

Ms Janet Davies
Chair of the Audit Committee
The National Assembly for Wales
Cardiff Bay
CARDIFF CF99 1NA

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HOME ENERGY EFFICIENCY SCHEME

As you know, we have been working on a study of the Home Energy Efficiency Scheme. However, the Assembly have recently changed and improved the Scheme, and have started an evaluation of their own. So it seems sensible to keep the scheme under review and report later rather than now. I give further details below.

Background on the Home Energy Efficiency Scheme

The aim of the Home Energy Efficiency Scheme is to reduce fuel poverty in Wales (a household is deemed to be in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10 per cent of its income on all household fuel use). According to the most recent data available (from 1998), 220,000 households could be classified as being in fuel poverty in Wales. The Assembly took over responsibility from the then Department of the Environment, Transport and the Regions in April 2000, though the scheme in its present form dates from November 2000. Funding for the Home Energy Efficiency Scheme has increased steadily from £6.9 million in the first year, 2000-01, to the current estimate for 2004-05 of £14.1 million.

There has been a commitment in Wales since 1997 to the United Kingdom Fuel Poverty Strategy target of eradicating fuel poverty amongst vulnerable households by 2010. The Welsh Assembly Government published its own Fuel Poverty Commitment in March 2003, including a further target to ensure that, as far as is reasonably practical, no household in Wales should live in fuel poverty beyond 2018. The Home Energy Efficiency Scheme is the central plank of the Assembly's Fuel Poverty Commitment. It provides help through one of two types of funding:

- the basic scheme is aimed at families in receipt of Working Tax Credit and Child Tax Credit (annual household income of less than £14,200 before tax) and families with children under 16 years who receive income support, housing benefit, council tax benefit or income based job seekers allowance. The scheme provides recipients with a range of insulation measures and some basic heating measures up to a value of £1,500;
- the Home Energy Efficiency Scheme Plus is aimed at more vulnerable households: one parent families with children under 16 years, or people who are 60 years or over and receive income support, housing benefit, council tax benefit or income based job seekers allowance, plus those who are disabled or chronically sick. It provides recipients with central heating in addition to insulation and, for the over 60s, a range of home security measures (for example, door and window locks and smoke detectors) up to a value of £2,700.

The Assembly has targets to assist 38,000 households through the Home Energy Efficiency Scheme by March 2004 rising to 95,000 households by 2007. The Assembly reports that 27,000 households had been assisted by February 2003, with a further 17,000 expected to receive assistance in the current financial year, thereby comfortably reaching the target for 2004. On the basis of the progress already made, the Assembly also expects to meet its target for 2007.

Evaluations of the Home Energy Efficiency Scheme and Warm Front

The Assembly officials responsible for administering the scheme have commissioned two pieces of work to evaluate the Home Energy Efficiency Scheme. The first is an evaluation of the scheme policy to examine whether the measures on offer are the right ones to lift people out of fuel poverty and whether the eligibility criteria are targeting the right people. This contract is expected to be let imminently and the successful research company is expected to take around nine months to produce its draft report and recommendations. The second is an audit of the probity and value for money of the services provided by Eaga Partnership Ltd, the scheme managers. This contract is also expected to be let soon and will report back in four months.

The Assembly's evaluation will take account of a recent report by the Comptroller and Auditor General on the English "Warm Front" Scheme, which is very like the scheme in Wales – I enclose a copy. Two of the key findings in the English report in particular, that eligibility to the scheme does not correspond to fuel poverty in many cases and that grants are not targeted towards the most fuel poor or the least energy efficient homes, are also true in Wales. The evaluation that the Assembly has commissioned will be investigating these matters.

Another Warm Front report finding was that the range of measures offered does not always maximise impact. Assembly officials are aware of this problem and last year reported to the then Local Government and Housing Committee on research into alternative measures for households not on mains gas. Furthermore, a pilot study on providing oil fired central heating for fifty homes has just started and will inform what direction the Home Energy Efficiency Scheme should take in the future for households outside mains gas areas.

The Comptroller and Auditor General also reported that current targets and performance measures do not provide a clear and meaningful view of progress against the fuel poverty strategy. Assembly targets at the moment are similar to those of the Department for Environment, Food and Rural Affairs, that is, number of households provided with energy saving measures. However, the Assembly intends to look again at its performance management framework once its evaluation has been completed.

Conclusion

For all these reasons, therefore, I shall not report on the Scheme in the immediate future. I shall, of course, continue to keep this Scheme under review and it may be a good topic for the proposed Wales Audit Office to examine, as 25 per cent of funding goes to local authorities - whose actions currently fall outside my remit - to fund energy efficiency measures in their own properties.

If I can provide any further information on this subject, I would be happy to do so.

JOHN BOURN