

## Senedd Equality and Social Justice inquiry into fuel poverty and the Warm Homes Programme

The Bevan Foundation is Wales' most influential think-tank. We aim to end poverty and inequality by working with people to find effective solutions and by inspiring governments, organisations and communities to take action. We are grateful for the opportunity to respond to the Senedd's Equality and Social Justice consultation for its inquiry into fuel poverty and the Warm Homes Programme. Our extensive work on poverty and inequality provides us with some insights into the difficulties faced by those living in low-income households, including fuel poverty. Our response draws on this experience and addresses each of the committee's questions in turn.

### What are the main lessons learned from the Welsh Government's current Warm Homes Programme?

A diverse range of organisations have highlighted a number of concerns about the current Warm Homes Programme.<sup>1</sup> Among the calls for change that have already been made are:

- To make it easier for households to access the assistance available through the Warm Homes Programme.
- For the Welsh Government to set realistic targets and measure progress against them regularly.
- For the Welsh Government to ensure that no measures are taken through the programme that increases carbon output.

The primary lesson we think the Welsh Government must draw from its current Warm Homes Programme, however, is that a single programme cannot have the dual aim of reducing fuel poverty and decarbonising homes. Whilst the two objectives are clearly linked, we believe that the Warm Homes Programme was undermined by not having a clear aim. As a result, the programme did not adequately meet either objective.

The impact of the Warm Homes Programme on decarbonisation has been limited. As highlighted by Audit Wales, Nest has evolved to become a boiler replacement programme, rather than a whole house scheme.<sup>2</sup> This means that the programme has prioritised the installation of a carbon emitting measure rather than decarbonisation measures such as the installation of insulation.

On the other hand, the Warm Homes Programme's decarbonisation objectives curtailed its effectiveness in tackling fuel poverty in two ways.

First, many households that receive support through the Warm Homes Programme don't live in fuel poverty. Nearly half (49.6 per cent) of households that benefited from a Nest Energy Improvement Package in 2020/21 didn't live in fuel poverty.<sup>3</sup> This figure may even be an underestimate based on Audit Wales' findings as to how some Nest officials collect data.<sup>4</sup> This builds on concerns raised by the Bevan Foundation in 2019 that the Nest scheme disproportionately benefits higher income households.<sup>5</sup>

Second the Warm Homes Programme offers very little assistance to households living in fuel poverty beyond improving home energy efficiency. Whilst improving energy efficiency can have a positive impact on the costs faced by households it does not, as of itself, remove the risk of fuel poverty.

In most energy efficient dwellings, households are still faced with energy bills. If fuel prices are high, or a household's income is low, using relatively small amounts of fuel can still push families into fuel poverty. This situation is exacerbated by the fact that whilst low-income households spend less on their energy bills than higher income households, it accounts for a greater proportion of their spending.<sup>6</sup>

## 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?

We suggest that to successfully address fuel poverty and to decarbonise housing, the Welsh Government should develop two separate programmes. Our recent experience in Wales suggests that it is very difficult to design a single programme that can accommodate both objectives. This is the result of the differing policy priorities related to both goals.

The overriding objective of a decarbonisation programme is to reduce carbon emissions. Household incomes and energy prices are secondary concerns. The overriding objective of a fuel poverty programme is to ensure people can afford to heat their homes to an adequate level. Energy efficiency does matter, but household incomes and energy prices are just as important.

Developing two separate programmes would allow the Welsh Government to ensure that it takes adequate measures to both tackle fuel poverty and to decarbonise housing stock.

We would envisage that the first of these programmes would focus primarily on decarbonising housing. We suggest that this programme should be open to all households living in energy inefficient homes and provide a mixture of financial assistance and advice to households who wish to make their homes more energy efficient. The level of financial support available to households should be based on a sliding scale, with all households that are eligible for Universal Credit and equivalent legacy benefits entitled to see the cost of decarbonising their home covered in full.

The second of these programmes should focus specifically on fuel poverty. This programme could focus on measures beyond retrofitting properties, ensuring that households who have taken every available measure to improve their home's energy efficiency, but who are still struggling with energy costs are provided with assistance. Assistance provided through such a scheme would include measures such as advice, repairs and financial help. The Welsh Government's recent decision to launch a winter fuel support scheme is a step in the right direction in recognising the need to look at the problem more holistically.<sup>7</sup>

With regards to the specific questions raised by the committee our response is set out below:

### **What should the eligibility criteria for home energy efficiency measures be?**

As noted above the Bevan Foundation believes that there is a need to move away from a model where energy efficiency measures are seen as the only solution to fuel poverty.

We recommend that all households eligible for Universal Credit and equivalent legacy benefits should be entitled to see the cost of decarbonising their home covered in full, with this forming part of a broader programme of support.

### **Should the area-based approach to tackling fuel poverty (Arbed) continue?**

The Audit Wales report leaves little doubt that there were serious shortcomings with the way that Arbed was administered.<sup>8</sup> We do believe however, that there may be a place to retain an area-based approach to tackling fuel poverty.

Area-based programmes do offer some benefits over national schemes. Area-based schemes provide economies of scale benefits, with contractors able to work on numerous properties in a location. It can also help reduce stigma, ensuring more homes are decarbonised.

Given the evidence collated by Audit Wales we believe that were area-based schemes retained by the Welsh Government it should move from a top-down approach to identifying areas that are covered by the scheme to a more localised approach. Local authorities are better placed to understand which of their communities would most benefit for area-based interventions and how such interventions would align with broader regeneration work ongoing within communities.

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

Rural communities do face additional challenges in relation to fuel poverty. Many communities are off gas, with a number of rural homes being detached or constructed in a way that makes it difficult to significantly improve their energy efficiency. There are options available to the Welsh Government to help meet these challenges.

One option for the Welsh Government is to prioritise the installation of new heating technologies such as heat pumps in off gas communities. Such technologies can lead to long term savings for households but can be expensive to install. Given that it may no longer be desirable to expand the gas network, exploring such options may provide greater value for money in the long term and help lift some households out of fuel poverty.

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

We are concerned that there may be limitations as to how far it may be possible to encourage landlords to tackle fuel poverty amongst tenants.

Research undertaken by the Bevan Foundation over the summer of 2021 found that there is little correlation between a home's EPC rating and market rent, meaning that there is little financial incentive for landlords to make their properties more energy efficient.<sup>9</sup> Encouraging the market to value energy efficiency more highly may be counterproductive from a tackling fuel poverty perspective. If homes with a high EPC rating become more expensive to rent, then it is likely that many low-income tenants will be forced into energy inefficient homes putting them at greater risk of fuel poverty.

It may therefore be necessary for the Welsh Government to consider tightening legislation to improve standards and to reduce fuel poverty. One option may be to strengthen fitness for human habitation legislation to ensure that all homes meet a required minimum energy efficiency standard for their property type. In the interim, the Welsh Government should ensure that any landlord who receives support through the Welsh Government leasing scheme takes action to make their properties as energy efficient as possible.

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

As noted in our response above the Warm Homes Programme is not focused enough on low-income households living in fuel poverty. Our proposal to establish two distinct programmes would ensure

that there was a greater focus on fuel poverty itself, ensuring better advancement of equality and social justice considerations.

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

As noted above we propose that the Welsh Government should establish a distinct programme that focuses on decarbonising homes. To make a meaningful difference to the Welsh Government's net zero targets, the funding available for this programme should be increased significantly to maximise the number of properties that benefit from the scheme.

The Welsh Government should also ensure that the concerns raised by Audit Wales are considered when such a programme is designed.<sup>10</sup> The programme must take an all house approach to decarbonisation and ensure that environmentally damaging practices such as inserting new boilers in place of ones that could be repaired, is halted immediately.

## References

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<sup>1</sup> The have included previous submissions by the Bevan Foundation, Bevan Foundation, *Bevan Foundation National Assembly's Climate Change Environment and Rural Affairs Committee inquiry into fuel poverty*, (October 2019) available at - <https://www.bevanfoundation.org/resources/consultation-response-fuel-poverty/>; Audit Wales, *The Welsh Government's Warm Homes Programme*, (November 2021) available at - <https://www.audit.wales/sites/default/files/publications/The%20Welsh%20Governments%20Warm%20Home%20Programme%20-%20English.pdf>; and National Energy Action, *A new fuel poverty strategy for Wales* (July 2020) available at - <https://www.nea.org.uk/wp-content/uploads/2020/10/A-new-fuel-poverty-strategy-for-Wales-July-2020.pdf>

<sup>2</sup> Audit Wales n(1)

<sup>3</sup> Welsh Government Nest Programme, *Annual Report 2020/21*, (2021) available at - <https://nest.gov.wales/workspace/uploads/files/nest-annual-report-20-21-engli-61a8bab91155e.pdf>

<sup>4</sup> Audit Wales n(1)

<sup>5</sup> Bevan Foundation n(1)

<sup>6</sup> Bevan Foundation, *State of Wales Briefing: Energy efficiency of Wales' housing stock* (January 2022) available at (subscriber only) -<https://www.bevanfoundation.org/subscribers-area/state-of-wales-briefing-energy-efficiency-of-wales-housing-stock/>

<sup>7</sup> Welsh Government, *Winter fuel support scheme*, (December 2021) available at - <https://gov.wales/winter-fuel-support-scheme>

<sup>8</sup> Audit Wales n(1)

<sup>9</sup> Bevan Foundation, *Wales' housing crisis: the role of LHA*, (September 2021) available at - <https://www.bevanfoundation.org/resources/wales-housing-crisis-the-role-of-lha/>

<sup>10</sup> Audit Wales n(1)