower incomes, not in receipt of benefits, who nonetheless experience difficulty meeting the cost of their home energy needs.
- More action needed to encourage positive attitudes and behaviours to domestic energy use, supported by more investment in smart and low carbon heat technology to improve energy efficiency in the home.
- 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. Arrangements to appeal decisions following the whole house assessment, or when installations have led to unintended consequences and where the scheme provider has not resolved the person's concerns to their reasonable satisfaction could also be improved.
- Whether area-based schemes remain fit for purpose in tackling fuel poverty.

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 [consultation on the next iteration of the Warm Homes Programme](#) was published on 22 December 2021 and includes 19 questions. Picking up on many of the lessons of the past, these questions have been designed to invite views and opinions regarding the purpose of the next iteration of the programme, the eligibility criteria to be used and the home energy efficiency measures to be provided to households through the programme. During the consultation exercise and in partnership with National Energy Action, three virtual workshops have been held with participation from key Welsh stakeholders. The consultation ends on 1 April 2022. Views on these matters will be published by the Welsh Government in our response to the consultation, expected before the Senedd's summer recess.

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

[Fuel poverty statistics published in 2019](#) estimate levels of fuel poverty are higher in rural areas in Wales, with Gwynedd (23%) Ceredigion (21%), Anglesey (17%) and Powys (17%) reporting levels well above the national average of 12% of all households. An area is considered rural if it is outside of settlements with a population of more than 10,000. Evidence published from the [Welsh Housing Conditions Survey](#) highlighted homes in rural areas tend to be less energy efficient than dwellings in urban areas. This is likely to be because homes in rural areas tend to be older and more are detached. There are also fewer homes in the social housing sector in rural areas, which tend to be the most energy efficient type of dwelling.

The current Warm Homes Programme makes provision for additional funding for homes not connected to the mains gas grid, mainly in rural areas. Funding for each home is limited to £5,000 or £8,000 depending on the energy efficiency rating of the home when connected to the gas network. Funding for off gas grid homes is increased to £8,000 or £12,000.

The Welsh Government has acknowledged the additional pressures experienced by households reliant on liquid gas and heating oil for space and water heating. These are not regulated by Ofgem and whilst the price cap applies to electricity supplied through the national grid, the cost of oil and liquid gas are not capped and are prone to seasonal changes. Lower income households can struggle to access budgeting accounts and are faced with large bills to bulk purchase supplies, or risk increasing costs still further by having multiple smaller deliveries during the winter.

In addition to providing boiler repair grants, the Discretionary Assistance Fund was extended to provide winter fuel assistance to help households meet the cost of oil and liquid gas. Additional support in the form of emergency payments of up to £250 have been available for off-grid clients since 1 October. Off gas grid fuel clients do not enjoy the same security of supply and can be effectively “cut off” and unable to heat their homes if the money to pay for deliveries is not available to them. I have agreed to extend this support which will continue until 31 March 2023.

Rural households will also benefit from the household support fund I announced in November, with £38m being allocated to support a winter fuel support scheme. This offered working age households in receipt of means tested benefits a one off payment of £100 toward the cost of their energy needs. On 1 February I announced a doubling of this payment to £200. On 15 February, the Minister for Finance and Local Government announced a £330m package of measures to tackle the rising costs of living. This will ensure that our Winter Fuel Support Scheme can be extended to run again next winter, reaching even more households.

The package of measures also includes a £150 cost-of-living payment to be provided to all households in properties in council tax bands A to D. This payment will also reach households who receive support through the Council Tax Reduction Scheme in all council tax bands. In the absence of sufficient action by the UK Government, this will help households meet the cost of living and energy crisis now upon us.

Further options to help meet the challenges associated with rural fuel poverty will be considered as part of the Warm Homes consultation and in partnership with the Fuel Poverty Advisory Panel.

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

Housing in the private rented sector is subject to energy efficiency standards set by the UK Government. At the end of 2020, the UK Government [consultation on energy efficiency standards in the private rented sector](#) suggested a suite of policy proposals towards achieving improved energy efficiency in the domestic private rented sector. This included the UK Government's preferred policy scenario of requiring 'new tenancies' to reach (EPC) Band C from 1 April 2025 and 'all tenancies' to reach (EPC) Band C by April 2028. The UK Government is considering the representations submitted during the consultation.

[Fuel poverty estimates published in August 2018](#) suggested households living in the private rented sector were more likely to be fuel poor with 20% of these households living in fuel poverty (12% for all households). The Warm Homes Programme Nest Scheme works in collaboration with Rent Smart Wales to encourage landlords to improve their domestic energy efficiency. In 2020/21, households in the private rented sector accounted for more than 20%² of the 4,559 households benefitting from domestic energy efficiency improvements.

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

The plan to tackle fuel poverty was subject to an integrated impact assessment and this will be reviewed and updated as proposals are developed for the next iteration of the Warm Homes Programme. For example, we know that being part of a minority ethnic group is linked with a greater likelihood of relative income poverty. For the period 2015-16 to 2019-20 there was a 29% likelihood of people whose head of household comes from a minority ethnic group living in relative income poverty. This compares to a 24% likelihood for those whose head of household comes from a white ethnic group. For children the likelihood of being in relative income poverty in a household whose head is from a minority ethnic group is twice as much as in a household whose head comes from a white ethnic group.

From 2017-18 to 2019-20, 38% of children who lived in a household where there was someone with a disability were in relative income poverty compared with 26% in households where no-one was disabled. Similarly, 31% of working-age adults who lived in a household where there was someone with a disability were in relative income poverty compared with 18% of those who lived in a household where no-one was disabled.

I have expressed concern to the UK Government about their proposals to remove the automatic eligibility to support through the Warm Home Discount Scheme for households in receipt of Personal Independence Payments and Disability Living Allowance. We will carefully consider how our programmes continue to support disabled households.

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

On 28 October, the Welsh Government published its [Net Zero Wales Plan](#), focussed on the Carbon Budget 2 (2021-2025). It includes actions to be taken over the early part of this decade to decarbonise homes and prepare for further emissions reductions. In the buildings chapter of the Net Zero Wales Plan, we discuss:

² <https://nest.gov.wales/workspace/uploads/files/nest-annual-report-20-21-engli-61a8bab91155e.pdf>

- Energy Efficiency – Setting demanding standards for new build, and existing properties, with the social housing sector leading the way;
- Low Carbon Heat – Phasing out fossil fuel heat sources;
- Behavioural shift and demand reduction – Examining how behavioural and societal shifts could lead to reduced demand and the energy efficiency of appliances; and
- Just transition - how we ensure we leave no-one behind as we move to a cleaner, stronger, fairer Wales.

The Warm Homes Programme clearly has a role to play in supporting non-social housing to optimise its thermal and energy efficiency, in line with our approach to buildings decarbonisation. There is a tension, however, between tackling fuel poverty and decarbonising Welsh homes. This is being considered as part of the consultation on the next iteration of the Warm Homes Programme. Despite the urgency of the climate emergency, we cannot push more people in fuel poverty as a consequence of our focus on reducing the over reliance on the burning of fossil fuels. For example, for households living with a broken or inefficient heating system, installing an efficient gas boiler will provide a carbon saving, improve comfort and should help reduce the cost of maintaining a satisfactory heating regime. .

There are many homes where for time and money reasons, moving to other kinds of heating now would defeat the object of tackling fuel poverty. Electricity generation needs to be cleaner and cheaper before all householders transfer to electric heating. Our expectation is low carbon heating alternatives, such as heat pumps, will become significantly cheaper and more accessible by the end of the decade.

The opportune moment to replace a gas boiler in some cases, therefore, may arise a few years from now when there is a stronger supply chain and when costs have come down. Efficient and hydrogen ready gas boilers may continue to be the appropriate net zero response for fuel poverty for some time until a suitable alternative is available. This is a matter being considered with stakeholders as part of the consultation on the next iteration of the Warm Homes Programme, which needs to strike the balance between housing decarbonisation and safeguarding lower income households from fuel poverty.

Auditor General's report on the current Warm Homes Programme November 2021

The findings and five recommendations set out in the Auditor General's report on the Warm Homes Programme have been accepted by the Welsh Government. The report has informed the consultation currently underway and will help to ensure that arrangements put in place for the next iteration of the Warm Homes Programme deliver on our policy objectives. The report is the result of extensive collaboration between the Welsh Government and Audit Wales to learn the lessons from the current programme.

The Welsh Government has commissioned external consultants to provide technical and commercial advice as the next iteration of the Warm Homes Programme is developed.

Fifth Senedd's Climate Change, Environment and Rural Affairs Committee report on fuel poverty.

The Committee report on fuel poverty was published on 24 March 2020. Recommendations 7,8,10 and 11 focused on action the Welsh Government should take to monitor the impact the Warm Homes Programme has on fuel poverty in Wales, how support is targeted, household eligibility and the availability of enabling works. The [Welsh Government response](#)

of 9 June 2020 accepting these recommendations set out how the consultation on the next iteration of the Warm Homes Programme would take the issues raised into account when designing the new programme.

The Warm Homes Programme Nest annual reports have been published since the scheme was launched in 2011. Following recommendation 7, reporting requirements were enhanced for the Warm Homes Programme Arbed 3 Scheme. Both schemes are subject to periodic independent evaluation which include an assessment of the impact the schemes have made in relation to efforts to tackle fuel poverty. [An evaluation of the Arbed 3 Scheme](#) was published on 28 February.

In accordance with actions in our plan, progress has been made developing tools to support efforts to identify households at risk of, or living in fuel poverty (recommendation 8). Our fuel poverty dashboard will soon be published. The dashboard will provide data on the determinants of fuel poverty. Information on the cost of energy, household incomes and domestic energy efficiency will be publicly available to support the efforts of our partners to tackle fuel poverty, and more recently the energy and cost of living crisis.

There is some evidence to suggest observance of inflexible eligibility criteria has resulted in vulnerable households, including disabled people and families, not being able to access support despite being in need. As part of the new plan and in response to recommendation 10, the Welsh Government proposed to review the Regulations setting out the eligibility criteria for support through the Warm Homes Programme based on the learning from the Nest Scheme Health Conditions Pilot. Based on the outcome of the current consultation, amendments to the Home Energy Efficiency (Wales) Regulations may be made, to improve access to support available through the programme.

The Welsh Government agrees the lack of financial support to undertake enabling works for those in fuel poverty to better support homes needing home energy efficiency improvements is a barrier to helping some people most in need (recommendation 11). This is being considered as part of the next iteration of the Warm Homes Programme consultation now underway. As part of our Cold Weather Resilience Plan, we are considering what more can be done to support households to undertake minor repairs to improve household resilience to cold weather.