



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Archwilio
The Audit Committee**

**Dydd Iau, 15 Mai 2008
Thursday, 15 May 2008**

Cynnwys
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau Cynulliad yn bresennol
Assembly Members in attendance

Bethan Jenkins	Plaid Cymru The Party of Wales
David Melding	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Jonathan Morgan	Ceidwadwyr Cymreig (yn dirprwyo ar ran Darren Millar) Welsh Conservatives (substituting for Darren Millar)
Ann Jones	Llafur (yn dirprwyo ar ran y grŵp Llafur) Labour (substituting on behalf of the Labour group)

Eraill yn bresennol
Others in attendance

Jeremy Colman	Archwilydd Cyffredinol Cymru Auditor General for Wales
Paul Dimblebee	Swyddfa Archwilio Cymru Wales Audit Office
Louise Fleet	Swyddfa Archwilio Cymru Wales Audit Office
Ian Gibson	Is-bennaeth, Yr Uned Llywodraethu Corfforaethol, Llywodraeth Cynulliad Cymru Deputy Head, Corporate Governance Unit, Welsh Assembly Government
Tim Peppin	Cyfarwyddwr Adfywio a Datblygu Cynaliadwy, Cymdeithas Llywodraeth Leol Cymru Director of Regeneration and Sustainable Development, Welsh Local Government Association
John Scrimgeour	Swyddfa Archwilio Cymru Wales Audit Office
Matthew Quinn	Cyfarwyddwr Adran yr Amgylchedd, Cynaliadwyedd a Thai, Llywodraeth Cynulliad Cymru Director for Environment, Sustainability and Housing, Welsh Assembly Government

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

John Grimes	Clerc Clerk
Abigail Phillips	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 9.46 a.m.
The meeting began at 9.46 a.m.

Datganiad gan y Cadeirydd
Statement by the Chair

[1] **David Melding:** Good morning and welcome to the Audit Committee. I regret to announce that, at the moment, we do not meet our quorum. I therefore suspend the meeting until 10 a.m., as I anticipate that the requisite number of Members will then be present. I now suspend our proceedings for 15 minutes.

*Datganwyd nad oedd y cyfarfod yn gwneud cworwm am 9.46 a.m., ac ataliwyd y cyfarfod.
The meeting was declared inquorate at 9.46 a.m. and suspended.*

9.57 a.m.

Ymddiheuriadau a Dirprwyon Apologies and Substitutions

[2] **David Melding:** The Audit Committee will now reconvene, as we have established a quorum with the arrival of Ann Jones. I welcome everyone to the meeting.

[3] I will make the usual housekeeping announcements. These proceedings will be conducted in Welsh and English, and, when Welsh is spoken, a translation is available on channel 1 of the headset. Should you be hard of hearing, amplification of sound is available on channel 0. Please switch off all electronic equipment completely—that means not left on silent mode, because even the silent mode will interfere with our recording equipment.

[4] We do not anticipate a routine fire alarm test this morning, so should you hear an alarm, please follow the ushers' instructions; they will help you to leave the building safely.

[5] We have received several apologies this morning: from Lesley Griffiths, Darren Millar, Lorraine Barrett, Eleanor Burnham, Irene James, Janice Gregory and Chris Franks. Jonathan Morgan is substituting for Darren Millar, and the Labour group has sent Ann Jones as a substitute this morning. I am grateful to Jonathan and Ann for helping us out this morning so that we are able to conduct our proceedings.

9.59 a.m.

Cyflawni'r Ddeddf Arbed Ynni yn y Cartref yng Nghymru Delivering the Home Energy Conservation Act in Wales

[6] **David Melding:** The Home Energy Conservation Act 1995—or HECA, as it is commonly known, and as it will no doubt be referred to this morning—was the first piece of UK legislation to place energy efficiency responsibilities on local government. The Act placed a statutory duty on each local authority, as an energy conservation authority, to submit an initial report identifying energy conservation measures that were likely to result in significant improvement in the energy efficiency of residential accommodation in its area, and to report annually on the progress made in implementing the measures set out in the original report.

10.00 a.m.

[7] The report of the Auditor General for Wales evaluates the overall progress made since 1997 in improving energy efficiency in residential housing, and makes recommendations about how some of the barriers to further improvements might be overcome. I should like to welcome to the meeting—and apologise once again for the delay—Matthew Quinn, the director of the Environment, Sustainability and Housing Department of the Welsh Assembly Government, and Tim Peppin, director of regeneration and sustainability at the Welsh Local Government Association. Good morning, gentlemen—we are pleased to see you here to help us with your evidence.

[8] I will start by asking a general question. I remind you that the auditor general's report was published in September 2007, which is a while ago. It indicates that there are a number of

uncertainties about the future direction of these initiatives. I wonder whether you have anything that you want to say about the auditor general's first recommendation, about the need for clearer direction now that the first 10 years is over. I put that question to both of you, but perhaps Matthew would like to start.

[9] **Mr Quinn:** It is quite unusual for us to be able to look back—almost 13 years now—to the origins of this legislation, to see how it went. One of the reasons that the auditor general thought that it was valuable to bring this report forward was because it started as part of the programme for improvement. Looking at the local authorities, there are lessons for target-setting over this next period. Perhaps I will say a little about where we are on that.

[10] We have a commitment to producing a national energy efficiency and savings plan, on which we hope to begin public work from the back end of this year, probably in the autumn. We also have a 3 per cent annual carbon reduction target, which will include both public sector and domestic plans and targets. So, that is the context in which work in this area will go forward. A view has been expressed in London and Cardiff that the Home Energy Conservation Act 1995 needs to be repealed or replaced, and that it does not fit precisely within the new context—particularly the duty emerging from the Climate Change Bill, in terms of the climate change measures report. That will subsume a lot of this work, and, subject to further discussion in the context of that strategy and the work on implementing the Bill, it is not our view that HECA can continue in its current form. However, a lot of the issues that the report raises in terms of baselining and process for people to calculate figures, and indeed lessons in the style of reporting, and the effectiveness of the measures, need to be taken into that discussion. We are keen to do that as part of the work for the next phase, which will similarly look forward over a long period and seek to make deep changes.

[11] **David Melding:** That is helpful. We will be looking at some of the specifics, but it is useful to have an indication about the successor to HECA. Tim, do you want to add anything reflecting on those 10 years or more that HECA has been in operation, and the evaluation that we have had?

[12] **Mr Peppin:** I do not have a great deal to add to what Matthew has said. He is right that we need to look back on the experience of HECA and policy agreement work, and so on. This is a good time to take stock, and there are a number of new initiatives. We need to ensure that they are pulled together and developed in an integrated way, and in local government we are keen to work alongside the Assembly to ensure that the way that we move forward learns from the lessons that we have picked up in the past.

[13] **Bethan Jenkins:** This question is to both Tim Peppin and Matthew Quinn, with regard to paragraphs 1.1 to 1.6. Specifically regarding the wording of the policy agreement targets relating to improvements in domestic energy efficiency, which were changed from the original target of 30 per cent, are you satisfied that the changed targets are robust enough at particular councils? Why did you agree open-ended targets with some councils, so that there is the potential for different targets for different councils across Wales?

[14] **Mr Quinn:** If I answer first, Tim can come in afterwards. The 30 per cent target was in the original circular issued by the Welsh Office back in 1997, and was the agreed expression at that time of what 'significant impact' would mean in the original legislation, which requires a significant reduction. That was discussed with the Welsh Local Government Association at the time, as I understand it, and, given the work that would happen in the estate and the various ambitions, like the Welsh housing quality standard and the rest that would be coming through, it was felt that 30 per cent would be a reasonable figure to go for.

[15] When we came later to look at the performance framework with the policy agreements, it was clear that progress on that scale was not happening and that there was no

point in looking back to the original 30 per cent that would not be delivered. So, at that stage, as part of the overall approach to the policy agreement, we negotiated realistic, achievable figures for each of those, and the baseline figure that we agreed with the WLGA as a whole was 12 per cent. Some authorities agreed slightly more than that, because they were in a better position with their performance; others agreed to aim for the 12 per cent because they were in a weaker position. However, that performance framework very much followed how that process worked as a whole, so the expression of those targets at that point was very similar to the whole of the performance framework that was agreed with the WLGA at that time.

[16] **Mr Peppin:** What the audit report demonstrates clearly and what our experience bears out is that measurement issues are difficult in this area. I think that your 30 per cent was set, initially, as a target. However, from my experience of trying to record what was happening, I know that it is difficult to keep tabs on that, especially when you look at the private sector where steps could be being taken but where there is no way of recording them. For example, people buying energy-saving light bulbs and fitting them in their houses would contribute to what we are trying to achieve, but no-one is recording that systematically. So, getting an overall picture of what is going on is quite difficult. We need to focus on the 12 per cent target, which was an attempt—and it still proved difficult to get the accurate measurement—to set a more realistic goal, to make it possible to monitor the progress towards achieving that, and to make it seem more achievable.

[17] **Bethan Jenkins:** How many councils are moving towards the 12 per cent target?

[18] **Mr Peppin:** Most of the authorities in their policy agreements went for the 12 to 14 per cent and around that mark. That was seen as the sensible pitch.

[19] **Ann Jones:** Paragraph 1.3 refers to the limited number of councils that developed specific action plans. So, Mr Quinn, given that only a few of the councils have developed these specific action plans to support the delivery of the Home Efficiency Conservation Act 1995 objectives, what mechanisms did the Assembly Government use to assure itself that councils were taking this Act seriously and that the targets could be achieved?

[20] **Mr Quinn:** We put a number of measures in place. We provided guidance and conducted workshops and seminars, and we worked closely with the WLGA, including by providing the joint funding of an energy post in the WLGA to work on this. I expect that we will come on to this later, but we also commissioned the software package that local authorities could use to calculate their figures. So, we put in place that base support according to the requirements of the Act.

[21] **Ann Jones:** Paragraphs 1.7 and 1.8 and appendix 2 show a wide variation in the percentage of the reduction in energy consumption achieved by councils between 1997 and 2006. So, Mr Quinn, given the variations in performance, do you think that, with a degree of hindsight, councils focused sufficiently on the importance of this Act and what it tried to achieve? Could Mr Peppin then tell me whether he thinks that councils have given sufficient attention to their obligations under the HECA?

[22] **Mr Quinn:** I think that some interesting questions are posed by the report, about the resource levels and the service and financial framework approach that different authorities take. While it is difficult to draw a direct comparison between how an authority approaches and addresses an issue and the outcomes, the table in the report is quite persuasive, because it shows that those that did have a dedicated officer and plan achieved more in the process. So, I think that that would be a lesson that we could take forward for future work.

10.10 a.m.

[23] **Mr Peppin:** I think that there was varied performance across authorities, but it is important to recognise that authorities were faced with different situations. If a council has housing stock with a lot of solid walls, its ability to bring in insulation measures will be different from that of an authority area that has housing stock with more cavity walls. It is easier for the authority with a lot of cavity-walled stock to make quite rapid progress and show quite a high percentage of improvements than it is for other authorities. So, you are not always comparing like with like. Having said that, there was varied commitment, I suppose, across authorities to the work, and that very much came down to, as Matthew said, the resourcing issue. I think that there was pressure to do a range of things on the energy front. There was another policy agreement target to reduce the carbon emissions of the council's own building stock. Sometimes, you have to prioritise where your resource goes. If you think that you can have more of an impact in certain areas, perhaps you will put your resource into prioritising the council's own stock so that you get your own house in order. There were elements of that, and that is why it came across differently between authorities.

[24] **Jonathan Morgan:** I want to raise a question with Matthew Quinn. I am looking at paragraphs 1.9 to 1.11 on the lack of compliance by some local authorities. What measures were taken by the Assembly Government to encourage councils to meet their statutory reporting requirements, bearing in mind that there are some discrepancies, and were any sanctions applied?

[25] **Mr Quinn:** We wrote to all authorities regularly to remind and invite them to submit their reports. The Act provided no direct sanctions for non-submission. I understand that the former Social Justice and Regeneration Committee discussed the issue in 2007 and, at that point, the relevant Minister proposed a process for writing out to authorities and chasing their progress, particularly those that had not submitted for several years, and that was successful. All the final plans are now in, so we have a full set for the end of the period, and we will be in a position to make that available as a set once this process has finished, so that committees can consider it.

[26] **Jonathan Morgan:** I just want to ask a supplementary question of Tim Peppin. During the 1996-2006 period, there was not a single year when all 22 local authorities complied with the reporting requirements of the Act. Why is it that some councils failed to report?

[27] **Mr Peppin:** It probably comes down to prioritisation. We may come on to some of the issues of measurement later but, given the difficulties of collating accurate figures, it was felt that the resources were better spent implementing practical measures on the ground in some cases, than on collating data and putting them into reports that had relatively little meaning.

[28] **Jonathan Morgan:** Surely the requirement of the Act was for local authorities to comply by reporting. My understanding is that there is no discretion under the Act for local authorities to say, 'We will not report this year because there is nothing that we want to say'. Surely the Act is specific about local authorities having to report.

[29] **Mr Peppin:** I accept that. While I cannot answer for the individual authorities that did not respond, I imagine that the reason for that is because they used their resources in a different way and they prioritised.

[30] **Bethan Jenkins:** I have a question for Matthew Quinn. Paragraphs 1.15 to 1.25 describe a range of reasons why councils' measurement of energy efficiency improvements is inconsistent and unreliable. It has much to do with the fact that some of the reductions in energy consumption were not recordable when loft insulation, draft-proofing measures and so

on were first installed. What steps will you take to ensure that the performance information on domestic energy efficiency reported by councils is more reliable than it has been in the past?

[31] **Mr Quinn:** I think that Tim has already mentioned this, particularly for the private sector stock, which the WLGA does not have a direct relationship with—and neither do we. Several authorities chose different ways of making assumptions about what was happening with private sector stock. I agree that we need to get a better handle on this, particularly on setting targets under the national energy efficiency and savings plan and the domestic section of the 3 per cent target. The Department for Environment, Food and Rural Affairs has been working on several potential models for doing this, but it would be fair to say that there is no firm conclusion. A number of approaches have been looked at, but I agree that the key is probably to ensure that whatever we settle for is the agreed basis for what is done going forward.

[32] **Bethan Jenkins:** Okay. Just to follow that up quickly, paragraph 1.23 is about utility companies specifically, and there is information to suggest that they are unwilling to provide consumption data, which could give a more reliable basis for measuring energy efficiency at local authority level. To what extent have you explored the possibility of utility companies providing those data, even if they were global figures, so that we could have a more comprehensive analysis of what is happening out there?

[33] **Mr Quinn:** That is among the issues that DEFRA is looking at in its package of measures, which we have been able to pick up from. I am not sure that it has got very far. It has one route in to measuring, but the sharing of data would rely on co-operation from utility companies. They may well be willing to do that as part of the overall work, but we cannot require that on our own, so we will be looking to take it forward as part of that package of reporting.

[34] **Bethan Jenkins:** Do you mean alongside what DEFRA is doing at the moment?

[35] **Mr Quinn:** I would hope that we can draw on the DEFRA work, because that is likely to have a little more leverage with people like the utilities companies, who are currently going it alone on some of this.

[36] **David Melding:** However, the utilities companies are the key to the strategy of delivering efficiency and home energy.

[37] **Mr Quinn:** Absolutely. And there are various duties placed on them. For example, they are all required to provide information for the carbon emissions reduction target process at the moment, and they, too, make assumptions about energy performance, so—

[38] **David Melding:** It is strange that, once they are seen as part of the solution to deliver better efficiency measures, they are so reluctant on the data side, although I presume that issues to do with commercial confidentiality would be involved.

[39] **Mr Quinn:** I do not know whether they are being reluctant; I would not say that necessarily. There is nothing in law to allow us to have a data requirement, so it needs to be looked at as a co-operative issue.

[40] **Bethan Jenkins:** Do you believe that that information would help to reach targets, or is it just one way among many?

[41] **Mr Quinn:** It is one element. Clearly, if they can provide accurate data about domestic consumption by area, that would be a very firm source of data, but it does not particularly tell you about why those changes are happening, or what has been happening with

the stock to result in that.

[42] **David Melding:** In this case—[*Inaudible.*]—around the problem of establishing proxy indicators, quite considerably.

[43] **Mr Quinn:** Yes, I agree.

[44] **David Melding:** Are there any particular issues with the local authorities' difficulties in assessing performance?

[45] **Mr Peppin:** To build on that discussion, the difficulty is the increase in the number of gadgets that people bring into their houses in the form of electrical appliances. It is also an issue with new-build housing. So, even though you can get the figures and look at the consumption for some of those factors, you are not comparing one stock with the same stock at a later date and looking at the changes. In between that period, you also have growth in the use of electric for new products and additional houses being built that use energy. So, it would be quite a complicated set of measurements, but it would be a useful source of data.

[46] **Jonathan Morgan:** My question is to Matthew Quinn first. Paragraphs 2.1 to 2.5 examine the availability of external funding. What role has the Assembly Government played in identifying and disseminating the good practice exercised by some councils in accessing external funding?

[47] **Mr Quinn:** We have been supporting the work of the Wales HECA Forum in bringing together the various officers, which has been the key to information sharing. Through that, no-one should have been unaware of good practice in other areas. More recently, and more specifically, the work around the affordable warmth action plans, which are mentioned later in the report, and the support given through National Energy Action to work on putting those plans together in partnership will be significant to delivery going forward.

[48] **Jonathan Morgan:** To Tim Peppin, what has the Welsh Local Government Association been doing to support councils in accessing external funds for domestic energy efficiency measures?

10.20 a.m.

[49] **Mr Peppin:** We are involved in the HECA forum that Matthew mentioned, and one of the primary roles of the jointly funded post that existed for a period was to get out and raise awareness of the opportunities. Matthew mentioned the carbon emissions reduction target and working with utilities, and we are currently discussing that with the Local Government Association in London. We are linking up with the WLGA on a programme. Essentially, the way in which it will operate is that packages of measures that need to be undertaken in domestic properties will be brought together, with priority shown within that. High-priority households will be identified, along with lower priority households. Those packages will then be auctioned, and the utility companies will bid to undertake the work. So, it will be a much more efficient way of bringing the areas of need and areas of supply together. We are currently working on that and hoping to develop it.

[50] **Mr Quinn:** There are some specific examples of good practice in authorities that have already put together those sorts of packages, some of which were referred to in the report.

[51] **Jonathan Morgan:** I would like to pursue this a little further with regard to the HEES funding. Appendix 4 of the report shows some glaring discrepancies between the

amount of money allocated to local authorities under the HEES scheme and the ability of local authorities to make use of that money. For example, in 2005-06, Cardiff was allocated £180,000, but spent just short of £2,000. In 2006-07, Ceredigion was allocated £135,000, but spent only £25,483. The Vale of Glamorgan also shows a similarly poor performance in 2005-06 and 2006-07. You talked about this HECA forum to help to disseminate good practice, but, clearly, there is an issue about local authorities' ability to make use of the funds allocated. Can you explain why there are discrepancies? Are there capacity issues? If there are problems within local authorities, why has the good practice in some authorities not helped other authorities to address the problem?

[52] **Mr Peppin:** The figures are quite stark. You quite often get this problem with these sorts of funding schemes: the money is allocated, but things take time to work up and develop. When you see two years in which the same thing has happened, however, that starts to raise questions. The HECA forum tries to exchange examples of good practice among authorities so that those that are experiencing difficulties in achieving spend can learn from other areas about ways of promoting this. However, these allocations are not totally for local authorities, as they also include sums that go to individual bidders.

[53] **Jonathan Morgan:** How would that explain Gwynedd's ability to spend £218,923? It was allocated £130,000; the projects that it was funding exceeded that amount, but, clearly, it was able to make use of the money allocated to it. The same is true of Neath Port Talbot. If there is a problem in getting projects up and running, why is it that some authorities performed better?

[54] **Mr Peppin:** Again, I think that it comes back to this spatial difference in Wales in the characteristics of the housing stock. There may well be reasons why you can get a number of projects going that, because they are in an area that may not be on the gas mains or whatever, are quite expensive because you are putting in ground-source heat pumps or alternative methods. Some authorities have an easier way of spending large amounts of money on this, whereas others have a more difficult route. That may account for some of the variation.

[55] **Mr Quinn:** Typically, these will be done as part of the overall improvements planned in an area, so it would depend on what work is going on in the stock as a whole in a given area at a time, I would imagine.

[56] **Jonathan Morgan:** Mr Peppin, paragraph 2.8 states that 13 councils have established service level agreements with the energy efficiency advice centres. Why is it that only 13 have decided to make use of the centres?

[57] **Mr Peppin:** The feedback that I have had on that issue was that it was not a requirement to make that link. Again, it came down to local decisions as to whether it was felt that there was merit in signing up to an SLA, which would have resource implications for the authorities concerned. They had to weigh up whether or not they felt that their resources were best spent by going into an SLA with the energy advice centre or used in other ways. Those that did not sign up to an SLA obviously felt that there were other ways for them to work that were preferable to them.

[58] **Mr Quinn:** We directly fund the local support programme that the Energy Saving Trust operates in Wales, which is designed to liaise with local authorities as a whole. So, we are posting that on the EST site.

[59] **Jonathan Morgan:** Looking at the work of the advice centres, has the Assembly Government undertaken an evaluation of their role and effectiveness? Might local government be deterred from signing up to a service level agreement on the grounds of those centres' effectiveness?

[60] **Mr Quinn:** I cannot comment on local authorities—perhaps Tim can pick up the second half of the question. The work is mainly conducted through the Energy Saving Trust; it is its programme. So, I do not have an overview of its general effectiveness. I think that it is one of the issues that is very relevant to the next stage of work and how we take forward the plans.

[61] **Mr Peppin:** I am not aware of any specific issues that have been raised where there were concerns about the service that is offered or the quality of the service that is available, which stopped people from entering into SLAs. That has not been raised with me, but I can certainly take that up with the HECA officers to see whether there are any reasons, which we can feed back to you.

[62] **David Melding:** We have touched on the issue of resources and the commitment that local authorities have made to delivering HECA objectives, but I wish to probe a bit further. We have heard that existing priorities and the nature of the housing stock can have quite an impact on the performance data—we understand that. However, we also see in the report that 15 of the lead HECA officers in local authorities felt that they did not have sufficient time to fulfil their commitments under the Act. We have also heard from Mr Quinn that those councils that have performed best have dedicated plans and officers and quite a clear focus. Do you believe, Tim, that local authorities, on the whole, have devoted enough to this area, which is of great public concern now given the big environmental consequences? Energy conservation is one of the main ways of meeting future climate change obligations, and I am sure that people would expect their local authorities to be taking a strong lead in this area.

[63] **Mr Peppin:** What I can say is that this issue has gone right up the agenda in local authorities. I think that there is much more awareness now of the issue and what authorities need to do. So, more effort is being put into that and into linking that up with other policy areas within authorities. Climate change is much higher up on everyone's agenda than it was 13 years ago when all this started. It is seen as an integral part of that. Authorities, within the resources available to them, are giving this higher priority and more effort is being made. It is not just down to the HECA officers; it is across a range of authority departments in terms of encouraging better practice by all staff and more contribution, which is a major contributor to the authorities' own use of energy. I do not think that bringing it down to one HECA officer does it justice really, because authorities are acutely aware that, given that energy prices are going up and the carbon-reduction targets that are being set, this must become much more of a focus.

[64] **David Melding:** That is quite helpful. Do you want to follow up on that, Ann?

[65] **Ann Jones:** If you look at figure 4 on page 23, there is a huge discrepancy in the amount of time that different officers are spending on this. Four authorities are at 100 per cent, but then we come down to one authority that is at 1 per cent. If you relate that to what Jonathan Morgan said earlier about the spend, what have you done to analyse whether a lack of focus by an officer has allowed the budget not to be spent? I am sure that we would all advocate that people would be looking to apply for this scheme. Have you done any evaluation of that?

[66] **Mr Peppin:** We have had some feedback from the HECA forum that suggested that there was not a clear or straight relationship between the amount of time that a HECA officer spent on the work and the results being generated. However, you cannot avoid the point that you are making, that the more resources that are put into making sure that this happens the more results you will get. I think that local authorities need to take that comment on board and to recognise that dedicated resources are required to make things happen.

10.30 a.m.

[67] **Ann Jones:** What will the WLGA do then to address this huge anomaly in the percentage of time that lead officers spend on delivering HECA objectives? I was not going to name specific councils, but the figure for Denbighshire is 1 per cent, as opposed to 100 per cent for Cardiff, Flintshire, Powys and Swansea. How do we lift councils such as Denbighshire that are on 1 per cent up to 100 per cent? Denbighshire has a long way to go, does it not?

[68] **Mr Peppin:** The WLGA has done work on sustainable development whereby it has put together a framework for local authorities to give practical advice and information on what they can do to become more sustainable. That is being done on a corporate basis and on a service-by-service basis, improving energy efficiency features throughout. We also have Excellence Wales, which is an annual round of awards to local authorities for excellence and good practice, and from next year climate change and energy efficiency will be one of the categories for excellence. So, the WLGA can give signals to local authorities about the direction in which they need to go, and by holding climate change and energy up as one of the areas where we would expect to see excellence, what we are saying, effectively, is that this has to be an area that they prioritise. We are encouraging those authorities that are doing well to come out and share their good practice, so that some of the authorities that perhaps have not put as much effort or resource into it can see what is being done elsewhere. Given rising energy costs, all authorities will eventually want to prioritise this area, and because of the carbon reduction issue, we must work with the private sector and registered social landlords—we need collective work across the board to tackle some of these issues.

[69] **David Melding:** The Beecham review said that local authorities needed to collaborate more, and work regionally. Are there lessons here? Do some of the problems stem from having 22 approaches when it could have been regionalised? I noticed that some of the high performers in the table are next-door to poor performers. I do not want to make a simple correlation, but is there an issue there?

[70] **Mr Peppin:** Local authorities are making much more effort on the regional agenda since Beecham. We have four regional partnership boards, with leaders and chief executives from authorities in those areas, and they discuss a range of issues. There are opportunities for authorities to share expert knowledge. There is no need for all authorities to have that expertise in-house—it can be a shared resource, and there are economies of scale in dealing with some of this. There are examples in other areas where those authorities are now collaborating successfully. So, this is one area where we can work regionally, but it does not necessarily have to be about geographical proximity—one of the things that the HECA forum is looking at is bringing together authorities that have problems with houses off the gas mains. Are there ways that they can work collaboratively on, say, procuring ground-source heat pumps? A number of authorities are looking at bringing those into care establishments. It is an efficient way of heating the building, bringing down the ongoing running costs, and does not necessarily cost more than installing a new heating system of a traditional kind. So, those sorts of linkages are being made by the HECA forum as well.

[71] **David Melding:** That is helpful.

[72] **Jonathan Morgan:** Paragraphs 3.1 to 3.3 report that councils have invested considerable funding to improve energy efficiency, but there are particular challenges for councils in improving efficiency in hard-to-heat homes and in the private sector. I have a question for Matthew Quinn. What action is the Assembly Government taking to raise the standard of energy efficiency in private homes?

[73] **Mr Quinn:** A large proportion of the HEES money that we mentioned is going into

that area. We started this period with hard-to-heat homes principally being a problem in the social housing sector, but it is now more relevant to the private sector. So, it is a significant issue. A lot of those hard-to-heat homes may be occupied by people who can afford to have work done, and that is certainly an issue for us in not assuming that grants are the way forward on this. The home energy efficiency scheme obviously focuses on need and fuel poverty, and we would be looking to retain that element. As part of our overall work on climate change, we are looking at a series of areas of work on people's behaviour and actions, and, with a combination of targeted support for those who cannot act for themselves, and encouragement to action for those who can, we have a good package going forward. That will mean looking at a number of the existing schemes and, potentially, changing them, and making sure that we are clear that the various moneys that go into this area, particularly the domestic sector, are doing that sort of work for us and that we are getting the best value for them. That will wrap up in the work on the climate change targets and the national energy efficiency and savings plan over the next six months or so.

[74] **Jonathan Morgan:** Tim, if you look at the role of local government and the level of interaction between your role and the requirements that the Assembly Government puts on local government in Wales, what further action does the Assembly Government need to take to help local government to fulfil the requirement of improving home energy efficiency in the private sector?

[75] **Mr Peppin:** Matthew mentioned the work that is being done to try to improve the measurements. That will be fundamental because, until you have accurate measures that you can use to track the changes and the impact that you are having, it is very difficult to get a handle on whether you are making improvements. So, that would definitely be one area for action.

[76] On awareness-raising and public information, we are working together on proposals to provide more information to households, particularly in relation to climate change, on what they can do to reduce their impact. Home energy efficiency will be a key part of that. There is good joint working between the Assembly Government and the Welsh Local Government Association on a range of issues that can contribute to this agenda. There needs to be more of that and, as Matthew said at the outset, a more integrated package to bring together those various strands so that there is clarity for local authorities on how it all fits together. That will assist in providing local authorities with a clear set of objectives.

[77] **Mr Quinn:** It strikes me that this gets a lot more life when you start talking about heat pumps—when it becomes very tangible—and things that are within the direct ability of the local authority to effect. I certainly think that, going forward, looking at what we expect in the programmes that local authorities deliver, and being clear about that in the performance framework and in what we ask local authorities to focus on, will be important and helpful in terms of enabling people to measure their impact.

[78] **Mr Peppin:** Revisions of the planning guidance will also be a factor. There are some elements of that that will contribute.

[79] **David Melding:** Bethan, we have covered the area a fair bit, but do you want to put anything further to Matthew on how they are trying to influence the behaviour of consumers?

[80] **Bethan Jenkins:** There is more to ask on the detail. Perhaps you could give more detail about how you intend to encourage private home owners to get involved in this—I know that other schemes have provided council tax rebates and so on. I know that you have touched on it already, but are there any clear signs of new schemes that can be implemented in relation to this?

[81] **Mr Quinn:** Tim mentioned building on that experience and looking at perhaps even consortia of local authorities bringing forward packages as part of that. The carbon emissions reduction target programme—which means that energy companies must deliver energy efficiency measures—provides a tremendous opportunity to do this because they have financial incentives in their operating structures. We have looked at the experience in London, where they packaged their programme with one of the big utility companies to be able to roll out quite significant investment. There is an opportunity to do that within the stock as a whole. On communication on climate change, we have commissioned an agency and we are close to having the basis of a significant campaign to launch later this year, so we will be raising the profile of this with the public generally in Wales.

[82] **Bethan Jenkins:** I know that you have already spoken about this, but I want to go back to the social housing element briefly. It is obviously something that we are asking local authorities to do, but what is your opinion about councils that are currently holding ballots for stock transfer or with regard to new contracts with any council that transfers its stock? Are you confident that those housing associations are committed to this agenda, and how are you monitoring that? I know that some housing associations, perhaps on the homelessness agenda, are not addressing it as substantially as they could be because the stock has been transferred. That is my personal opinion. Do you think that that is reflected in this scheme or do you think that it is just as successful outside the council's control?

[83] **Mr Peppin:** The Welsh housing quality standard sets the benchmark and working towards that forces everyone—whether it is being done by a council or a registered social landlord—to work towards better standards of efficiency. I think that it is a very useful tool to inform everyone which way we are trying to go.

10.40 a.m.

[84] However, from speaking to some of the registered social landlords, they are very conscious of this and want to be seen to be state of the art. Given the amount of investment that will go into the housing stock in the next few years, it is a real opportunity to make some significant progress.

[85] **Mr Quinn:** We have been talking to many of the RSLs, including the transfer RSLs, about their ambitions to go quite a lot further than the base requirements of the Welsh housing quality standard on energy efficiency. There is a lot of willingness out there, and, if you are making that level of investment and making those changes to the stock, this is the time to do it most cost-effectively. It is looking quite promising.

[86] **David Melding:** I will just touch on the question of renewable energy and its impact, particularly with regard to the micro-sector, I suppose, where householders now can do certain things to generate energy. This touches a bit on what Matthew said earlier about the fact that there is a sector, usually in privately owned homes, of people who, even with increasing fuel costs, are not in fuel poverty, and that a grant culture is not always the best way to tackle efficiency in that context. However, there is a big difference between being able to meet increasing fuel costs and meeting a capital cost to install solar panels or micro-wind generation. Is that an area that you are looking at? Might an appropriate way to encourage people to invest for a longer-term saving, which would have to be built up over time, be to provide help with the initial, sometimes quite substantial, capital outlay? Do you have any other general remarks about the use of renewables?

[87] **Mr Quinn:** On the specifics on capital investment, going forward on the home energy efficiency scheme and the renewables area, there is a tremendous opportunity to ensure that as much of that as possible is built into the capital works that go in, which is an existing route to get those in. Various grants have been available, through various sources, for

people who have a return period and can afford to do it. Some of the grants operating last year—which kept capping themselves after about day three of the month and which were operating centrally from the Department for Business, Enterprise and Regulatory Reform—were, on one level, dissuading people from making the investment because they were chasing the grant rather than putting it in. I remain to be persuaded about what the best way into that is, but it is certainly an issue we need to look at in terms of the strategy going forward because we need that investment.

[88] **Mr Peppin:** The other point is that we need to demystify some of the renewables issues and get some clear information out, because if you are going to invest in renewables or micro-generation equipment, it will be a substantial investment. If you then read in the paper that perhaps it is not all it is cracked up to be, that you will not really make savings, or that there is new technology down the road and that you should wait until later, you will be put off. There is a need to get some clear information and some acceptance of what it is best for a household to do. It is a big decision and a big commitment, and, if you are going to make that investment, you are probably planning to stay in the house for a considerable period rather than planning to move about. So, householders need to have good, clear and accurate information.

[89] **Mr Quinn:** The sort of investment involved is the sort of investment you make when you change your central heating system. It is the same sort of cost as a new boiler and new radiators. So, it is a decision that people make at those points in the cycle, and it is about having the right information. I am encouraged that a number of mainstream, if you like, big name suppliers now have energy efficiency products in their range, so the concerns people have about not knowing the supplier and not being sure about the quality of the product will begin to diminish. There are real opportunities there.

[90] **David Melding:** Tim touched on my final question earlier when he referred to energy consumption via electronic appliances, which is increasing very considerably. To both witnesses, is it your view that the HECA generally concentrated—perhaps it needed to—on the fabric of the housing stock? How are we going to move on, while not losing that attention to the fabric, to look at issues such as consumption via white goods, as they are called?

[91] **Mr Peppin:** It is a massive issue because we can do an awful lot to improve the efficiency of homes, but that can be swallowed up by bringing in more gadgets and using more electricity. So, there is a big message to get across about thinking twice about whether you really need that electric gadget; it may be something that you could have done by hand, and it may have been better for your health if you had done something else, instead of using an electronic appliance. With electricity bills and gas bills getting increasingly higher, people will be forced to rethink their behaviour.

[92] Ultimately, if we are serious about sustainable development, we must start thinking about whether we really need some of these products and whether they are socially useful or just nice to have—which is getting into all sorts of social territory. However, there are big issues in that regard that need to be thought through. Perhaps we could harness the power of the private sector for its innovation in terms of more socially useful and more sustainable products, rather than always looking at something that you plug in or that needs batteries, which just adds to the problems that we are trying to deal with.

[93] **Mr Quinn:** I do not have much to add to that. The practical issue of appliances is likely to be a major focus of the initial campaigning work because it is where people can, by practical action, make the biggest difference. We may well be looking at increased information such as very simple smart meters that are not overly expensive, so that people can see directly what happens when they use appliances. If necessary, it could set off an alarm when energy consumption goes above a certain level. As Tim said, people are thinking about

their energy consumption at the moment—the price increases have certainly concentrated minds.

[94] **David Melding:** Thank you. That concludes the questions that we wish to put to you this morning. I thank Tim Peppin and Matthew Quinn for giving clear and concise answers; it has been a helpful session. You will be sent a transcript of these proceedings, so if you feel that anything has been incorrectly transcribed, you will have a chance to suggest corrections. I apologise again for the fact that you were kept waiting. I am afraid that they were matters beyond my control as Chair, but it was something that irritated me even if it did not appear to irritate to you, as you were calm and helpful in giving the evidence. Thank you for your attendance this morning.

10.47 a.m.

**Cynnig Trefniadol
Procedural Motion**

[95] **David Melding:** I propose that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).

[96] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion carried.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.47 a.m.
The public part of the meeting ended at 10.47 a.m.*