



Welsh Government

Tackling Fuel poverty Plan Draft Technical Annex

Information and analysis informing the draft plan to tackle fuel poverty
in Wales – draft

Prepared March 2020

Date of publication: 30 September 2020

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INTRODUCTION

Brief History of Fuel Poverty in Wales

1. Statutory targets for eradicating fuel poverty in Wales were first published in 2003 in the Fuel poverty Commitment for Wales. The target was to eradicate fuel poverty, as far as reasonably practicable, amongst;
 - Vulnerable homes by 2010;
 - Social housing by 2012; and
 - All homes by 2018.
2. These targets were included in the Welsh Government's Fuel Poverty Strategy published in 2010. Despite the considerable investment provided by the Welsh Government as part of the Warm Homes Programme, and the previous Home Energy Efficiency Scheme, together with the investment generated by Welsh consumers to fund UK Government initiatives, the targets have not been achieved.
3. Since 2000, the Welsh Government has invested in homes where people have been struggling to meet the cost of their home energy needs. Under the Home Energy Efficiency Scheme operating between 2001 and 2009, more than 108,600 homes benefitted from energy efficiency measures. Investment has continued under the Warm Homes Programme. As at the end of March 2020, investment of more than £366m¹ in the Warm Homes Programme (Nest and Arbed) has improved the energy efficiency of more than 61,400 homes in Wales.
4. On 22 May 2019, new headline estimates for fuel poverty in Wales were published and detailed analysis was published in August 2019. <https://gov.wales/fuel-poverty-estimates-wales>
5. In 2018, it is estimated:
 - 155,000 households in Wales were living in fuel poverty, equivalent to 12% of households.
 - Of these households, 32,000 households were living in severe fuel poverty², equivalent to 2% of households.
 - 130,000 vulnerable³ households in Wales were living in fuel poverty, equivalent to 11% of vulnerable households.
 - 19,000 vulnerable households were living in severe fuel poverty⁴, equivalent to 2% of vulnerable households

¹Includes European, UK and Welsh Government funding delivered through the Warm homes Programme

² The sample sizes for severe fuel poverty are small and these estimates are not considered as robust as those for fuel poverty.

³ A vulnerable household is defined as those with a person aged 60 years or over, a child or young person under the age of 16 years and/or a person who is disabled or has a long term limiting condition.

⁴ The sample sizes for severe fuel poverty are small and these estimates are not considered as robust as those for fuel poverty

6. The estimated reduction in levels of fuel poverty since 2008 are the result of increased household incomes and reduced household energy requirements due to energy efficiency improvements outweighing increases in fuel prices. Between 2008 and 2018, average incomes for the lowest 30% of household incomes are estimated to have risen by 26% (unadjusted for inflation), whilst improved energy efficiency has led to an estimated 37% decrease in average energy consumption required to maintain a satisfactory heating regime.
7. Whilst mean fuel prices across heating types has increased by 47%, the reduced energy consumption required taken with increased incomes has driven the percentage of households in fuel poverty to approximately half compared to 2008.

The International context

8. In June 2018, the United Nations Development Programme (UNDP) and University of Bergen published a policy paper exploring the linkages between Goal 7⁵ dealing with affordable and clean energy and the other sustainable development Goals of the UN. The key messages from the research suggested unequal access to energy and low human development globally are highly correlated. The concept of “energy poverty” includes “fuel poverty” in the developed world, it notes in situations where people do have access to energy, the poorest often end up paying disproportionate shares of income for energy, in part because of the proportionally higher upfront costs for energy-efficient equipment. The cost impacts of public clean energy incentive schemes may also disproportionately burden poorer taxpayers, and public money tends to favour national grid infrastructure over smaller-scale off-grid development.
9. Energy poverty can be correlated with low household income, high energy costs and energy inefficient homes and can be tackled by income increase, fuel prices regulation and energy efficiency improvements in buildings. The European Union has recognised energy poverty is a widespread problem across Europe. A common European definition does not exist, but many Member States acknowledge the scale of this socio-economic situation and its negative impact translated into severe health issues and social isolation. Different terms are used to describe affected persons: fuel poor, energy poor, vulnerable energy consumers or, to a larger sense, at-risk-of-poverty or low-income people. The European Union identified only four European countries (France, Ireland, Slovakia and UK) who had an official definition for energy poverty.
10. The United Kingdom, France, Ireland, Belgium and Romania have implemented support programmes to improve the energy performance of low-income homes and thus often energy poor homes. The majority of national schemes to reduce energy poverty focus on income support schemes such as fuel, heating and electricity subsidies.
11. Vigorous energy renovation measures of energy poor homes address the essence of the problem due to reduced energy costs, improved thermal comfort and better indoor air quality. In most cases, however, such energy poverty schemes mostly remain stand-alone instruments and are not integrated in a broader strategy on national or even on the EU level.

⁵ <https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-7-affordable-and-clean-energy.html>

The UK Context for Tackling Fuel Poverty

12. In 2000, David Amess MP brought forward a Private Member's Bill in the UK Parliament, which with all party support, became the Warm Homes and Energy Conservation Act 2000. This established a seemingly simple target: to eradicate fuel poverty in England by 2016 as far as reasonably practicable. At the time, Fuel poverty was characterised as someone on a "lower income [living] in a home which cannot be kept warm at reasonable cost." The legislation was implemented later in Wales with a target to eradicate fuel poverty in Wales by December 2018.
13. The first UK Fuel poverty Strategy, adopted in 2001, set out the way fuel poverty would be measured. This was the 10% indicator under which a household was fuel poor if it needed to spend more than 10% of its income (measured before housing costs) on energy in the home. One key feature of this definition is it focused on energy requirements, rather than actual energy spending. This was considered as appropriate as in many low income households actual expenditure on energy falls short of what is needed to provide adequate lighting, heating and appliance use. This approach requires an understanding of how much energy a household should use in order to achieve an adequate standard of warmth. This indicator was therefore underpinned by a methodology allowing energy requirements to be modelled against the characteristics of the dwelling.
14. The 10% indicator allowed fuel poverty to be measured at a national level. In 1996, in England, there were some five million fuel poor homes. This had dropped to around one million (an 80% fall) by 2003/04. In the years to 2010, however, fuel poverty quickly rose again, reaching four million by 2009. During this time considerable investment was being made in housing stock, through UK Government schemes such as Decent Homes and Warm Front, but the impact on fuel poverty was limited.
15. The UK Government also argued it had become clear the 10% indicator was very sensitive to energy prices. Indeed, high prices were bringing some people who were reasonably well-off but lived in large, energy inefficient homes into fuel poverty. There was a danger of both underplaying the effectiveness of support schemes and undermining good scheme design. Professor Sir John Hills, of the London School of Economics, was asked to undertake a fully independent review of fuel poverty, reporting back to the Secretary of State for Energy and Climate Change with recommendations.
16. The Hills Review, conducted between 2012 and 2013, not only provided a detailed assessment of the causes and impacts of fuel poverty but also set out a more effective way of understanding and measuring the problem. Professor Hills made two key recommendations, both of which were adopted by the UK Government in relation to England, which included the adoption of a new Low Income High Costs indicator of fuel poverty; and to adopt a new fuel poverty strategy for tackling the problem.
17. In March 2015, the UK Government published a strategy for tackling fuel poverty in England. The strategy is underpinned by the fuel poverty target for England, i.e. for as many fuel poor homes as reasonably practicable to achieve an energy efficiency standard of Band C by 2030. The strategy is the UK Government's roadmap for meeting the target, and states people on the lowest incomes should not be left to live in the coldest, least energy efficient homes.

PURPOSE OF DOCUMENT

18. The purpose of this document is to:

- Outline the key determinants contributing to fuel poverty;
- Outline the Legislative and Policy Framework within which the Welsh Government operate;
- To assess Welsh Government's performance against the 2010 Tackling Fuel poverty Strategy in Wales Plan;
- Identify key issues arising from the assessment, and propose changes to the new Tackling Fuel poverty Plan;
- Impact assess the proposed changes against relevant policy objectives;
- Carry out a cost impact analysis based on a number of options for the new Tackling Fuel poverty Plan.

DETERMINANTS OF FUEL POVERTY

Household incomes

19. Action taken to advance the Welsh Government's 2010 Strategy for Tackling Fuel Poverty has been one of the key contributions to the Welsh Government's wider objectives to tackle poverty in all its forms. Poverty has a profound negative impact on people's lives and on communities. Whilst action has been taken to tackle poverty for children, young and older people, ten years of austerity has witnessed a growing and worrying trend of food poverty, holiday hunger and in work poverty.

20. There is clear evidence of the extent and impact of debt in Wales⁶ and for many individuals and households, debt and financial pressures are a real, continuing, day on day source of stress, anxiety and uncertainty. In many cases these pressures are exacerbated by difficulties such as income uncertainty, unemployment or other vulnerabilities such as mental health problems.

21. The National Survey for Wales⁷ reports material deprivation as a measure of poverty and its effects. The National Survey first included questions about material deprivation in 2014-15 and then again from 2016-17 to 2019-20. It includes results for material deprivation and also on food poverty. The latest reports for 2018-19 and 2019-20 found:

- In 2019-20, 13% of adults in Wales are materially deprived as are 32% of parents with three or more children and 49% of single parents.

⁶ StepChange 2015, 2018b; Money Advice Service 2017b.

⁷ <https://gov.wales/national-survey-wales-april-2019-march-2020>

<https://gov.wales/national-survey-wales-april-2018-march-2019>

<https://gov.wales/poverty-and-deprivation-national-survey-wales-april-2017-march-2018>

- In 2018-19, 9% of adults had gone at least one day without a substantial meal during the last fortnight, and 1% cannot afford to eat meat (or equivalent) at least every other day.
 - In 2019-20 41% of people living in social housing are materially deprived, compared with 23% in private rented accommodation and 5% in owner-occupied housing.
- 22 The COVID 19 pandemic has depressed household incomes in Wales still further. Latest statistics published by the UK Government (August 2020)⁸ reports 400,800 workers in Wales have been furloughed during the pandemic, receiving 80% of their salaries not exceeding £2,500 per month.
- 23 Other early indicators⁹ also suggest downward pressures on household incomes. The median monthly pay from PAYE real time information for Wales was £1,701 per month in the three months to June 2020. Compared with the previous quarter (January to March 2020), the median pay in Wales decreased by £30 per month. This is a percentage decrease of 1.7% which was the largest decrease since comparable records began.
- 24 As of the 9th July 2020 there were 266,100 people on Universal Credit in Wales, this is an increase of 6,000 people (2.3%) from the previous month. Compared with March 2020, it's an increase of 110,700 (71.2%). The "Working – with requirements" conditionality had the largest increase on the previous month, up 5.4% and "Working – no requirements" had the largest increase compared with March 2020, up 115.9%.
- 25 While the pattern is similar across the four UK countries, Wales has the highest proportion of owner-occupied dwellings. The Financial Conduct Authority (FCA) report average mortgage debts for those with a mortgage are lower in Wales than the UK overall (£104,000 compared to £126,000), but this difference is a result of lower house prices in Wales. The UK House Price Index¹⁰ for June 2019 shows the average house price of a property in Wales was £163,800 compared with £230,300 across the UK as a whole.
- 26 The average house price of a property in Wales¹¹ in June 2019 represented the fifth lowest of the UK countries and regions, higher only than North East England, Northern Ireland, Scotland and Yorkshire & the Humber. According to analysis carried out by the Office for National Statistics in May 2019, the median financial liabilities in July 2014 to June 2016 was £3,600 in Wales which is lower than the GB median of £4,000. In Wales, 3% of households are without a current account (Family Resources Survey, 2017/18).

⁸ <https://www.gov.uk/government/publications/coronavirus-job-retention-scheme-statistics-august-2020/coronavirus-job-retention-scheme-statistics-august-2020#geography--countries-and-regions>

⁹ <https://gov.wales/sites/default/files/statistics-and-research/2020-08/key-economic-statistics-august-2020-374.pdf>

¹⁰ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/june2020>

¹¹ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/june2020>

Cost of energy

21 The UK Government's Department for Business, Energy and Industrial Strategy (BEIS) publishes annual estimates of UK household fuel expenditure and domestic fuel bills¹². One of the three underlying causes of fuel poverty is **energy prices**. After a short trend of decreasing costs, the average UK weekly expenditure on all fuels (excluding motor fuels) increased from £22.36 in 2016/17 to £22.80 in 2017/18 and £24.92 in 2018/19¹³. Average UK spending on electricity by consuming households increased by 8.4% between 2017/18 and 2018/19. The increase in expenditure was greater for those with electric central heating systems, which increased by 10.5%. Between 2017/18 and 2018/19, average UK expenditure on gas increased by 6.7% for consuming households and decreased by 3.1% for those with no gas central heating.

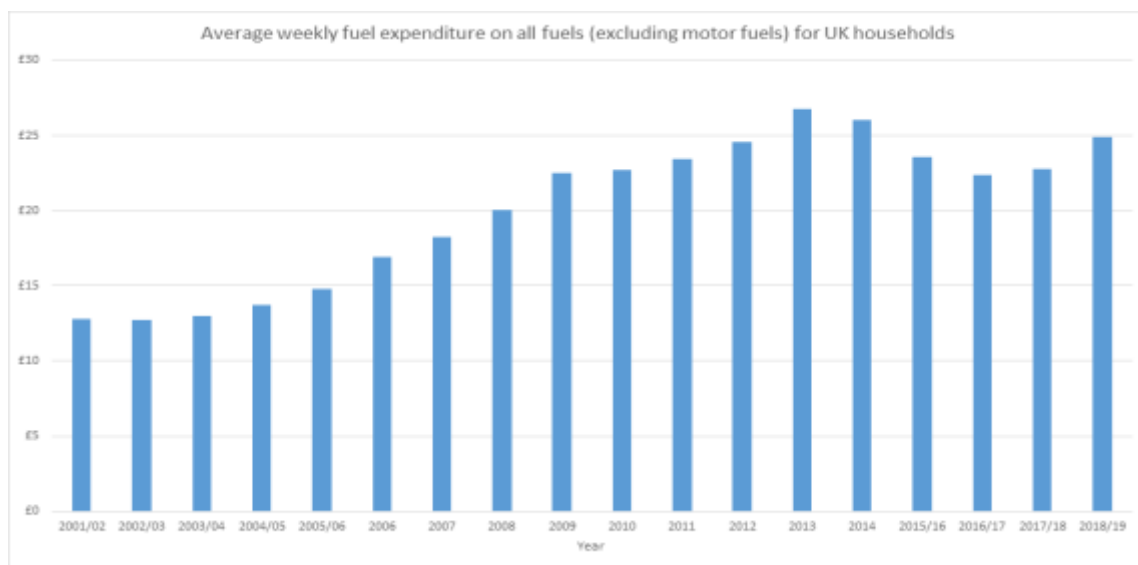


Figure 1 - The average UK weekly expenditure on all fuels (excluding motor fuels) published by BEIS

27 The UK Government has taken steps to ensure people who are unable or unwilling to change their energy supply will be protected from the energy markets pricing fluctuations. The Domestic Gas and Electricity (Tariff Cap) Act 2018 received Royal Assent in July 2018, and came into force on 1 January 2019. It is implemented with a view to protecting existing and future domestic customers who pay standard variable and default rates and it must have regard to the need to:

- create incentives for holders of supply licences to improve their efficiency;
- set the cap at a level which enables holders of supply licences to compete effectively for domestic supply contracts;
- maintain incentives for domestic customers to switch to different domestic supply contracts;
- Ensure holders of supply licences who operate efficiently are able to finance activities authorised by the licence.

¹² <https://www.gov.uk/Government/statistical-data-sets/annual-domestic-energy-price-statistic>

¹³ <https://www.gov.uk/government/statistical-data-sets/annual-domestic-energy-price-statistics> 26 March 2020

- 28 The price cap limits the unit cost of gas and electricity, with standing charges taken into account. It is not a cap on customers' energy bills which will still depend on energy consumption. The cap level is set using Typical Domestic Consumption Values (TDCV) and national average network charges. TDCV represents the median level of consumption for domestic energy consumers. On 7 February 2019, Ofgem published an adjusted level of the default tariff and prepayment meter price cap.
- 29 Higher wholesale energy costs before the COVID 19 Pandemic had pushed up the level of the pre-payment meter cap. Other costs, including network costs for transporting electricity and gas to homes and costs associated with environmental and social schemes (policy costs), have also risen and contributed to the increase of the caps. Using published methodologies, Ofgem adjusts the caps twice a year to reflect the estimated costs of supplying electricity and gas to homes for the next six-month period. In August 2020, Ofgem announced changes to the winter domestic energy price cap applied to default and standard variable tariffs. The level of the price cap will fall by £84 from October 2020 to its lowest level £1,042, driven by lower wholesale energy costs. This cap now includes bill payers who are reliant on pre-payment meters following Ofgem's consultation earlier this year. The level of the cap for prepayment meter customers will fall by £95.
- 30 Ofgem estimates the reduction in the price cap will benefit 11 million households on default tariffs and 4 million on prepayment meters (around half the population in total). Ofgem has warned, however, the cap is likely to rise in April 2021 if the wholesale energy market continues to recover from the COVID 19 pandemic.
- 31 Ofgem¹⁴ and the energy industry continue to encourage people to switch their energy supplier to secure the best deal for meeting their home energy needs. There are around 28 million electricity and 23 million gas meter points (referred to as consumers in this release) in Great Britain. Many of these take their gas and electricity from the same supplier, with on average 70% of electricity customers, and 80% of gas customers, having dual fuel accounts. Ofgem estimates approximately 5.1 million electricity consumers and 4.1 million gas consumers in total switched supplier in 2018, the highest number for almost a decade.
- 32 The number of domestic gas and electricity switches generally follows a seasonal pattern (with peaks around March and November then dipping in January and the summer months). Switching has been on the rise since 2014. The number of domestic switches in the 12 months up to September 2019 was 9% higher than in the 12 months up to September 2018 for electricity and 7% higher for gas.
- 33 There has been a break in the usual seasonal switching pattern with the number of switches staying at a relatively constant level for each month since February 2018 instead of falling in the summer months. Switching hit historic highs in 2019, with the number of electricity and gas switches reaching a record level in April. In September 2019, switches in electricity increased to 545,943 from 498,315 in August 2019, whereas in gas they increased to 435,740 from 390,926 over the same period. In September 2019, the proportion of net gains in switching away from the six largest suppliers made up 21% of total switches for gas and electricity combined, down from 32% in September 2018.

¹⁴ <https://www.ofgem.gov.uk/data-portal/number-domestic-customers-switching-supplier-fuel-type-gb->

- 34 The 2018 Ofgem Consumer Engagement ¹⁵ Survey ¹⁶, which focuses on better understanding of motivators and barriers to engagement, is designed to better understand how consumers respond to changes in the energy market. There is no Welsh specific evidence on consumer attitudes and behaviours. The research comprised a face-to-face in-home survey with a nationally representative sample of 4,064 energy consumers in Britain. Fieldwork was conducted in April-June 2018.
- 35 The report concluded the increase in consumer engagement levels in the energy market seen in 2017 had been maintained in 2018. Around 41% of consumers had engaged in the energy market in the previous 12 months, an increase from 37% in 2015 and 2016, but the same as in 2017. The increase in 2017 was attributed to an increase in the proportion comparing tariffs (from 29% in 2016 to 32% in 2018) and the proportion switching supplier (from 15% in 2016 to 18% in 2017 and 2018).
- 36 The profile of consumers engaging with the energy market has remained broadly similar to previous years, with younger people, those in social grade¹⁷ ABC1 and households on higher incomes, owner occupiers and frequent internet users all more likely than average to have engaged in the energy market.
- 37 While people aged 16-34s are the most likely to switch supplier, 35-64s are the most likely to switch tariff. Most of the increases over time in levels of supplier switching have been amongst people under the age of 65 and those from the ABC1 social grades. While there have been recent increases in levels of switching amongst C2s and social renters, switching levels remain flat amongst people aged 65 and over and DE¹⁸ households.
- 38 Approximately one third of switchers, about 7% of all consumers were first-time supplier switchers, noting some under-represented groups were more prevalent amongst the first-time switchers in 2018: namely people aged 16-34s and people in rented accommodation.
- 39 Arising from its investigation into the energy market, in 2016 the Competition and Markets Authority (CMA) recommended a number of remedies to tackle weak customer engagement in the energy market. One of these was the creation of a database, containing details of domestic customers who have been on one or more default tariffs for three or more years, with Ofgem to oversee its administration. The proxy measure developed for the consumer survey was households who had not switched supplier or tariff for the past four years. Almost half (46%) of consumers are classified as in the CMA database group, with membership more common amongst younger and older people (16-34s and 65+s), C2DEs, lower income households and infrequent/non-users of the internet. These levels and profiles have remained broadly unchanged over time.
- 40 The report concluded most consumers are aware they can switch supplier, switch tariff or change their payment method. Even amongst those who had never switched, three quarters or more are aware of each of these, which implies low levels of engagement in the energy market cannot be explained by lack of awareness. In addition, perceptions of the

¹⁵ Engagement is defined as having switched supplier, changed tariff or compared tariff with their own or other suppliers in the past 12 months.

¹⁶ 2018 OFGEM Consumer Engagement Survey published 10 October 2018

¹⁷ The grades are often grouped into ABC1 and C2DE, these are taken to equate to middle class and working class

¹⁸ **AB:** Higher and intermediate managerial, administrative and professional occupations

C1: Supervisory, clerical and junior managerial, administrative and professional occupations

C2: Skilled manual workers

DE: Semi-skilled and unskilled manual workers, state pensioners, casual and lowest grade workers, unemployed with state benefits only

amount of choice available do not appear to be a strong barrier, as those who have not engaged in the energy market are no more likely than engaged consumers to think there is either too much or not enough choice.

- 41 Time taken to switch is also not perceived to be a strong barrier to switching. While disengaged customers are more likely to agree switching takes too long, they actually have less realistic – and more optimistic – views of how long switching takes than those who had recently switched. Perceptions of the switching process are generally positive amongst recent switchers: a quarter or fewer feel switching is a hassle, worry things will go wrong, or think it takes too long. Unsurprisingly, those who had not switched, and in particular members of the CMA database group, are the least positive about switching.
- 42 In order to further investigate barriers to engagement, from 2017 consumers were asked to describe what they thought are the main risks associated with switching. The main risks perceived are financial, being costs going up (mentioned by 26%) and not saving as much as they thought (18%). Less commonly mentioned potential risks are double billing (15%) and being cut off (11%).
- 43 Motivations for engaging in the energy market are similar to previous years: saving money is the strongest motivator (mentioned by 87% of those who had engaged). Inertia or satisfaction with their current supplier is the main reason for not engaging (35% said they are satisfied with their current supplier or tariff), though 25% felt it is too much hassle and 22% said they wouldn't save, or save enough.
- 44 The internet is a key facilitator for engaging in the energy market and switching. Price comparison websites are most commonly used to compare the deals on offer, and most comparisons are undertaken online: 54% of those who had engaged with the energy market found out about deals using a price comparison website (up from 45% in 2017), compared with 12% who rang a supplier. Half of those who switched (46%) say they did so through a third party service, mainly price comparison websites. However, while there has been an increase in the proportion finding out about deals through price comparison websites, fewer said they switched through a third party (46% in 2018, down from 54% in 2017).
- 45 While use of a price comparison website is the most common form of comparison for all consumer groups, 65+s and DEs who had engaged are more likely than their counterparts to engage with a supplier direct, or by telephone. Linked to this, supplier switchers most commonly engage online (e.g. through a price comparison website), but tariff switchers are equally likely to engage by telephone as online. 86% of those who switched say they found it easy to decide who to switch to, with frequent internet users more likely to say they find it easy. 63% agreed they had sufficient control over the date they would actually be switched over.
- 46 More than half of consumers are confident they're on the best deal (58%), and there has been no consistent change in this figure since 2014. It is notable half of those in the CMA database group (who had not switched at all in the past four years), and who are likely to be on a poor deal, still felt confident they are on the best deal for their household. Customers generally trust their supplier to charge them a fair price, communicate clearly and treat them fairly, with around three in five or more consumers trusting their energy supplier on each of these dimensions. Levels of trust have been increasing over time and are now at an all-time high. Similarly, a majority are satisfied with their supplier's service (76% in 2018), and this measure has increased from 72% in 2014.

- 47 Analysis of the importance of tariff attributes in driving tariff choice was undertaken. Of the tariff attributes tested, amongst non-prepayment meter consumers, the strongest driver of preference was the amount they could save, followed by supplier type (whether they could stay with their existing supplier or switch to a large, established or new supplier). Taken together, these attributes made up more than half of total tariff preference. Quality of service and tariff type (fixed v variable rate) each accounted for 10-15% of tariff preference with other tariff attributes (payment method, the ability to manage the account online, exit fee etc.) each making up less than 10% of preference.
- 48 Cost savings were also the most important driver of tariff preference for prepayment meter consumers, but supplier type was more important for them than it was for non-prepayment meter consumers. The CMA suggests this may be due to perceived difficulties in switching supplier for prepayment meter consumers. Supplier type was more important than average for older consumers (65+s) and those who prefer prepayment meters to enable a greater degree of control over their energy usage and bills.
- 49 This implies cost saving messages alone are unlikely to be motivating to these audiences and they may need additional messaging and support around tariff switching and reassurances of protections available when switching suppliers. Aspects of current tariff (e.g. payment method, whether on fixed or variable tariff) did not impact much on tariff preference.
- 50 The introduction of the cap on standard variable and default domestic energy tariffs and continuing efforts to convince consumers of the virtues of switching their suppliers, has potentially benefited a significant number of Welsh consumers. However, the measures fail to support people on lower incomes living in social housing and people living in areas not supplied by the national gas mains network.
- 51 Whilst the latest evidence published by the Welsh Housing Conditions Survey in October 2019¹⁹ reports social housing to have the most energy efficient housing in Wales, the survey also reports a greater proportion of people paying for their home energy needs using a prepayment meter live in social housing²⁰.
- 52 The UK Government issues statistics in relation to the energy market. The number of electric prepayment meters in Wales was reported at 199,529²¹ and 205,000²² gas prepayment meters. Homes in the social housing sector are more likely to have prepayment meters than private rented or owner occupied dwellings. 46% of social housing dwellings have an electric prepayment meter and 44% a gas prepayment meter. About 5% of owner occupier homes have gas / electric prepayment meters, whilst in the private rented sector, the percentages increase to 23% for electric and to 26% for gas prepayment meters.

¹⁹ <https://gov.wales/welsh-housing-conditions-survey-energy-efficiency-dwellings-april-2017-march-2018>

²⁰ <https://gov.wales/welsh-housing-conditions-survey-headline-results-april-2017-march-2018>

²¹ <https://www.gov.uk/Government/statistics/electric-prepayment-meter-statistics>

²² <https://www.gov.uk/Government/statistical-data-sets/quarterly-domestic-energy-price-statistics>

- 53 Some people prefer prepayment meters as it allows them to control their expenditure on energy. While suppliers maintain prepayment tariffs are becoming more competitive, as switching between suppliers becomes more common, pay as you go tariffs remain more expensive compared to tariffs available on standard credit or direct debit payment terms. According to the Competition Markets Authority's (CMA), two-year investigation of the energy market, the cheapest prepaid tariffs were found to be £260 to £320 a year more expensive than those available for direct debit households. Consumers on a prepaid meter do not have access to the best offers, such as fixed rate tariff deals.
- 54 In many other cases, however, prepayment meters can be installed to manage payment for people who have fallen into arrears with their energy supplier. This means people struggling to meet the cost of their domestic energy needs are required to pay up front for the energy they use and make an additional payment to pay off the arrears.
- 55 Forced prepayment meters, installed under warrant, are meant to be used as a last resort, as the prepayment tariffs can be more expensive, but some companies opt for it over traditional payment plans which can be avoided by customers. In June 2018, Ofgem issued a warning to suppliers after the number of forced installations in Britain had increased by 5% in 2017 compared to 2016.
- 56 Domestic energy is more expensive for homes not supplied by the national gas grid. The Energy Savings Trust estimates about four million homes across the UK are not supplied by the national gas grid. In Wales, 16.8%²³ of all homes are off the gas national network. Whilst 85% of all homes in Wales have a gas system present, 95% of these homes are on the mains supply with the remainder using LPG supplier to meet their domestic fuel needs. Homes in off gas grid areas rely primarily on Electricity, Heating Oil or LPG.
- 57 The bulk LPG supply market is structured in a fundamentally different way to heating oil. The LPG industry operates an integrated supply system, and therefore takes complete responsibility for the supply of LPG from the refinery or terminal to the storage tanks which the LPG supplier owns and which are located on domestic customers' premises. Only the owner of the storage tank is allowed to fill the tank and this is covered by a legally binding contract which places responsibility on the LPG supplier to maintain supply security in order to avoid the customer running out and going cold. This aspect of the bulk LPG market was investigated at length by the Office of Fair Trading (OFT) and the Competition Commission (CC) and both concluded this arrangement was in the overall interests of the consumer, particularly in respect of Health and Safety.
- 58 In its report published in April 2012, the OFT noted features of the domestic bulk LPG market which adversely affected competition, highlighting the fact only 3% of the major suppliers' customers ended their supply arrangements every year, and just 0.5% did this to switch to an alternative LPG supplier. This was despite frequent complaints raised with OFT with regard to regular and significant increases in the prices of bulk LPG, including sharp rises when introductory price offers expired. Reasons for the low switching levels included poor customer information concerning the right to switch and the potential benefits of it, plus contractual restrictions (typically lengthy fixed contracts). The latter reason was related to the major issue of supplier-owned LPG storage tanks.

²³ Table 8: Estimated proportion of households not connected to the gas network using 2011 Census data, by region (2016)
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678653/Sub-national_electricity_and_gas_consumption_summary_report_2016.pdf

- 59 In April 2012, the OFT secured voluntary agreements from the major LPG suppliers to help customers understand their contracts, how prices can change in the two-year period, switching and cancellation rights, and exit costs. LPG suppliers argue an integrated system provides the greatest possible security of supply and levels of efficiency as the responsibility for supply, storage, service and distribution rests unequivocally with the LPG supplier.
- 60 In this way, they are able to plan and invest in sufficient logistical resources (e.g. tankers, secondary bulk storage, back office systems and drivers) to ensure responsibilities under the legal contract with their customer, supplying energy reliably and at a predetermined price can be met. This arrangement also allows LPG suppliers to be able to buy forward for its customers over the winter period and so be able to provide fixed or capped prices. This enables consumers to budget confidently for their LPG bills.
- 61 Heating oil is easily the most common fuel used for heating in rural Britain with at least 60% of the market. This means there is a much greater chance of finding enough householders within a village who will be able to both meet the minimum delivery requirements set by an oil supplier and be free to purchase from them, in order to form a “Buying Group”.
- 62 By contrast LPG has only around 7% of the domestic off-gas grid heating market and, as stated above, LPG suppliers can only supply their own customers due to tank ownership restrictions. As such, finding an adequate density of customers in a single geographical area to enable a Buying Group approach is extremely unlikely – particularly considering our existing high level of distribution efficiency.

Domestic energy efficiency

- 63 Quality housing is a springboard from which individuals and families create secure and successful futures. Decent homes create decent communities in which all can play a part, whilst warm and affordable houses prevent ill-health and help children to do well in school. This is why the focus on creating decent homes and tackling fuel poverty is so important. In doing so, avoidable ill health and premature deaths in the winter can be avoided, peoples’ quality of life can be improved and children can get the start in life they deserve. Along the way, doing everything we can to be good global citizens, by reducing our carbon footprint and reducing the share of the world’s resources we take for our own needs should be the guiding principle.
- 64 The [Welsh Housing Conditions Survey \(WHCS\)](#) collects information about the condition and energy efficiency of all types of housing in Wales. The headline results published in 2018 is the first set of housing conditions results for Wales since the last survey in 2008. Fieldwork ran from August 2017 until the end of April 2018. A sample of addresses was drawn from eligible households taking part in the [National Survey for Wales 2017-18](#). This resulted in physical inspections of 2,549 properties across Wales, which informed national level estimates.
- 65 Since the last survey in 2008, the survey shows housing energy efficiency across all tenures in Wales have improved. Wales has the oldest housing stock in the UK and the proportion of dwellings in the private rented sector has increased considerably since 1986. The private rented sector generally has the oldest housing stock and a higher proportion of poor quality housing (e.g. containing damp or other hazards).

- 66 Social housing is generally of better quality (achieving an average Standard Assessment Procedure (SAP) rating of 68), compared to private housing (both owner occupied and private rented, achieving an average SAP of 60). Across all tenures, the average energy efficiency band has improved from Band E in 2008 to Band D in 2017-18. Dwellings built since 2002 have an average SAP rating of 73 compared with an average SAP of 53 for older dwellings built before 1919. More than 40% of privately rented dwellings were built before 1919.
- 67 As part of the current Strategy for Tackling Fuel Poverty, The Welsh Government is working to improve home energy efficiency and tackle fuel poverty by investing in our Warm Homes Programme, which includes the demand led Nest scheme and area based Arbed scheme. Since the start of the Nest Scheme, after the installation of measures, 80% of properties were increased to an energy efficiency rating of between B and D, with a further 16% to an E-rating and 3% to an F-rating.
- 68 As at March 2020, investment of more than £366m delivered through the Warm Homes Programme (Nest and Arbed) has improved the energy efficiency of more than 61,400 homes in Wales. The Nest Annual Report for 2019/20 shows more than 15,000 householders received energy advice and support, including referrals to third party services such as benefit entitlement checks to maximise their household income. The total number of households provided with advice and support is more than 144,500 during the eight years the Nest scheme has been running.
- 69 Homes in Wales have further been improved from the ongoing investment in the Welsh Housing Quality Standard (WHQS). This is the Welsh Government's standard of housing quality. First introduced in 2002, it aims to ensure all dwellings are of good quality and suitable for the needs of existing and future residents. The Welsh Government set a target for all social landlords to improve their housing stock to meet the WHQS as soon as possible, but in any event by 2020. The WHQS measures 42 individual elements within the following seven categories:
1. In a good state of repair
 2. Safe and secure
 3. Adequately heated, fuel efficient and well insulated
 4. Contain up-to-date kitchens and bathrooms
 5. Well managed (for rented housing)
 6. Located in attractive and safe environments
 7. As far as possible suit the specific requirements of the household (e.g. specific disabilities).
- 70 The Welsh Government monitors performance against these standards. The WHQS data collection component for energy efficiency is based on SAP rating. To comply with WHQS, homes must have a SAP rating of 65+. Our data shows at 31 March 2013, 77.8% of all social landlord homes were compliant for this component (including acceptable fails). As at 31 March 2019, 98.3 % were compliant.²⁴

²⁴ <https://gov.wales/welsh-housing-quality-standard-0>

Climate Change

71 In April 2019, the Welsh Government declared a climate emergency. Tackling climate change is not an issue which can be left to individuals or to the free market. It requires collective action and the Government has a central role in making collective action possible. As part of the effort to tackle climate change, the statutory advisory committee on climate change in the UK (UKCCC), has made a number of recommendations in relation to decarbonisation of the economy, and in February 2019, recommendations in relation to housing.

72 In its report²⁵, *Housing: Fit for the Future?*, the Committee on Climate Change and its Adaptation Committee, assessed whether the UK's housing stock is prepared for the challenges of climate change; both in terms of reducing emissions from UK homes and ensuring homes are prepared for the impacts of climate change.

73 The report's key findings are:

- The UK's legally-binding climate change targets will not be met without the near-complete elimination of greenhouse gas emissions from UK buildings;
- Emissions reductions from the UK's 29 million homes have stalled, while energy use in homes – which accounts for 14% of total UK emissions – increased between 2016 and 2017; and
- Efforts to adapt the UK's housing stock to the impacts of the changing climate: for higher average temperatures, flooding and water scarcity, are lagging far behind what is needed to keep us safe and comfortable, even as these climate change risks grow.

74 The Committee's report says action is needed in the following five areas:

- Performance and compliance. The way new homes are built and existing homes retrofitted often falls short of stated design standards;
- Skills gap. The chopping and changing of UK Government policy has led to a skills gap in housing design, construction and in the installation of new technologies;
- Retrofitting existing homes. Ensuring existing homes are low-carbon and resilient to the changing climate is a major UK infrastructure priority, and must be supported as such by the Treasury;
- Building new homes. New homes should be built to be low-carbon, energy and water efficient, and climate resilient; and
- Finance and funding. There are urgent funding gaps which must be addressed, including secure UK Government funding for low-carbon sources of heating beyond 2021, and better resources for local authorities.

²⁵ <https://www.theccc.org.uk/publication/uk-housing-fit-for-the-future/>

- 75 The UKCCC's impact assessment for Wales published in 2017 observed annual average temperatures in Wales are similar to the UK average. Temperatures over land have warmed in recent decades with the 2005 - 2014 decade 0.9°C warmer than the 1961-1990 average. There are no significant recorded changes in number of days of air frost in Wales since 1960 (Met Office, State of UK Climate 2014). The latest set of projected changes in climate for Wales comes from the 2009 UK Climate Projections. Under a medium emissions scenario, regional summer mean temperatures are projected to increase by between 0.9 – 4.5°C by the 2050s compared to a 1961-1990 baseline.
- 76 There are around 2,000 heat-related deaths per year across the UK. The risk to health is projected to increase as temperatures rise. The current and future level of risk in Wales is unknown for homes, hospitals, care homes, schools, offices and prisons. There were an estimated 23,200²⁶ excess winter deaths (EWD) which occurred in England and Wales in the 2018 to 2019 winter, the lowest since the winter of 2013 to 2014. In Wales, there were an estimated 1,400 in 2018 to 2019; like England, there were more EWD among females than males. The excess winter mortality index in Wales in 2018 to 2019 was statistically significantly lower than all years since the 2013 to 2014. Winter respiratory diseases continued to be the leading cause of excess winter deaths which occurred in 2018 to 2019. Climate change is projected to reduce the health risks from cold, but the number of cold-related deaths is projected to decline only slightly due to an ageing population increasing the number of vulnerable people at risk. Further measures need to be taken in the next five years to tackle cold homes and reduce cold effects on health, even with climate warming.
- 77 In its technical report published in May 2019²⁷, the UKCCC Core scenario for residential buildings includes deployment of energy efficiency and low carbon heating measures in low-cost and/or 'easier-to-decarbonise' segments of the stock, namely new homes; homes off the gas grid; homes suitable for low-carbon heat networks (both heritage and non-heritage); and homes on the gas grid with relatively low barriers (i.e. no space or heritage constraints).
- 78 Where hybrid heat pump solutions are deployed on the gas grid, they are assumed to consume natural gas, such that peak heat demand is not decarbonised. The most costly homes to decarbonise further, tend to be the smaller, more energy efficient properties receiving higher cost low-carbon heating systems without potential for significant improvement in energy efficiency. Nevertheless where energy efficiency improvements are made, there are expected to be additional co-benefits which have not been costed (e.g. comfort and health).
- 79 UKCCC have made a simplifying assumption to allocate these homes to the Core scenario, but in practice they may be expected to decarbonise in the latter part of the trajectory to 2050. The Core scenario is associated with a mix of insulation measures providing a 21% reduction in energy demand in homes. This compares to a 17% reduction assumed in the fifth carbon budget 'max' scenario to 2050.

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<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/excesswintermortalityinenglandandwales/2018to2019provisionaland2017to2018final>

²⁷ <https://www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-Technical-report-CCC.pdf> - page 79

Attitudes and behaviours

- 80 Research from Sweden²⁸ investigated the use home energy management systems (HEMS), providing energy feedback and smart features through in-home displays, to support more sustainable household decisions concerning energy consumption. European digital metering trials have reduced the optimism, suggesting only modest savings from energy feedback. Lessons for influencing household energy consumption from a Swedish field study investigated the potential of HEMS to foster reductions in energy use, focusing high-income and highly educated households, considered as early adopters of smart grid technologies. 154 households participated in a field trial in a city district in Stockholm over a one year period. The field trial analysed smart meter electricity and hot tap water data together with in-depth interviews to provide an increased understanding of how feedback and features are perceived, used, and acted upon, and resulting effects on awareness, behaviour, and consumption. The results suggested the impact on energy consumption varies widely across individual households. Although HEMS may lead to increased awareness of energy consumption, as well as increased home comfort, several obstacles for energy consumption change are persist.
- 81 Work is currently underway in Wales to better understand peoples' attitudes to energy use, its conservation in the context of reducing household energy bills thereby maximising household incomes, together with the need to reduce energy consumption to reduce carbon emissions into our local environments.

LEGISLATIVE AND POLICY FRAMEWORK

- 82 Energy, including generation, transmission, distribution and supply of electricity, oil and gas are matters reserved to the UK Government, together with consumer protection, product standards, weights and measures. Heat and cooling networks, (but not the regulation of them) and schemes providing incentives to generate or produce, or to facilitate the generation or production of, heat or cooling from sources of energy other than fossil fuel or nuclear fuel, together with the encouragement of energy efficiency otherwise than by prohibition or regulation are devolved matters to Wales.
- 83 **Warm Homes and Energy Conservation Act 2000** as amended by the Energy Act 2013, imposed a requirement on the Welsh Ministers in relation to Wales to publish and implement a strategy for reducing Fuel Poverty; to require the setting of targets for the implementation of that strategy and for connected purposes.
- 84 The strategy must:
- describe the households to which it applies,
 - specify a comprehensive package of measures for ensuring the efficient use of energy, such as the installation of appropriate equipment or insulation,
 - specify interim objectives to be achieved and target dates for achieving them, and

²⁸ **Smart homes, home energy management systems and real-time feedback: Lessons for influencing household energy consumption from a Swedish field study** Anders Nilsson, Misse Wester, David Lazarevic Energy and Buildings, Volume 179, 2018, Pages 15-25

- specify a target date for achieving the objective of ensuring as far as reasonably practicable persons in Wales do not live in Fuel Poverty.

- 85 Energy Conservation, Wales - The Home Energy Efficiency Schemes (Wales) Regulations 2011 as amended²⁹.** These regulations are made by the Welsh Ministers in relation to Wales by section 15(1) of the Social Security Act 1990. The Principal Regulations made in 2011 make provision for the criteria to be applied to define persons eligible for support under the scheme (regulation 5), the purposes for which a grant may be approved (regulation 6), the maximum amount of grant (regulation 7), information to be provided in an application for grant (regulation 8) and the conditions to be attached to the grant (regulation 9). The Principal Regulations were amended in 2013 to amend the definition of income related support based on changes being made to the UK benefits system.
- 86** A further amendment was made in 2018 to remove partial grant applications and the criteria used for people applying for those partial grants, updated the minimum asset rating for eligible dwellings and the method for assessing the maximum amount of grant payable under the scheme, and added low energy light bulbs to the purposes for which a grant may be approved.
- 87 The devolution of Building Regulations** provided the Welsh Government with the scope to introduce a carbon standard for new domestic and non-domestic buildings appropriate to Wales. Building Regulations provide a mechanism through which to reduce carbon emissions. They deal with regulated energy, heating, cooling, lighting and ventilation, which can contribute to a reduction of the carbon footprint of new developments by improving energy efficiency standards. Building Regulations do not cover unregulated energy use, such as household electrical appliances. The Zero Carbon Hub³⁰ estimated as at 2016, around two-thirds of carbon emissions from the average house built to 2006 standards comes from regulated energy use, with one-third from unregulated energy use.
- 88** The Welsh Government published a public consultation on proposed changes to Part L of the Building Regulations from 31 July 2012 to 23 October 2013, after which legislation for a 20% improvement in carbon emissions from new non-domestic buildings and an 8% improvement for new domestic buildings was made. The 8% improvement (on an aggregate basis) effectively transposed the current Planning Policy Wales expectation into the Building Regulations.
- 89** At the time of writing (January 2020) the Welsh Government was carrying out a review of Part L (Conservation of fuel and power) and Part F (Ventilation) of the Building Regulations. The consultation has been split into 2 stages, stage 1 covers the technical proposals for new dwellings and stage 2 will cover proposals for overheating in new dwellings, Existing Dwellings and Non domestic buildings
- 90 The Well-being of Future Generations (Wales) Act 2015.** The purpose of the Well-being of Future Generations (Wales) Act is to improve the social, economic, environmental and cultural well-being of Wales, protecting our country's assets for the future. Through five ways of working, the Act requires public bodies (as listed in the Act) to think more about the long-term, work better with people, communities and each other, look to prevent problems and take a more joined-up approach.

²⁹ Amended by the Home Efficiency Schemes (Wales) (Amendment) Regulations 2013 and 2018

³⁰ <http://www.zerocarbonhub.org/>

- 91 The Well-being of Future Generations (Wales) Act was the first piece of legislation in the world to link with the United Nations' Sustainable Development Goals by putting in place seven goals for Wales to make sure we are all working towards the same vision. All public bodies have a responsibility to contribute towards reaching these goals.
- 92 All seven are important when thinking about the need to improve home energy efficiency and reduce harmful carbon emissions, but some are more relevant in considering why and how best we take action to reduce Fuel Poverty.
- 93 A prosperous Wales requires we develop measures designed to encourage people to consider how energy is used in the home and what action can be taken to reduce their demand for energy. Supporting measures to improve the thermal and energy efficiency in the home not only helps reduce the cost of supply of energy required to meet their energy needs, but also supports the supply chain and skills needed to stimulate the dynamic economy Wales needs to compete in a 21st Century global economy.
- 94 A healthier Wales demands action is taken to avoid the perils associated with living in a cold home. Evidence tells us people are at risk of avoidable ill health from living in a cold home, older people are at risk of premature death and children's ability to meet their full potential is undermined if a safe and comfortable home environment cannot be maintained at an affordable cost.
- 95 Creating a more equal Wales is relevant to people living on lower incomes and struggling to meet the cost of their home energy needs. This includes people who do not have access to the best domestic energy deals available on the market, because they are excluded from the financial services market, have fallen into arrears with their energy supplier or simply prefer to pay for their energy when used to avoid the fear of unmanageable fuel debt.
- 96 Increasing incidents of severe and out of season weather events, increasingly attributed to the effects of a changing climate, requires Government support to maintain a resilient Wales. Increased cost of domestic fuel in winter and the energy demand for cooling and ventilating homes during the summer can undermine peoples' financial resilience to deal with life's unexpected events. Additionally, there is growing evidence peoples' ability to improve their personal and family's winter preparedness is constrained by their financial resilience, resulting in avoidable crisis during extreme weather events.
- 97 A globally responsible Wales – Reducing the level of the natural resources we consume for our own needs is the principled approach the Welsh Government is adopting in relation to our housing, and the energy we need to consume to maintain a safe and comfortable home environment.
- 98 **Taking Wales Forward** sets out how the Welsh Government (2016/2021) will deliver more and better jobs through a stronger, fairer economy, improve and reform our public services, and build a united, connected and sustainable Wales. Within the Programme for Government, commitments relevant to domestic energy and tackling poverty in Wales include:
- Carry forward our work on financial inclusion, including support for advice services and credit unions;

- Support community-led projects, promote skills development, job creation, entrepreneurship, community energy, rural transport and broadband access;
- Make progress towards our goal of reducing our greenhouse emissions by at least 80% by 2050 and continue our work to protect and enhance biodiversity and local ecosystems; and
- Support the development of more renewable energy projects, including tidal lagoons and community energy schemes.

99 **Prosperity For All - Taking Wales Forward** provided immediate clarity about the Government's pledges for this Assembly term. Set out in four chapters, it outlined the main commitments which will make a difference to the people of Wales. The National Strategy *Prosperity for All* sets out how the commitments will be delivered.



Figure 2 – Programme for Government 2016-2021

100 The four key themes of this Strategy are the same as those in *Taking Wales Forward*, which illustrates how the commitments will contribute to prosperity for all. Delivering commitments in a more integrated and collaborative way can enhance the well-being of the people of Wales.

101 Prosperous and Secure – The aim is to drive a Welsh economy which spreads opportunity and tackles inequality, delivering individual and national prosperity. The intention is to enable people to fulfil their ambitions and enhance their well-being through secure and sustainable employment, by breaking down the barriers to getting a job, and create an environment for businesses to grow and thrive.

102 Healthy and Active – The aim is to improve health and well-being in Wales, for individuals, families and communities, helping to achieve our ambition of prosperity for all, taking significant steps to shift our approach from treatment to prevention. Living in a warm home has a positive impact on people's health and wellbeing.

103 Ambitious and Learning – The aim is to instil in everyone a passion to learn throughout their lives, inspiring them to be the best they possibly can be. A prosperous Wales needs creative, highly skilled and adaptable people, so education from the earliest age will be the foundation for a lifetime of learning and achievement. Living in a cold home inhibits children's ability to fulfil their potential. It undermines their longer term health and well-being, inflicts avoidable ill health and has a negative impact on educational attainment³¹.

104 United and Connected – The aim is to build a nation where people take pride in their community, in the Welsh identity and language, and in our place in the world. Vital links are being built making it easier for people to come together, for the economy to grow, and for us to become a confident nation at ease with itself.

105 In developing the national strategy designed to implement the Programme for Government, five priority areas initially emerged as having the greatest potential contribution to long-term prosperity and well-being.

- **Early Years:** an individual's experiences in childhood play a significant part in shaping their future, and are critical to their chances of going on to lead a healthy, prosperous and fulfilling life.
- **Housing:** the bedrock of living well is a good quality, affordable home which brings a wide range of benefits to health, learning and prosperity.
- **Social Care:** compassionate, dignified care plays a critical part in strong communities, ensures people can be healthy and independent for longer, and is a significant economic sector in its own right.
- **Mental Health:** one in four people in Wales will experience mental ill health at some point in their lives, getting the right treatment at an early stage, coupled with greater awareness of conditions, can in many cases prevent long term adverse impacts.
- **Skills and Employability:** the better people's skills, the better their chances of getting fair, secure and rewarding employment, and the stronger the skills base is in Wales, the more chance we have of attracting new businesses and growing existing ones to improve prosperity.

106 In the 2018 Annual Report, the Welsh Government reported the development of a set of actions which will contribute to these ambitions. A key message is we need to increase the focus on decarbonisation as the benefits of reducing emissions will be felt widely and contribute too many of our priorities, leading to improved health and well-being and opening up new economic opportunities. As a Government, we have therefore agreed decarbonisation will also be an area for priority cross-Government action. To drive sustainable growth, combat climate change and improve housing, the strategy commits the Welsh Government to:

³¹ [Understanding the Characteristics of Low Income Households Most at Risk from Living in Cold Homes](#) -pg. 16

- Set out a low carbon pathway providing clarity and certainty for action and investment around the low carbon economy through setting targets for 2020, 2030 and 2040;
- Invest in homes to improve their warmth and energy efficiency, to improve health and reduce the costs of fuel;
- Accelerate our support for new and innovative housing designs to meet challenges including pressing housing need, Fuel Poverty, climate change and demographic change

107 **The Welsh Government's Advisory Committee on the decarbonisation of housing** has made recommendations on how best the decarbonisation target of achieving a reduction of 95% by 2050³² can be achieved in the domestic housing sector in Wales. The recommendations published by the group on 18 July were:

- Political parties in Wales should make a strategic commitment to national residential decarbonisation and stick to it;
- The Welsh Government should set ambitious housing targets to meet its ambition of achieving net zero carbon by 2050;
- The Welsh Government should put in place the right quality system and delivery mechanisms across all tenures to help achieve the targets;
- The Welsh Government, working with others, should develop a holistic package of support across all tenures to motivate and facilitate action;
- The Welsh Government should collect data about the status and condition of the housing stock to inform decisions and measure progress towards targets;
- The Welsh Government should continue to monitor and test new solutions to decarbonise homes; and
- The Welsh Government and its partners should make maximum use of communities, networks, associations and Third Sector organisations in helping to decarbonise homes.

108 **The Welsh Government's Energy Efficiency Strategy**, published in 2010³³, sets out a strategy for the next 10 years to achieve the vision of ensuring '*... Wales is in the best possible position to realise its full energy efficiency potential, becoming a major exporter of energy efficiency technology and know-how*'.

109 The Strategy sets out five key areas of actions to achieve this aim:

³² In May 2019, Advice from the UK Committee on Climate Change (UKCCC) recommended a reduction of 95% in carbon emissions on the 1990 baseline

³³ <https://gov.wales/topics/environmentcountryside/energy/efficiency/energy-efficiency-strategy-for-wales/?lang=en>

- People, communities, businesses and other organisations, recognise the benefits of energy efficiency and take action;
- A supply chain throughout Wales to deliver energy efficiency improvements: to buildings, products and processes, and those businesses go on to grow and export their expertise and know how;
- A well-educated and skilled workforce, capable of responding to the energy efficiency challenge and this is supported by engagement and investment from employers;
- Innovation in new energy efficiency products to deliver solutions in Wales and our businesses to benefit from the opportunities presented by this global challenge, and
- Clear funding mechanisms, a clear pathway to reduced carbon emissions and a stable framework which is attractive to investors and consumers.

110 Rights based approach – children and young people. The Welsh Government was the first Government in the UK to enshrine the United Nations Convention on the Rights of the Child into our domestic legislative framework. In doing so, the principle of a Children's Rights Based Approach has been adopted. This requires all public sector organisations to prioritise children's rights in their work with children and families to improve children's lives. Policy and legislation on children in Wales is underpinned by the UNCRC.

111 The Rights of Children and Young Persons (Wales) Measure 2011, the Social Services and Well-being (Wales) Act 2014 and the Well-being of Future Generations (Wales) Act 2015 all establish duties on public authorities that contribute toward the realisation of children's rights. A Children's Rights Approach is consistent with these duties. Living in a cold home blights the lives of our children and inhibits their ability to fulfil their full potential. It undermines their longer term health and well-being, inflicts avoidable ill health and has a negative impact on educational attainment³⁴.

112 Ageing well The Welsh Government is committed to creating age friendly communities based on the World Health Organisation's nine themes³⁵. On this basis, housing must be affordable, accessibly designed and within easy reach of services. Older people, defined as being aged 60 and over, are at greater risk of avoidable ill health and premature death from living in a cold home. Often living on fixed incomes, investing in homes to improve home energy efficiency runs the risk of undermining longer term financial resilience and ability to live independently for longer.

113 Disability The actions of the Welsh Government must be compatible with international obligations, as set out in section 82 of the Government of Wales Act 2006, including the UN Convention on the Rights of Persons with Disabilities ³⁶(UNCRPD). The UNCRPD is an international treaty which promotes, protects and ensures the full and equal enjoyment of all human rights by disabled people. The articles of the Convention cover a wide range of areas including accessibility, independent living, education, health, and work and

³⁴ [Understanding the Characteristics of Low Income Households Most at Risk from Living in Cold Homes](#) -pg. 16

³⁵ <https://www.who.int/about/who-we-are/constitution>

³⁶ <https://www.un.org/development/desa/disabilities/convention-on-the-rights-of-persons-with-disabilities.html>

employment. With regard to independent living, Article 19 (Living independently and being included in the community) includes reference to:

- disabled people having an equal right to live in and take part in the community.
- disabled people having the right to the same choice and control as non-disabled people.

114 **Energy Justice** Research carried out by the UK Energy Research Centre (UKERC)³⁷, led by the University of York's Department of Social Policy and Social Work (SPSW) and ACE Research, explored some of the key gaps in knowledge regarding justice in energy efficiency policy in the UK. The focus of the project was on the impact of energy efficiency policies on disabled people and people experiencing long-term illnesses. It also considered energy justice in relation to low-income households with children. Three types of justice in relation to Fuel poverty and energy efficiency were considered.

115 *Recognition justice* suggests that diverse needs of people are not adequately reflected in policy interventions. In the context of Fuel Poverty, some households need to use more energy to have the same opportunities, fulfilment and welfare standard. Not taking individual needs into account, failing to understand them, or misrepresenting them is a fundamental injustice of recognition, which results in unfair distribution and lack of due process.

116 *Procedural justice* refers to the balance of power in decision making, as well as issues of accountability and impartiality. In the context of Fuel Poverty, this raises questions about who is consulted during the policy process, what information about prices and schemes is available, whether households can participate in the development and implementation of schemes, and how any problems with efficiency schemes can be rectified.

117 *Distributive justice* relates to the equal allocation of resources. In the context of Fuel Poverty, the unequal distribution of energy services is central to all definitions of Fuel poverty with segments of the population having insufficient warmth as a result of low incomes, high prices and inefficient housing. For example, the prevalence of Fuel poverty differs between the nations of the UK, and it has a disproportionate impact on the health of young children and people with existing health conditions. Furthermore, questions of distributive justice highlight unequal access to energy efficiency measures which may help to alleviate Fuel Poverty.

118 Current UK Government policy is the provision of home energy efficiency measures funded through levies on energy bills, as seen with supplier obligation schemes such as the Energy Company Obligation (ECO). Imposing additional costs on people less able to meet the cost of their energy bills, is considered to be regressive tax. The current Nest and Arbed schemes in Wales, the Home Energy Efficiency Programmes for Scotland (HEEPS), the Affordable Warmth scheme in Northern Ireland and the previous Warm Front scheme prior to its abolition in England funded through general taxation could be argued to be more progressive.

³⁷ https://www.theade.co.uk/assets/docs/resources/UKERC_ACE_Policy_briefing_Justice_in_Energy_Efficiency.pdf

ASSESSMENT OF THE 2010 STRATEGY

Introduction

119 **Warm Homes and Energy Conservation Act 2000** as amended by the Energy Act 2013, imposes a requirement on the Welsh Ministers in relation to Wales to publish and implement a strategy for reducing fuel poverty; to require the setting of targets for the implementation of that strategy and for connected purposes. For the purposes of the Act, a person is to be regarded as living “in fuel poverty” if a member of a household is living on a lower income in a home which cannot be kept warm at reasonable cost.

120 In 2010, tackling fuel poverty was identified as a key sustainable development priority because it focused on addressing key social issues for people most in need by stimulating economic activity through generating opportunities for local businesses. Making homes more energy efficient also supports efforts to reduce harmful emissions into our environment.

121 Targets for eradicating fuel poverty in Wales were initially published in 2003, in the Welsh Assembly Government’s A Fuel poverty Commitment for Wales. The 2010 Strategy replaced the commitment, although the targets remained in place. As far as reasonably practicable, the objective was the eradication of Fuel Poverty:

- Amongst vulnerable households by 2010.
- In social housing by 2012.
- By 2018, there would be no-one in Wales living in Fuel Poverty.

122 Under the Strategy, fuel poverty in Wales is measured by the number of people having to spend more than 10% of income (including housing benefit) on all household fuel used to maintain a satisfactory heating regime. Where expenditure on all household fuel exceeds 20% of income, households are defined as being in severe fuel poverty.

123 The definition of a 'satisfactory heating regime' recommended by the World Health Organisation at that time was 23°C in the living room and 18°C in other rooms, to be achieved for 16 hours in every 24 for households with older people or people with disabilities or chronic illness, and 21°C in the living room and 18°C in other rooms for a period of nine hours in every 24 (or 16 in 24 over the weekend) for other households.

124 In seeking to reduce the number of households living in fuel poverty or being at risk of falling into fuel poverty, the Welsh Government committed to taking action consistent with eight key principles.

- Where we have the powers to take action that will contribute directly to alleviating fuel poverty, we will ensure that our support and funding is focussed on those most in need.
- Where others have the powers to take action we will ensure that we play a proactive role in influencing decisions.

- Our programmes that aim to improve the energy efficiency of the home will provide long term improvement in the quality of the housing stock, address fuel poverty and reduce its carbon footprint.
- Our energy performance programmes will also be designed to ensure economic benefits for Wales in terms of employment and business opportunities.
- Our programmes will complement, not compete with, programmes funded from other sources, such as energy supplier obligations.
- We will work with stakeholders to maximise the support and funding available to householders in Wales.
- The quality and timeliness of data on fuel poverty in Wales will be improved and policies and actions will be reviewed in the light of new data.
- Actions to tackle fuel poverty will be considered in the context of our wider social, economic and environmental policy agenda.

125 These principles remain relevant today in our efforts to support people struggling to meet the cost of their home energy needs. Our Warm Homes Programme schemes have continued to deliver home energy efficiency measures in collaboration with UK Government schemes, such as the Energy Company Obligation³⁸ (ECO) schemes and the Fuel Poor Network Extension Scheme (FPNES) designed to extend the mains gas grid to homes at risk of living in fuel poverty.

126 Actions consistent with these principles and designed to eradicate fuel poverty by 2018 included activities to:

- Promote the co-ordination and joining up of support;
- Develop initiatives to tackle fuel poverty co-ordinated with actions to tackle poverty in Wales;
- Develop new services in partnership with existing services provided by trusted partners;
- Provide high quality and well co-ordinated advice and support services to help reduce fuel bills, maximise income and improve home energy efficiency;
- Provide a demand led all Wales fuel poverty programme and area based programme targeted at households most in need and living in the most inefficient housing;
- Review the eligibility criteria to ensure that programmes continue to be effective in identifying and targeting people needing support; and
- Maximise funding available from UK Government initiatives.

³⁸ Since 2013, UK Government reports as at June 2019, 100,379 homes have benefitted from 133,312 measures installed, representing 5.4% of all measures installed under ECO in Britain

Defining Fuel poverty and measures

127 The 2010 Strategy defines fuel poverty in Wales as being people having to spend more than 10% of income (including housing benefit) on all household fuel used to maintain a satisfactory heating regime. Where expenditure on all household fuel exceeds 20% of income, households are defined as being in severe fuel poverty. For the purposes of The Energy Conservation Act 2000, however, a person is to be regarded as living “in fuel poverty” if a member of a household living on a lower income in a home which cannot be kept warm at reasonable cost. The definition set out in the current strategy is therefore the measure.

128 Fuel poverty in England is measured currently using the Low Income High Costs (LIHC) indicator, which considers a household to be fuel poor if:

- they have required fuel costs that are above average (the national median level); and
- were they to spend that amount, they would be left with a residual income below the poverty line

129 In July 2019, the UK Government published a consultation document seeking views on proposed changes to the LIHC measure, recommending the measure is Low Income Low Energy Efficiency (LILEE). Latest figures published by the UK Government in April 2020³⁹ show in 2018, the average fuel poverty gap (the reduction in fuel bill that the average fuel poor household needs in order to not be classed as fuel poor) in England was estimated at £334, a slight increase from £328 in 2017. The aggregate fuel poverty gap for England continued to decrease in 2018 (by 3.4 per cent in real terms) to £802 million.

130 The proportion of households in England in fuel poverty was estimated to have decreased by 0.7 percentage points from 2017 to 10.3 per cent in 2018 (approximately 2.40 million households). In 2018, further progress was made towards the interim 2020 fuel poverty target, with 92.6 per cent of all fuel poor households living in a property with a fuel poverty energy efficiency rating of Band E or better.

131 The Scottish Government currently uses a 10% measure of fuel poverty, under which a household is considered fuel poor if it would need to spend more than 10% of its income on all household fuel use. Scotland publishes fuel poverty data in the annual Key Findings report of its Scottish House Condition Survey⁴⁰. In 2017, 613,000 households (24.9% of the total) were in fuel poverty and 7.0% (or 174,000 households) were living in extreme fuel poverty. This follows a period of annual decreases between 2014 and 2016 and is the lowest rate recorded by the survey since 2005/06.

132 The Fuel poverty (Target, Definition and Strategy) (Scotland) Act 2019 changes the definition of Fuel Poverty. A household is in fuel poverty if:

- the fuel costs necessary for the home to meet specific heating regime conditions are more than 10% of the household’s income after housing costs,

³⁹ <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2020>

⁴⁰ <https://www.gov.scot/publications/scottish-house-condition-survey-2017-key-findings/pages/6/>

- after deducting fuel costs, benefits received for a care need or disability and childcare costs, the household's remaining adjusted net income is insufficient to maintain an acceptable standard of living for members of the household.

133 The Act also includes a definition of extreme fuel poverty which is similar to this, except that fuel costs necessary for the home are more than 20% of the household's after housing costs income. An acceptable standard of living is defined as at least 90% of the UK Minimum Income Standard (MIS), after deduction of notional costs allocated within the MIS for rent, council tax, water rates, fuel and childcare. There is also a provision for an uplift for households in a remote rural area, remote small town, or island area to reflect the higher costs of living in rural areas.

134 The Act establishes a fuel poverty statutory target to ensure by 2040, no more than 5% of households in Scotland will be in fuel poverty, and no more than 1% of households in extreme fuel poverty. This target recognises there will always be households which move in and out of fuel poverty due to changes in incomes and energy costs. Under the proposed new measure, the proportion of fuel poor households in 2017 was 23.7%, similar to the current measure. The rate of extreme fuel poverty increases from 7.0% to 11.9% under the proposed new measure⁴¹.

135 Northern Ireland use ⁴²a 10% indicator but at the time of writing had no statutory target. In 2016 an estimated 160,000 households were fuel poor, 22% of the total. This represents a significant improvement since 2011 when the figure was 42% (294,000) of the total. This improvement is a result of a focus from the Northern Ireland Housing Executive (NIHE) to tackle poor energy efficiency in the housing stock since 2011 and lower than average fuel prices (particularly oil).

136 In order to provide more up to date figures, NIHE commissioned the Building Research Establishment (BRE) to model estimates of the levels of fuel poverty in Northern Ireland in 2017 and 2018. Using 2016 Northern Ireland House Condition Survey (NIHCS) data as a base, BRE adjusted fuel prices and household incomes, and simulated the installation of energy efficiency improvement measures, all to 2017 and 2018 levels.

137 The number of fuel poor households in 2017 was estimated to be 128,000, equivalent to 17% of all households. In 2018, the estimated fuel poverty figure is 131,000, equivalent to 18% of all households. The 2016 HCS reported, for the first time, on the 'Low Income High Costs' fuel poverty indicator. The findings show that 7% of households were in fuel poverty under this measure. The average fuel poverty gap for all Northern Ireland households was estimated at £436.

⁴¹ Scottish Government impact assessment <https://www.gov.scot/publications/island-communities-impact-assessment-fuel-poverty-targets-definition-strategy-scotland-bill/pages/3/>

⁴² <https://www.nihe.gov.uk/getmedia/1f9e55a1-66c2-46b7-bf92-9ee192ce355f/estimates-of-fuel-poverty-northern-ireland-2017-and-2018-revised.pdf.aspx?ext=.pdf>

Fuel poverty Estimates for Wales

- 138 In 2008, 332,000 households were estimated to be fuel poor using the full income measure. This represented 26% of all households⁴³. Under the basic income measure, approximately 356,000 households were fuel poor representing 28% of all households. Approximately 60,000 households were estimated to spend more than 20% of their income on fuel. For these households it was lower incomes, rather than higher fuel costs, which were the main determinant for the severity of fuel poverty.
- 139 In 2008 vulnerable households (i.e. those with a member aged 60 or over, with any children aged under 16 or with any long-term sick or disabled member) accounted for 86% of the fuel poor. Of this 86%, households containing multiple categories of vulnerability, predominantly households with someone aged 60 or over and someone living with long-term illness or disabled, made up the largest proportion, followed very closely by households with someone aged 60 years or over only. Households containing someone aged 60+ or long-term sick/disabled are far more likely to be fuel poor compared to households which are vulnerable due to having children (35% fuel poor for the former two groups compared to 18% for the latter).
- 140 Households particularly likely to be fuel poor in 2008 were people living in private rented accommodation, single person households, households in which the person is over pension age and unemployed/economically inactive. Not surprisingly, the greatest number of fuel poor households (119,000 households; 36% of the total fuel poor) were in the lowest decile income band and together, the lowest three deciles comprised nearly 75% (247,000 households) of the fuel poor.
- 141 In 2008 approximately 240,000 fuel poor households (72% of the total fuel poor) received a state benefit and further analysis has shown that this reflects the propensity of pensioners to be fuel poor, as the receipt of benefits is dominated by the state-retirement pension. The eligibility for a Home Energy Efficiency Scheme (HEES) benefit had also been investigated and it was found that the proportion of fuel poor households eligible for a standard HEES benefit was 14% (46,000 households). However the targeting of fuel poor households was significantly increased by the 'HEES-Plus' grant reaching 42% (141,000 households) of the fuel poor under the full income definition. Households that are under-occupying their dwellings are significantly more likely to be fuel poor than average with nearly 35% of all under-occupying households being fuel poor.
- 142 In July 2016, the Welsh Government released new statistics to estimate the levels of fuel poverty in Wales⁴⁴. Research was carried out by Building Research Establishment (BRE) and the data covered 2012-2016. It was estimated approximately 291,000 homes were living in Fuel poverty in 2016, representing 23% of all Welsh homes, with 43,000 of these homes, or 3% living in severe Fuel Poverty. It was estimated 89% of fuel poor homes (261,000) were identified as being vulnerable households (for this analysis the definition of vulnerable was a household with a member aged 60 or over, with any children/young person aged under 25 or with any long-term sick or disabled member).

⁴³ <https://gov.wales/sites/default/files/statistics-and-research/2019-05/living-in-wales-survey-2008-fuel-poverty-statistics.pdf>

⁴⁴ <https://gov.wales/production-estimated-levels-fuel-poverty-wales-0>

143 On 21 May 2019, new headline estimates for fuel poverty in Wales were published whilst detailed analysis was published in August. In 2018, it is estimated:

- 155,000 households in Wales were living in fuel poverty, equivalent to 12% of households.
- Of these households, 32,000 households were living in severe fuel poverty, equivalent to 2% of all households.
- 130,000 vulnerable⁴⁵ households in Wales were living in fuel poverty, equivalent to 11% of vulnerable households.
- 19,000 vulnerable households were living in severe fuel poverty⁴⁶, equivalent to 2% of vulnerable households

144 The estimated reduction in levels of fuel poverty have been attributed to the increase in incomes in the 30% lowest income households, which have risen on average by 26% since 2008⁴⁷, whilst the average energy consumption required to maintain a satisfactory heating regime has decreased by 37% since 2008.

145 Despite fuel prices across all heating types increasing by 47% in the period the rise in incomes and reduction in energy required has led to the percentage of households in fuel poverty falling to a level of approximately half that seen in 2008. Full analysis of the fuel poverty estimates for Wales are available to view and download at <https://gov.wales/fuel-poverty-estimates-wales>.

Performance against current objectives in the 2010 Strategy

146 Whilst latest estimates for fuel poverty in Wales suggest a reduction in the number of people who are unable to maintain a safe and comfortable home environment at a reasonable cost, the target to eradicate, where it is practicable to do so, has not been achieved. Various factors have contributed to our objectives not being fulfilled, for example:

- The quality and timeliness of data on fuel poverty may have benefitted from an enhanced research and evaluation programme to ensure Fuel poverty estimates are predicated on updated data on matters such as the condition of housing and behaviour analysis. Access to more accurate data may have better informed interventions designed during the period of the current Strategy.

⁴⁵ A vulnerable household is defined as those with a person aged 60 years or over, a child or young person under the age of 16 years and/or a person who is disabled or has a long term limiting condition.

⁴⁶ The sample sizes for severe fuel poverty for vulnerable households are small and these estimates are not considered as robust as those for fuel poverty

⁴⁷ This is based on data from the Living in Wales survey 2008 and the National Survey for Wales 2017-18, unadjusted for inflation

- The continuing challenging economic climate within which the Strategy has been delivered has necessitated support and funding be focussed on people most in need of assistance and support. There is some evidence, as highlighted in the UKERC, University of York and ACE Research policy briefing about energy justice, to suggest this approach has led to the observance of inflexible eligibility criteria, where vulnerable households, including disabled people and families, may find they are unable to access support despite being in need.

147 Initial engagement with key stakeholders suggests whilst many of the objectives in the current strategy remain as relevant today as when initially drafted, some actions needed to reduce levels of fuel poverty are not contained in the current strategy, or where actions have been included, insufficient detail has been provided on how best these actions could have been delivered.

148 The performance against all the issues identified against the current strategy set out below have been assessed, with consideration given to the changes to the sector and evidence made available since the publication of the plan in 2010. The issues set out below will be addressed through action driven by the implementation of the new plan.

Warm Homes Programme

149 As part of the Warm Homes Programme, the Welsh Government Warm Homes Nest and Arbed Schemes have been improving the energy efficiency of homes since 2009, making them a warmer and more comfortable place to live. The schemes have continued to support some of the most vulnerable people in our society by improving their resilience to avoidable ill health and preventing premature death.

150 Creating a comfortable home also supports our children to give them the best start in life to help them better realise their full potential. As at the end of March 2020, investment of more than £366m⁴⁸ delivered through the Warm Homes Programme (Nest and Arbed) has improved the energy efficiency of more than 61,400 homes in Wales. More than 144,000 people have received energy efficiency advice through the Warm Homes Programme since 2011.

151 The Annual Reports on both schemes are presented against the backdrop of the up to date estimates of fuel poverty in Wales. These Schemes have made a contribution to reducing fuel poverty, although much more needs to be done if levels of fuel poverty are to be reduced still further.

152 An ongoing evaluation of the delivery of the schemes and the influence of wider relevant research has led to further expansion of the Warm Homes Programme, specifically to the Nest Scheme through the Health Conditions Pilot which has enabled more people in Wales to access support and advice.

153 The most recent Nest Annual Report can be viewed by visiting <https://nest.gov.wales/en/about-nest/>

154 The most recent Arbed Annual Report can be viewed by visiting http://www.arbedambyth.wales/annual-reports/Arbed_Annual_Report_2018-19.pdf.

⁴⁸ Includes European, UK and Welsh government funding delivered through the Warm Homes Programme

155 The Schemes delivered under our Warm Homes Programme make an important contribution in reducing carbon emissions. Achieving near zero carbon emissions from buildings is one of the most significant challenges we face in the next three decades. Whilst these Schemes are focused on our efforts to tackle Fuel Poverty, they make an immediate positive impact in our efforts to decarbonise Welsh homes.

Temperatures in the home

156 The 2010 statutory targets for eradicating fuel poverty in Wales were based on the definition of fuel poverty as spending more than 10% of income on maintaining a satisfactory heating regime. Progress against achieving the targets were measured against this definition. The Building Research Establishment (BRE) used the same methodology in preparing the Fuel poverty Estimates for 2018 consistent with the 2008 method, basing calculations on the maintenance of a satisfactory heating regime as recommended by the World Health Organisation published more than 30 years ago.

157 An assessment of research undertaken more recently suggests there to be a credible argument to maintain a domestic heating regime at not less than 18°C, which is considered to be the level appropriate to safeguard health and well-being and supports efforts to reduce harmful carbon emissions from homes. There is currently no definitive conclusion available on the health effects resulting from living in homes above 24°C, although there is growing evidence living in homes warmer than this for prolonged periods does result in premature summer deaths.

People on lower incomes not in receipt of means tested benefits

158 Reliance on means tested benefits as a measure of low income potentially excludes people living on lower incomes from the Arbed and Nest Schemes, who nonetheless experience difficulty in meeting the cost of their home energy needs.

159 Evaluation of lower incomes as part of the Health Conditions pilot suggested low incomes defined as a percentage of the UK median income level ensures programmes are targeted not only for people struggling to meet the cost of maintaining a warm home, but also people at risk of falling into Fuel Poverty. This approach would align with the Welsh Government's measure of relative low-income poverty more accurately rather than relying on receipt of means tested benefits.

Income maximisation

160 The UK Government encourages people to switch their energy supplier to reduce the cost of meeting their energy needs. The roll out of smart metering to help improve the awareness of the cost of energy and usage is expected to stimulate a more responsible attitude to energy use. The Welsh Government's stated policy approach is not to consider "fuel poverty" in isolation, but to tackle determinants of poverty in concert with our wider efforts to tackle poverty.

161 This includes the maximisation of income; stimulating economic activity to increase salaries through access to higher quality employment; access to apprenticeship schemes, further and higher education, tackling financial exclusion, free to use or reduced cost transport for certain groups and extended free meals and child care.

162 These matters are tackled in wider Welsh Government initiatives, but more could be done to promote income maximisation through improved domestic energy efficiency. Key issues identified include:

- a. Barriers remain to securing the best value energy tariffs. Prepayment meters operate under the most expensive tariffs, compounded by arrears being repaid by consumers in addition to higher tariffs. During summer months when consumers may disconnect from energy use, service charges continue to accrue which serves to reduce the credit available still further when top up payments are made by customers.
- b. Access to the best deal tariffs are dependent on payment by direct debit. 1.5 million adults remain unbanked in Britain today.⁴⁹ Only about half of the unbanked would like a bank account. Lowering the cost of energy to lower income homes has the effect of maximising income and contributes to reducing the fuel poverty gap.

Advice services

163 Encouraging energy efficiency measures and action to help consumers be aware of the best domestic energy tariffs are features within the current Tackling Fuel poverty Strategy, published in 2010. It commits to action to *“ensure high quality, well co-ordinated advice and support services to ensure all householders can access help to reduce their fuel bills, maximise their income, improve energy performance of their homes and reduce the risk of becoming fuel poor”*. The co-ordination and provision of advice services in relation to improving home energy efficiency is currently embedded within the contract awarded to British Gas in 2018, to deliver the latest phase of the Warm Homes Programme Nest Scheme.

164 Under this arrangement, the home energy advice service not only assesses peoples' eligibility for the installation of home energy efficiency measures available under the scheme, but also signposts people to further advice and support available from other trusted partners on benefit entitlements (to increase household income), advice on how to switch energy suppliers to secure a better deal from the commercial domestic energy market using the UK Government accredited U switch service.

165 More than 144,000 people have received advice support through the Nest scheme since it started in 2011. In relation to the area based Arbed scheme, advice and support is only open people living in homes within an approved project. In these circumstances, advice will include, but not be limited to:

- Energy efficiency to reduce consumption;
- Heating controls and how best to use them;
- Home insulation requirements;
- Understanding energy bills and energy tariffs;
- Optimum use of measures installed;
- Welsh Government Home Improvement Loans;
- Fire safety checks, including smoke detector locations;
- Grants and third party services;
- Warm Home Discounts (WHD);
- Priority Services Register (PSR); and

⁴⁹ UK Financial inclusion commission

- Winter fuel payments

166 In April 2019, the Welsh Government's Deputy Minister, Jane Hutt AM set out three principles for advice services in Wales. The [Information and Advice Action Plan](#) (IAAP) for Wales, which was published in December 2016, commits the Welsh Government to ensuring there is a co-ordinated, cost effective, and sustainable provision of quality assured social welfare information and advice services throughout Wales. Providers of information and advice to people in fuel poverty should engage with Regional Advice Networks to ensure they are able to seamlessly refer people for any additional help required.

167 To further its commitment to quality assured advice services, the Welsh Government has introduced an Information and Advice Quality Framework for Wales against which Information and Advice Quality Standards can be accredited. Information and advice services to people in fuel poverty should be delivered by providers holding an accredited Quality Standard, appropriate to the type of service being provided.

168 A new Welsh Energy Mutual empowered to encourage energy efficiency measures and help tackle fuel poverty could co-ordinate, commission and/or deliver advice and support services to help people struggling to meet the cost of their energy needs and improve home energy efficiency.

169 The UK Government already funds the Simple Energy Advice Website <https://www.simpleenergyadvice.org.uk/>, which provides basic advice and support. Some energy companies have established and fund community interest companies to fulfil their corporate social obligations. For example, Warmer Wales funded by the British Gas Energy Trust, will be working in partnership with 14 local Citizens Advice organisations to provide expert energy advice alongside welfare benefits and debt advice to people experiencing, or at risk of, Fuel Poverty, and vulnerable to the cold. These services are in addition to existing generalist advice on energy and Energy Best Deal provision. The funding delivers 0.5 specialist advisers per local Citizens Advice until March 2021.

Attitudes and behaviours

170 There is no action or target within the current strategy to encourage people to use domestic energy responsibly or work to reduce their consumption, encourage switching to secure a better energy deal or to invest in smart technology to improve energy efficiency in the home. Although the Welsh Government is not aware of any Wales specific evidence in relation to attitudes and behaviours, there is growing evidence people's attitude to the use of energy and behaviour towards home energy efficiency is a determinant of fuel poverty.

171 The Fairer Futures project being delivered in Bridgend as part of the Energy Catapult initiative has undertaken research into attitudes and behaviours. The decarbonisation of housing project team has commissioned UCL to consider behaviour change. Additionally, results from the 2018 Ofgem Consumer Engagement Survey⁵⁰, which focuses on better

⁵⁰ 2018 OFGEM Consumer Engagement Survey published 10 October 2018

understanding of motivators and barriers to engagement, is designed to better understand how consumers are responding changes in the energy market.

Energy Using Products

172 There is no action or target within the current strategy to encourage people to use domestic energy responsibly or work to reduce their consumption. Friends of the Earth Europe⁵¹ advocates an energy efficiency first approach to tackling the energy deficit and fuel poverty, rather than investment in energy networks that continue to depend on the burning of fossil fuels. Regulations governing Energy Using Products in the home are not devolved and are based on legislation derived by the European Union. It is expected the UK Government will maintain or enhance standards after the UK leaves the EU.

173 Higher energy efficient rated domestic appliances tend to be more expensive but can reduce energy consumption and running costs. For example, a heat pump tumble dryer costing £479 can on average consume 309Kwh electricity annually, which compares favourably to a cheaper vented tumble dryer with the same capacity costing £179 using an average 472Kwh of electricity annually. Lower income families are likely to opt for product with a lower purchase price but higher running costs. Similarly, induction hobs are the most energy efficient as electromagnetic energy transfers directly to the pan. Induction hobs only use 50% of the energy of a conventional model, but consumers can expect to pay twice as much for an induction hob as for a traditional electric, halogen or gas hob.

Glazing and roofing measures

174 Replacement windows and repairs to roofing are not provided under the current Warm Homes Programme Schemes. In some cases, secondary glazing, if recommended, can be provided. Some advocates suggest changing one single glazed window to double-glazed unit could achieve savings of about £10 per year on a domestic fuel bill. About 25% of heat escapes through the roof of the home when in good repair. About 10% of home heat escapes through windows but a further 15% escapes because of draughts created from doors and windows that are in poor repair or are poorly fitted. Replacement windows are comparatively expensive when considered against the thermal efficiency improvement gained.

Seasonal resilience, avoidable ill health and premature death

175 The Welsh Government Minister with responsibility for winter preparedness co-ordinates a plan to ensure the Welsh Public Sector is able to respond effectively to severe winter weather conditions. The Warm Homes Programme is a contributor to this plan, which is not published. The Minister for Environment, Energy and Rural Affairs has agreed a winter resilience plan will be prepared and published.

176 On-going boiler maintenance is not provided under the Warm Homes Programme Schemes. The average cost of a one-off boiler service is around £72, although the work can cost anywhere between £60 and £100. Large national firms tend to charge around 25 - 50% more for a boiler service than local businesses. Taking out boiler cover would further

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http://www.foeeurope.org/sites/default/files/energy_savings/2018/way_forward_europes_energy_transformation.pdf

protect vulnerable homes should the boiler - or any of its controls, fail. (See also Winter resilience) People struggling to meet the cost of their home energy are less likely to commit to a boiler maintenance package.

- 177 This links to winter resilience planning and premature deaths and incidence of illness in winter published by NICE. For winter 2018/2019, the Welsh Government made provision for central heating boiler repair by making emergency assistance payments available through the Discretionary Assistance Fund. Two homes benefitted in 2018/2019, but average temperatures between December 2018 and February were on average 2.5 – 3 degrees milder than the historical average.
- 178 The Warm Homes Programme Nest Health Conditions Pilot launched in 2017 and extended until March 2020 seeks to expand the support available through the Nest scheme to people at risk of living on a low income in a cold home suffering with a respiratory or circulatory health condition. Traditionally, the health impacts have focused on premature deaths from living in a cold home. Following summer 2018, however, NHS services reported an increase in emergency admissions for people in crisis for prolonged intense heat during the summer.
- 179 In 2018, the Royal College of Nursing said the heatwave had placed winter-like strains on the health service, witnessing more cases of heart failure, renal failure and dehydration, with older people being particularly at risk. There is no provision in the Warm Homes Programme for the installation of appropriate cooling measures for people at risk of premature death in an over-heated home.
- 180 According to the latest report by the UK Committee on Climate Change, studies based on sample buildings in England show around 20% of homes overheat in the current climate. The south of the UK is more severely affected by indoor overheating problems, but there are few studies of overheating in buildings in northern England and in Scotland, Wales and Northern Ireland. Dwelling types that have been found to be more prone to overheating include 1960s – 1970s and post-1990s mid- and top-floor purpose-built flats that lack sufficient ventilation and protection from heating by the sun.
- 181 In the absence of action, annual UK heat-related mortality is projected to increase from a current baseline of 2,000 heat-related deaths per year to 5,000 per year by 2050 (7,000 per year by 2050 taking account of population growth).
- 182 High temperatures are also associated with heat-related illnesses. The elderly, very young and people with pre-existing heart and respiratory diseases are particularly at risk. In otherwise healthy people overheating can cause discomfort leading to lack of sleep. Research jointly produced by Public Health Wales, Community Housing Cymru and Buildings Research Establishment (BRE) called "Making a Difference, Housing and Health: A Case for Investment", sets out the business case for investment in better housing to improve peoples' health and wellbeing.

Quality assurance for installing home energy efficiency measures

- 183 Persistent media reports and complaints about the impact retrofitting measures have had on people's lives when failure occurs continue to be referred to the Welsh Government for advice and support. Currently, arrangements are not in place to support people when failure, either as the result of poor design, workmanship or maintenance, occurs. Each case

therefore needs to be considered as it arises. Cavity and External Wall Insulation, when installed under the Warm Homes Programme, is subject to the appropriate guarantee covering materials and workmanship. Under Arbed 3 and Nest 2, revised arrangements to quality assure the work undertaken have been put into place to reduce the risk of problems arising in the future. Independent surveys on reported failures have been commissioned by the Welsh Government to determine the cause of failure of any Warm Homes Programme Measures.

184 There are, however, no formal arrangements in place for the management of issues when they arise, or how issues will be remedied for home owners. Outside of the Warm Homes Programme, guarantees have not been valid, either as the result of product mis-selling, poor design or workmanship, or action by the homeowner to undermine the integrity or effectiveness of the installed measure.

185 Resulting from the recommendations made by Sir Peter Bonfield in his review and report “Every Home Counts”, PAS 2035 has been developed specifically to address some of these concerns. This standard sets out requirements for the energy retrofit of domestic buildings and provides best practice guidance about domestic retrofit projects. It seeks to manage the retrofit risk by ensuring a thorough assessment is carried out to establish the suitability of any improvements which are to be installed. The PAS encourages a holistic approach to retrofit, one that considers the building as a system of elements, interfaces and occupants that interact with each other. PAS 2035 is the over-arching document in the retrofit standards framework, with which holders of the Quality Mark will be required to comply when carrying out domestic retrofit work.

186 The current Warm Homes Programme Schemes work to the standards in PAS 2030 (2017) and adopted some of the principled approaches in PAS 2035. Our intention is to continue to deliver home energy efficiency measures in accordance with the quality requirements established under PAS. Further consideration will need to be given as to whether contractors delivering the Welsh Government Schemes will need to be Trustmark accredited. If the decision is to require Trustmark accreditation, consideration as to how the Welsh Government supports implementation of the accreditation will be required.

Appeal arrangements

187 The contracts awarded for delivery of schemes under the Warm Homes Programme do not include arrangements for how people can appeal decisions following the whole house assessment, or when installations have led to unintended consequences and where the scheme provider has not resolved the persons’ concerns to their reasonable satisfaction. Accountability between the Welsh Government and scheme providers are, therefore, unclear.

188 In the case of the new Nest contract, a person who has not been approved for grant funded home energy efficiency measures can appeal to Nest, who made the original determination. As a result, consumers complain to Ministers. Similarly, no independent appeal arrangements are in place for Arbed, resulting in complaints to Ministers about non selection for measures, or when measures have failed.

Owner occupier house maintenance

189 Home energy efficiency is, in some cases, undermined by people living in the owner occupier sector failing to maintain their property to the appropriate level. According to the Housing conditions survey results published in December 2018⁵², homes were assessed for a number of different structural defects, including issues with the roof, walls and floors. Doors and glazing are not included in the survey. Based on those defects included in the survey, about 5% or 71,000 homes were found to have at least one structural defect in 2017-18, less than half the number in 2004.

190 The highest proportion of homes with one or more structural defects were homes for single pensioners (7%) and single adults with no dependent children (8%). No advice is published about the potential costs of maintaining the structural integrity of the home and how to commission remedial work from a trusted supplier. In some cases, people living in Fuel poverty often live in properties which could benefit from minor repairs to improve their resilience to adverse weather conditions. Some Third Sector Partners, such as Care and Repair Cymru, offer support to people to undertake minor repairs in their homes. Support is not available under the Warm Homes Programme, which could restore the energy efficiency of a property to the designed standard without the need for costly retrofitting to improve home energy efficiency.

Support to priority groups (Veterans, children, older people aged 60 and over, disabled, travellers and care leavers and apprentices)

191 The Welsh Government prioritises support to certain groups in society when developing a delivering funded programmes. Unless veterans meet the current eligibility criteria set out for the Warm Homes Schemes, support is not available to better meet their needs in winter months. 5% of household residents in England, Wales and Scotland were estimated to be veterans, in Wales this is estimated to be between 6-8% of the population. The majority of UK Armed Forces veterans residing in GB were estimated to either have owned their own property or had a mortgage (76%). This was consistent with the non-veteran population (78%). Male veterans of retirement age were significantly more likely than female veterans of the same age to report having heart, blood pressure and/or circulatory problems (53% and 42% respectively).

192 There are a number of compensation schemes administered by Veterans UK on behalf of the Ministry of Defence available to serving and former serving personnel who are injured as a result of their service in the Armed Forces. The scheme that applies to each individual will depend on when and where the veteran served. The Armed Forces Compensation Scheme (AFCS) can be claimed where illness or injury was caused as a result of service on or after 6 April 2005.

193 The War Pensions Scheme (WPS) can be claimed if an individual is no longer serving and disablement was caused as a result of service in the Armed Forces before 6 April 2005. The Criminal Injuries Compensation (Overseas) Scheme can be claimed if the veteran or dependants are the innocent victim of violent crime while serving overseas.

194 The Fuel poverty strategy does not focus on families with young children, disabled people and older people. These are people who are at increased risk of avoidable ill health and premature death from living in a cold home. In June 2019, the Minister for Environment,

⁵² <https://gov.wales/welsh-housing-conditions-survey-headline-results-april-2017-march-2018>

Energy and Rural Affairs expanded the health conditions pilot scheme to better meet the needs of people sharing these characteristics.

- 195 Traveller communities are identified as a Welsh Government priority group but the current eligibility criteria presents a barrier to this community. A project under the current Arbed Scheme has been proposed but no scheme has been developed. The Welsh Government, however, has invested approximately £18 million in site development and refurbishment and a further £20.3 million has been committed to the end of 2021. Efforts to improve energy efficiency using this capital fund would potentially yield greater benefits.
- 196 Apprentices and Care Leavers are identified as needing additional support through Government Programmes. The Welsh Government is in the process of amending legislation governing payment of council tax for people leaving care.

Vulnerable Household definition

- 197 Action to improve the energy performance of homes within the 2010 Strategy expanded eligibility for partial grants to include young people under the age of 25. The 2016 report on fuel poverty estimates uses a cut-off point of 25 years old as the definition of a vulnerable household. In preparing new Fuel poverty estimates for 2018, BRE suggested young people aged 16 and under should be defined as vulnerable. The matter was considered in the Government Social Research report published in 2016 about understanding the characteristics of low income households most at risk from living in cold homes. The extension of the vulnerable household definition to include young people aged 18-24 was not identified or considered.
- 198 On that basis and for headline comparison with the other UK Nations, it was agreed for the purpose of the fuel poverty estimates 2018, the age of 16 and under in relation to vulnerable households is acceptable, although further consideration to the issue will need to be given. People in the 18-24 age group, however, who live alone, or with partners of similar age, are at increased risk of living in a cold home as they are more likely than other age groups to live in the Private Rented Sector. This sector has the joint lowest SAP rating with the owner occupier sector⁵³. Combined with lower incomes across this age group, the risk of Fuel poverty is greater. Also in this age group are care leavers, identified as a priority group for support by the Welsh Government.

Innovation - new technology, smart technology and transforming the energy sector

- 199 The maximum permitted investment in a single home through the Warm Homes Programme is £12,000, applicable to the worst energy efficiency rated homes in off-grid gas areas. The lower maximum permitted investment of £5,000 is available for higher efficiency rated homes in on-grid areas. The installation of energy efficient measures with lower carbon and harmful emissions, such as air source heat pumps, external wall insulation and other innovative technologies are expensive and are not usually available

⁵³ <https://gov.wales/welsh-housing-conditions-survey-headline-results-april-2017-march-2018>

within the permitted investment caps. There are some cases however, where the Welsh Government will consider measures costing more than the cap currently permits.

200 The UK Government and OFGEM are advancing proposals for the:

- decentralisation of power generation, distribution and storage in an effort to meet the UK's projected energy demand, and
- decarbonisation to meet climate change commitments and tackle Fuel Poverty.

201 Realisation of some of the benefits depends on the deployment of new smarter technologies, seeking to balance demand with use. In meeting wider global obligations, the cost of energy to the domestic user is likely to increase faster when compared to energy derived from the burning of fossil fuels. Imposing these costs on the least able to pay in society using regressive charging mechanisms could further undermine efforts to tackle Fuel Poverty. This has led to calls for energy justice from organisations such as Friends of the Earth, National Energy Action (NEA) and the Energy Saving Trust (EST). Welsh Government investment in emerging and smart energy technologies can support efforts to reduce Fuel Poverty, especially in relation to homes in off gas grid areas. Encouraging people to embrace new technologies to better manage their energy needs could also reduce costs through reductions in energy consumption.

202 Housing decarbonisation demands exploitation of new, more expensive measures to improve home energy efficiency to the maximum level achievable. In May 2019, the Committee on Climate Change published their aspiration for Wales to achieve a 95% reduction in greenhouse gases by 2050.⁵⁴ This cannot be achieved within the current financial caps applied to the Warm Homes Programme.

203 The alternative is to maintain the financial cap utilising lower risk technologies, acknowledging further measures are needed in the future. This means additional grants for works will need to be available in future years when newer technologies are available at a lower cost.

Number of Nest applications by tenants of a single landlord in the Private Rented Sector

204 The current Nest Scheme contract awarded to British Gas in April 2018 includes provision for homes in the private rented sector, providing not more than three properties under the ownership of a single landlord are improved by the scheme. However, the current policy set out in the Nest Scheme consultation outcome report published in December 2016 is, over time, to reduce the number of properties owned by a single landlord in the private rented sector eligible for support through the scheme. This policy is unclear as to who is the beneficiary of the measure actually is, the landlord or the person living in the home. Only the person living in the property is able to apply to Nest for measures, not the landlord, but the current scheme limitations suggests the landlord is the beneficiary.

⁵⁴ <https://www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-The-UKs-contribution-to-stopping-global-warming.pdf>

205 Evidence suggests White British households are less likely to rent from a private landlord when compared to people from all other ethnic groups.⁵⁵ Black people are the most overrepresented in the PRS⁵⁶. Between 2015 to 2017, White British house buyers were aged 31 years on average when they bought their first home. This was younger than first-time buyers from all other ethnic groups combined (32 years)⁵⁷

206 Results from the National Survey for Wales, 2018-19 show that 49% of people with self-declared non-white ethnicity live in an owner occupied home, compared with 74% of people from a white ethnic group. 32% of people of non-white ethnicity live in private rented accommodation, compared with 13% of people from a white ethnic group. Continuing to support people living on lower incomes who are tenants in the Private Rented Sector makes a positive contribution to the Welsh Government's duty to advance equality of opportunity.

Monitoring and Evaluation

207 The Warm Homes Programme Nest annual reports have been published since the scheme was launched in 2011. Nest Annual reporting focuses on activity and not on outcomes. Fuel poverty modelled estimates have been published biennially, although the Welsh Housing Conditions Survey (WHCS) undertaken in 2008 was not repeated until 2018. Reporting in relation to the delivery of the 2010 Strategy to tackle fuel poverty has not been undertaken since publication in 2010.

Welsh Audit Office Landscape Review

208 In October 2019, the Wales Audit Office (WAO) published its Landscape Review of Fuel poverty in Wales.⁵⁸ The aim of the report was to provide some insight into efforts since the publication of the Welsh Government's 2010 Fuel poverty Strategy⁵⁹ and to identify some key issues for the Welsh Government to consider in developing the new plan to tackle Fuel Poverty. In making ten recommendations to tackle Fuel poverty as part of the new plan, the WAO acknowledged some of the determinants contributing to Fuel poverty were outside of the control of the Welsh Government

209 The WAO acknowledged the Welsh Government has sought to work with other bodies and coordinate its own departments to address the wider causes of Fuel Poverty, including wider investment in programmes that can support its Fuel poverty ambitions. These wider programmes include investment in work to achieve the WHQS across social housing. It noted the tensions between goals of eradicating carbon emissions from domestic housing and prioritising efforts and funding on fuel poor households who tend to use less energy

⁵⁵ <https://researchbriefings.files.parliament.uk/documents/CBP-7706/CBP-7706.pdf>

⁵⁶ <https://www.ethnicity-facts-figures.service.gov.uk/housing>

⁵⁷ in 2015 to 2017, White British first-time buyers were aged 31 years on average when they bought their first home – this was younger than first-time buyers from all other ethnic groups combined (32 years)

⁵⁸ <http://www.audit.wales/publication/fuel-poverty>

⁵⁹ [Welsh Government. Fuel poverty Strategy 2010. July 2010](#)

and may indeed need to increase their energy use in order to not live in a cold, unhealthy home.

- 210 The investment in energy efficiency, the report notes, seem to have helped to reduce the levels of estimated Fuel Poverty. The data on the Warm Homes programme show significant improvements in the energy efficiency of the homes, which have benefitted from the programme. The evidence does not show whether the people in those homes have been lifted out of Fuel Poverty.

Recommendations from the Wales Audit Office Landscape Review into Fuel poverty in Wales

Strategic direction

R1 The Welsh Government should reflect on the purpose of the target related to eradicating Fuel poverty and whether that purpose could be better served by setting an ambition or goal that is more closely aligned to the Welsh Government's sphere of control and influence.

R2 The Welsh Government should clearly articulate the lessons learnt from the failure to meet the targets set in 2010 and set out how those lessons have been applied in setting any new ambitions and the mechanisms for achieving them.

R3 The Welsh Government should consider developing a more nuanced suite of measures for the impact of its programmes and efforts to tackle Fuel Poverty, in particular:

- Developing measures for its Warm Homes programme that are based on working out how beneficiaries are better off in ways that matter to them alongside improvements to the energy efficiency of the home.
- Working with its partners to develop measures that enable a collective understanding of whether efforts to co-ordinate activity across organisational and sectoral boundaries are having the intended impact.

Co-ordination and integration

R4 The Welsh Government should explore and articulate a long-term financial and carbon analysis of the costs, benefits and trade-offs of prioritising fuel poor households as part of its wider plans for de-carbonising homes.

R5 The Welsh Government, working with partners, should more clearly articulate how Fuel poverty schemes should link up locally to other work to tackle the underlying causes that led individuals and communities to be vulnerable to experiencing Fuel Poverty.

R6 The Welsh Government should reflect, in light of the views expressed to us, on its approach to involving and engaging with stakeholders, including exploring whether any formal mechanisms for regular involvement and engagement with stakeholders need to be put in place.

Funding for energy efficiency schemes

R7 In setting future budgets for the Warm Homes programme, the Welsh Government should take a broad view, in line with the ways of working under the Well-being of Future Generations Act, on how Fuel poverty schemes could: prevent future costs in other service areas; and contribute to wider policy goals, including the 80% reduction in carbon from housing by 2050.

R8 The Welsh Government should clearly set out whether, and if so how, it will support fuel poor households who are not eligible for Nest and do not live in an area covered by Arbed.

R9 The Welsh Government should clearly set out how it will support those in severe Fuel Poverty, as they are potentially less likely to be engaged with services.

R10 The Welsh Government should fully explore the reasons behind the underspend in Arbed and if there are fundamental issues with the area-based approach which mean this situation is likely to continue, the Welsh Government should look at options for changing the funding balance between Nest and Arbed.

Climate Change Environment and Rural Affairs Committee

211 Earlier this year, the Climate Change Environment and Rural Affairs Committee announced its intention to hold an inquiry into Fuel poverty in Wales⁶⁰. A call for evidence closed on 1 November 2019. The scope of the inquiry includes:

- the scale and impacts of fuel poverty in Wales;
- why the Welsh Government failed to meet its statutory target of eradicating fuel poverty in Wales by 2018;
- how Welsh Government action to date has helped to combat fuel poverty, in particular, the impact of the Warm Homes Programme (including Nest and Arbed) and the Welsh Housing Quality Standard;
- how the Welsh Government's successor to the fuel poverty strategy (due for consultation in Autumn 2019) should differ from its 2010 strategy;
- what steps the Welsh Government should take to ensure new-build homes, as well as existing homes, are highly energy efficient to prevent them causing fuel poverty in the future.

212 Since preparing this analysis, the Senedd Committee for Climate Change, Environment and Rural Affairs has published its report, tabled in the Senedd on 24 April. The Welsh Government has subsequently accepted its 21 recommendations either in full, or in principle.

IMPACT ASSESSMENTS FOR NEW PLAN

213 Impact assessments are a means of judging the effect of policy on people, the environment and the economy. Impact assessments are not unique to preparing Assembly Bills; they are about making policy. Impact assessments have been developed to meet both the requirements of Ministers and requirements set out in statute passed by the Assembly and by Parliament. Policy makers are required to consider all the relevant issues before

⁶⁰ <http://www.senedd.assembly.wales/mgIssueHistoryHome.aspx?IId=25969>

reaching and making a decision. Impact assessments prompt and guide to gather, and if necessary, seek evidence to improve the development of a policy or inform a change in policy direction.

214 Impact assessments are a methodology to assist development of the policy, rather than a tick boxes and checklists exercise. It is important impact assessments are an integral part of the 'case for change', partly because they help establish all the facets of the problem being considered, and partly because some impact assessments have timetabling implications.

215 The policy lifecycle is seen as having five stages, all being influenced by impact assessments.

- case for change;
- options;
- developing the preferred option;
- implementation; and
- evaluation.

216 Case for change – the impact assessment help identify different facets of the problem, spot connections with other areas of work, and define objectives which reflect the Government's strategic objectives.

217 Options – the impact assessments help determine how each option would affect different groups of people, the environment, economy and culture. This assists in giving balanced advice to Ministers.

218 Preferred option – impact assessments may identify detailed delivery issues which need to be resolved before proceeding further.

219 Implementation – if the impact assessments have been undertaken correctly the delivery approach will be sensitive to the needs of the people the policy is aimed at helping, will be monitored well, and will include mitigation of potential adverse impacts.

220 Evaluation – impact assessments completed earlier will help to ensure the evidence needed for evaluation is identified in good time so it is available when needed; some assessment duties include requirements to monitor and review the effect of the course of action taken.

221 The nature of the policy and the extent of its coverage will determine the depth of investigation that needs to be undertaken. Some of the impact assessments have screening questions that help to decide whether a full assessment needs to be undertaken, this ensures the effort is proportional to the need.

Case for Change

222 The Welsh Government had a statutory obligation under the Warm Homes and Energy Conservation Act 2000 to eradicate fuel poverty, as far as is reasonably practicable, in all households in Wales by 2018. The Welsh Government's Statutory targets for tackling fuel poverty were published in 2003 under the "Fuel poverty Commitment for Wales", which was incorporated in the current Fuel poverty Strategy published in 2010. This strategy expired

at the end of 2018 and consideration is being given to how best the Welsh Government can continue to tackle fuel poverty from 2020 and beyond.

223 The statutory targets from 2003 were, as far as reasonably practicable to eradicate fuel poverty:

- a. For vulnerable households by 2010
- b. In social housing by 2012
- c. By 2018, no person in Wales to be living in fuel poverty.

224 In Wales, a household is defined as being in fuel poverty if it would be required to spend more than 10 per cent of its income on all household fuel use, in order to maintain a satisfactory heating regime. Households who are required to spend more than 20 per cent are considered to be in severe fuel poverty. The three recognised determinants of fuel poverty are household income, energy prices and the energy efficiency of the home.

225 Welsh Government has limited powers to tackle low incomes through the Economic Action Plan and energy prices, making the eradication of fuel poverty a real challenge. However, where we can make a significant difference is in improving the energy efficiency of homes in Wales through the Warm Homes Programme. This is the most sustainable way to reduce energy bills in the long term.

226 In order to develop an up to date, relevant and workable plan, officials have undertaken an assessment of the Welsh Government efforts to tackle fuel poverty in Wales. The Welsh Government has funded a programme of investment, including a survey of housing conditions in Wales and an update of fuel poverty estimates. The latest fuel poverty estimates, commissioned from work undertaken by the Building Research Establishment (BRE) indicate the statutory targets from 2003 have not been achieved. There are, however, a number of actions within the current strategy, which remain as relevant today as they were in 2010.

227 The current Warm Homes Programme delivered through Nest and Arbed continues to be instrumental in alleviating fuel poverty in Wales. BRE estimate the impact of energy efficiency measures introduced in Wales through the Welsh Government's Warm Homes Programme since 2011 has resulted in approximately 80,000 fewer households in fuel poverty than otherwise would have been without such measures.

228 There is a need to develop proposals for how best the Welsh Government can continue to work towards the eradication of domestic fuel poverty whilst maintaining our contribution to achieving carbon reduction targets by 2050. Any proposal needs to be consistent with wider Welsh Government policy and reflect the issues currently facing people who are struggling to meet the cost of their domestic energy bills.

Issues Identified from 2010 Plan Assessment

229 It is recognised there are matters relating to fuel poverty either not addressed or sufficiently addressed under the current 2010 plan or Warm Homes Programme, these are:

- Temperatures in the home
- People on lower income not in receipt of means tested benefits

- Income maximisation
- Advice services
- Attitudes and behaviours
- Energy using products
- Glazing and roofing measures
- Seasonal resilience, avoidable ill health and premature death
- Quality assurance for installing home energy efficiency measures
- Appeal arrangements
- Maintaining housing fabric in the owner occupier sector
- Support to vulnerable groups (veterans, children, older people, disabled, travellers and care leavers)
- Vulnerable household definition
- Innovation (new technology, smart technology and transforming the energy sector)
- Number of Nest installations by tenants of a single landlord
- Monitoring and evaluation

230 An improved holistic approach to addressing these matters which contribute to fuel poverty will better enable Welsh Government efforts to reduce the number of homes in Wales living on a lower income in fuel poverty. An improved approach will ultimately have a positive impact on people.

Scoping Relevant Impact Assessments

231 Further to establishing the need for change and in developing proposals for reform, the following assessments and considerations are needed for any policy to meet statutory obligations:

Equality and human rights;
 Children and young people;
 Welsh language;
 Biodiversity;
 Health Impact Assessment;
 Justice Impact Assessment; and
 Future Generations and Well being

232 The Welsh Government has made certain policy commitments to consider particular matters and/or undertake assessments, in order to ensure cross cutting issues are being taken into account, including:

Rural proofing;
 Tackling Poverty
 Third Sector impacts;
 Climate change; and
 Economic impact.



233 There are then a third category of assessments that may or may not be required, depending on what is being done. All of these need to be considered and documented, if only so they may be discounted –




Privacy impact assessment;





Habitat regulations;
Strategic environment assessment;
Environment impact assessment; and
State aid regulations.








234 Although for every policy a regulatory impact assessment (RIA) may not be required, for every Assembly Bill this is required under Standing Orders. Therefore where the delivery options for the policy indicate that an Assembly Bill may be required, an RIA will need to be undertaken. When the preferred option for delivery of part or all of the policy is through an Assembly Bill, a full and detailed RIA will need to be prepared and laid before the Assembly.



Initial scoping of proposed reforms

Assessment	Relevance	Identified high level impacts
Equality and human rights		<p>Relevant to</p> <ul style="list-style-type: none"> • Older people and disabled people • Younger people and children • Gypsies and Travellers <p>The delivery of appropriate outcome focused objectives should result in a significant and positive impact on equality and human rights.</p> <p>The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 impose a requirement on Welsh Ministers, when exercising their functions, to consult with groups representing the interests of people sharing the protected characteristics introduced by the Equality Act 2010. Evidence suggests people sharing the protected characteristics are at greater risk of avoidable ill health or premature death resulting from living in a cold home. People living in a cold home are at greater risk of poor physical and mental health and children and young people are less likely to do well at school.</p> <p>The United Nations Convention on the Rights of the Child (UNCRC) Providing a warm home contributes to meeting our obligations under Article 27 of the convention: Every child has the right to a standard of living that is good enough to meet their physical and social needs and support their development. Governments must help families who cannot afford to provide this.</p> <p>Engagement with third sector organisations, such as Disability Wales, Age Cymru, Alliance for Children in Wales and SCOPE will ensure the views of protected groups are heard and fully considered in the development of a new plan.</p>
Children and young people		<p>The tackling fuel poverty plan can have a significant and positive impact on children and young people.</p> <p>The latest figures suggest that 185,000 children live in Poverty in Wales, approximately 29% of all children in Wales.</p> <p>Children under 5 spend an above average amount of time at home, increasing their exposure to the harmful effects of living in a cold home. Children are less able to cope with thermal stress, making them more prone to respiratory health problems such as asthma and bronchitis. Weight gain in babies and toddlers</p>

Assessment	Relevance	Identified high level impacts
		can be impeded by the increased calorie requirements to keep warm in a cold home. For school-age children educational attainment may be prevented if school is missed due to cold related illness.
Welsh language		<p>Welsh language provision for the Warm Homes Programme – In April 2018, a Welsh Language Impact Assessment was carried out for the new Warm Home Programme contracts. All services will be available in Welsh as per the current requirements for the schemes.</p> <p>A more detailed assessment is not considered necessary.</p>
Biodiversity		<p>Biodiversity is the variety of plants and animals we share the planet with and the places they live. The ecosystems they make up are our life support system, which provides us with all our food and medicines and ensures that we have clean air, clean water and fertile soils. Improving domestic energy efficiency has a positive impact on decarbonisation targets, as demonstrated by the carbon saving calculations of the Warm Homes Programme.</p> <p>Whilst the implementation of energy efficiency measures enable WG to work towards statutory targets, a more detailed assessment in relation to biodiversity is not considered necessary.</p>
Health Impact Assessment		<p>The tackling fuel poverty plan can have a significant and positive impact on the health of people in Wales.</p> <p>The 2016 report '<i>Making a Difference: Investing in Sustainable Health and Well-being for the People of Wales</i>', Public Health Wales highlights the fact that poor quality housing, including issues such as mould, poor warmth and energy efficiency is linked to physical and mental ill health. Also in 2016, NICE republished quality standards about preventing excess winter deaths and illness associated with living in a cold home. In explaining the need for the new standards, NICE determined cold weather has a direct effect on the incidence of heart attack, stroke, respiratory disease, flu, falls and injuries and hypothermia. NICE has clearly identified the people who are vulnerable to health problems associated with cold homes (QS117).</p> <p>The NHS in the UK spends as much as £1.36 billion each year to treat people affected by living in cold, inefficient homes. 'A Healthier Wales: our plan for health and social care' sets out the aim to improve population health and well-being through a focus on prevention. Improving the home environment for populations who are vulnerable would help prevent health deterioration.</p> <p>The 'Making a Difference: Investing in Sustainable Health and Well-being for the People of Wales' report published in 2016 suggests the health benefits associated with tackling fuel poverty are:</p> <ul style="list-style-type: none"> • Investing in insulation and heating to address cold and damp housing could return savings of nearly £35 million for the NHS in Wales; • Babies living in fuel poor homes (cold and damp) are 30% more likely to be admitted to hospital or attend primary care • Preventing ill-health and reducing health inequalities could lead to less time off school or work, increased use of the home for study and leisure, and improved relationships between household members. • A significant reduction in excess winter deaths <p>Nest has funded research looking at using linked administrative data to evaluate the impacts of our energy efficiency and fuel poverty schemes on health outcomes.</p> <p>The Nest health conditions pilot was launched in 2017 and is currently under review. Feedback has been sought from colleagues in Welsh Government and the third sector on how the scheme will be revised, with a view of improving the number of referrals and increasing the number of vulnerable people benefiting from measures.</p>

Assessment	Relevance	Identified high level impacts
Justice Impact Assessment		<p>The Welsh Government has a statutory obligation to eradicate fuel poverty, as far as is reasonably practicable, in all households in Wales by 2018. The evidence from this pilot will inform the development of the new tackling fuel poverty plan.</p> <p>This proposal does not affect the justice system; therefore, a more detailed assessment is not considered necessary.</p>
Future Generations and Well being		<p>The Well-Being of Future Generations Act 2015 establishes seven goals, four of which are relevant to the tackling fuel poverty plan.</p> <p>A prosperous Wales – Supporting measures to improve the thermal and energy efficiency in the home not only helps reduce the cost of energy required to meet their energy needs, but also supports the supply chain and skills needed to stimulate the dynamic economy Wales needs to compete in a 21st Century global economy. The plan proposes we continue supporting the installation of energy efficiency measures in homes across Wales.</p> <p>A healthier Wales – Evidence tells us people are at risk of avoidable ill health from living in a cold home, older people are at risk of premature death and children's ability to meet their full potential is undermined if a safe and comfortable home environment cannot be maintained at an affordable cost. The plan proposes to embed the health conditions pilot into the Nest scheme and amend the regulations accordingly.</p> <p>A more equal Wales – Creating a more equal Wales is relevant to people living on lower incomes and struggling to meet the cost of their home energy needs. This includes people who do not have access to the best domestic energy deals available on the market, because they are excluded from the financial services market, have fallen into arrears with their energy supplier or simply prefer to pay for their energy when used to avoid the fear of unmanageable fuel debt. The plan proposes we pilot an energy advice and outreach support service to help people reduce their fuel costs and maximise their income.</p> <p>A globally responsible Wales – Reducing the level of the natural resources we consume for our own needs is the principled approach the Welsh Government is adopting in relation to our housing, and the energy we need to consume to maintain a safe and comfortable home environment.</p> <p>The plan can prevent ill health and reduce inequalities to achieve a sustainable economy, thriving society and optimum health and well-being for the present and future generations in Wales whilst making a positive contribution to global well-being.</p>
Rural proofing		<p>The tackling fuel poverty plan can have a significant and positive impact on rural communities.</p> <p>Inefficient homes are disproportionately found in rural areas, and thus people living in these areas have an increased likelihood of living in a cold home (National Energy Action, 2013a). Estimates by the Welsh Government suggest that 42 per cent of homes in rural areas are in fuel poverty, compared to just 22 per cent of those in urban areas (National Assembly for Wales, 2011).</p>
Tackling poverty		<p>The tackling fuel poverty plan can have a significant and positive impact on tackling poverty.</p> <p>Officials will consult with colleagues in WG about the impact of our proposals wider Welsh Government objectives. The Communities and tackling poverty</p>

Assessment	Relevance	Identified high level impacts
		branch will have complementary programmes of work in place, specifically with regard to child poverty, the impact of UK welfare reform, employment, skills, training, housing, health and social services.
Third Sector		<p>The tackling fuel poverty plan can have a significant and positive impact on helping the third sector achieve key objectives.</p> <p>The stakeholder analysis has identified the key stakeholders with a remit for tackling fuel poverty in Wales. Communication with stakeholders has highlighted some key issues facing people who struggle to meet the cost of their domestic energy bills. The third sector is likely to be a major advocate for addressing matters within the plan. They are delivery partners and will be heavily involved to ensure the outcome focused objectives are successfully achieved.</p>
Climate change		<p>Improving domestic energy efficiency has a positive impact on decarbonisation targets, as demonstrated by the total lifetime carbon emission reduction calculations of the Warm Homes Programme.</p> <p>The implementation of energy efficiency measures enable WG to work towards statutory targets. Reducing demand for energy in the built environment is a central and crucial part of the Welsh Government's transition to a low carbon and prosperous economy. The energy efficiency measures installed through the Warm Homes Programme have increased the SAP rating of properties in Wales, contributing to an average Energy Performance Certificate (EPC) of D.</p>
Economic impact		<p>The tackling fuel poverty plan can have a significant and positive economic impact.</p> <p>The Warm Homes Programme has created green jobs by providing opportunities for small and medium heat engineering and insulation companies to be employed on the schemes, as well as delivering skills training through its apprenticeship programmes. All installations are done by Wales based installers.</p> <p>To date the Warm Homes Programme has:</p> <ul style="list-style-type: none"> • Through benefit entitlement checks increased the benefit take –up (£3.2 million since 2011) • Enabled an average energy bill saving of £408 • Leveraged additional ECO funding across Wales <p>The new plan may encourage more opportunities for economic development.</p>
Privacy impact assessment		<p>If we propose new schemes that require data capture we'll need to undertake a PIA. This will be kept under review.</p> <p>A privacy impact screening has been carried out for the Warm Homes programme Nest and Arbed schemes. These are necessary due to the nature of data being captured to enable the delivery of measures.</p>
Habitat regulations		The proposal will not affect any protected sites.
Strategic environment assessment		<p>The tackling fuel poverty plan is not determined to have significant environmental effects.</p> <p><i>A Practical Guide to Strategic Environment Assessment</i> has been referred to in making this decision.</p>
Environment impact assessment		We will keep the need for an environmental impact assessment under review. The relevant elements may be covered by other impact assessments i.e. climate change.

Assessment	Relevance	Identified high level impacts
		The proposed activity of the plan relates to existing domestic buildings and eradicating fuel poverty.
State aid regulations		<p>We will undertake an assessment once the proposals for the new plan are in place.</p> <p>We will consider the need for a Competition and Markets Authority (CMA) impact assessment.</p>
Regulatory Impact assessment		After work to develop the policy approach to tackling fuel poverty is completed, amendments may be made to the Home Energy Efficiency Scheme (Wales) Regulations 2011. A regulatory impact assessment may be required at that stage. Initial indications suggest it is unlikely that additional costs will be imposed on businesses because of the implementation of new tackling fuel poverty objectives.

Proposed Reform Impact Assessment

235 The proposed new **objective for Tackling Fuel poverty** is to ensure people are not living in fuel poverty in Wales by 2035. We propose this objective will be achieved if by 2035:

- a. No homes will be estimated to be living in severe or persistent⁶¹ fuel poverty⁶²;
- b. Not more than 5% of homes estimated to be living in fuel poverty at any given time; and
- c. Reduce the number of homes “at risk” of falling into fuel poverty by more than 50% against the 2018 fuel poverty estimates.

236 To achieve our objective to further reduce fuel poverty, we will take action within **four policy goals** within the control of the Welsh Government:

Policy Goals

- a. People who are, or who are at risk of being in Fuel poverty are proactively identified to ensure our support will benefit those most in need.
- b. Those in most need receive the most appropriate package of support, to ensure they are able to maintain a satisfactory heating regime.
- c. Improve the thermal and energy efficiency of lower income homes in the owner occupier and private rented sector, thus reducing energy bills and harmful carbon emissions.
- d. The energy system upon which the UK Government, Energy Regulator and energy companies has significant influence, best reflects the needs of Wales through appropriate representation.

237 Each tackling fuel poverty objective and action has been designed to mitigate negative outcomes for households in Wales. Each impact assessment considers the above

⁶¹ Persistent Fuel poverty being in Fuel poverty in two of the preceding three years

⁶² As measured using the Welsh Government primary measure of Fuel poverty

objectives, policy goals and actions. Officials have outlined the rationale behind each assessment and the process which has been followed in order to achieve a significant, and hopefully positive, impact of the new plan on the people of Wales.

Individual Impact Assessments

Primary Category of Impact Assessments

There are five key areas to consider in building a comprehensive and balanced case for policy.

Equality and Human Rights

- 238 Welsh Government has identified a change in policy and delivery could impact on a number of the protected characteristics set out in the Equality Act 2010, specifically:
- Age, Older people, young people and children
 - Disability
 - Race, religion or belief
- 239 Welsh Government has sought evidence to ensure considerations of equality and diversity are embedded within the objectives and actions outlined in the plan and advance an equality of opportunity between people who do and do not share a protected characteristic. The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 imposes a requirement on Welsh Ministers, when exercising their functions to consult with groups representing the interests of people sharing the protected characteristics introduced by the Equality Act 2010. A round table event was hosted by the Minister for Environment, Energy and Rural Affairs on 5 June 2019 where key stakeholders representing a number of different groups in society highlighted their priority measures for inclusion in a tackling fuel poverty plan.
- 240 The intended beneficiaries of the plan have diverse needs. Welsh Government officials considered evidence from published statistics on household types, tenures and types of dwelling and identified change of approach was needed in specific areas. A review of past policy has also contributed to a proposed change in approach to tackling Fuel Poverty. Officials have engaged in different formats with a number of groups representing the interests of people with protected characteristics to establish if there were any equality impacts which have not been considered in the plan.
- 241 A draft of the new plan will be out for consultation with key stakeholders from early 2020. Feedback from the consultation will further enable facilitating and evidencing compliance of the plan with the Public Sector Equality Duty⁶³ to eliminate conduct which is prohibited by the 2010 Act, advance an equality of opportunity for all and foster good relations.
- 242 The research to date, awareness of wider Welsh Government policy and evidence gathered from key stakeholders suggested the following matters needed greater consideration in the new plan:

⁶³ <https://researchbriefings.files.parliament.uk/documents/SN06591/SN06591.pdf>

- Older people, children and disabled people spend an above average period of time at home and are more at risk of avoidable ill health or premature death from living in a cold home.
- Wales has a slightly higher proportion of people at retirement age (21%) than the rest of the UK (18%).
- 32% of people of non-white ethnicity live in private rented accommodation compared with 13% of people from a white ethnic group.
- Support to priority groups (Veterans, children, older people, disabled, travellers and care leavers and apprentices).

243 The current Warm Homes Programme, Nest and Arbed contracts undertook an Impact Assessment on equality and human rights. Both schemes are not anticipated to have a negative impact on equality or human rights but will have positive benefits on both equality and human rights as the scheme is targeted at those most in need and most deprived in society.

244 The new Tackling Fuel poverty Plan will build on improvements to the current Warm Homes Programme offer of advice and support, including additional targeted action to remove access barriers for people who lack mainstream communication channels. This is currently focused on targeted engagement through specific partner organisations and the use of information in easy-read, braille, audio, large print and digital formats.

245 Current action to tackle fuel poverty relies on action to improve the thermal efficiency of the home by installing home energy efficiency measures for people meeting eligibility criteria, including being in receipt of means tested benefits. There is evidence to suggest that people on lower incomes and at risk of avoidable ill health and premature death but who are not in receipt of means tested benefits are excluded from support through the Warm Homes Programme.

246 On this basis, it is proposed to adopt the low income thresholds and eligibility criteria used for the health conditions pilot into the Nest Scheme delivery.

247 To advance an equality of opportunity and human rights we have proposed in the new plan to:

- a. Prepare and publish Welsh domestic energy data annually to help us and partners focus on communities at greatest risk of living in fuel poverty
- b. Ensure the Welsh Housing Conditions Survey is undertaken at least every five years to enable accurate Fuel poverty estimates.
- c. Pilot an energy advice and outreach support service across Wales.
- d. Evaluate the outreach pilot and consult on how to expand support across Wales.

Children and Young People

248 A child is defined under Article 1 of the United Nations Convention on the Rights of the Child (UNCRC) and they have clearly outlined rights.

249 Living in fuel poverty is likely to compromise a number of children's rights including; the right to an adequate standard of living (Article 27), the right to life, survival and development

(Article 6) and the right to health and health services (27) and even the right to an education (Article 24). A plan's actions which are developed through a children's rights lens from the outset will be of real value in achieving change for children and young people who are living in these circumstances and perhaps, depending on its scope, the population of children in Wales more widely⁶⁴.

250 Welsh Government officials considered evidence from published fuel poverty statistics, reports from leading organisations tackling Fuel poverty and reviewed current policy. Officials also engaged with Welsh Government colleagues specifically dealing with tackling child poverty policy and with a number of groups representing the interests of children, including the Office of the Children's Commissioner for Wales to establish if there were any impacts on children which have not been considered in the plan.

251 The latest figures suggest 185,000 children live in Poverty in Wales⁶⁵, approximately 29% of all children in Wales.

252 The Welsh Government's definition of a vulnerable household is one with any member aged 60 years or over, with a child/young person under the age of 25 years or with any long-term limiting condition or disabled member. The latest fuel poverty statistics using the current definition of a household containing a young person aged up to 16, shows that 130,000 vulnerable households in Wales were living in fuel poverty, equivalent to 11% of all vulnerable households. This is a decrease from 285,000 or 29% of all vulnerable households in 2008.⁶⁶

253 The research and stakeholder engagement to date suggests the following matters need greater consideration in the new plan:

- Low income families not in receipt of means tested benefits need to be considered for help through the Warm Homes programme. Living in a cold home has a detrimental effect on a child's health and well-being.
- Children and young people need adequate opportunities to sensitively share their experiences of housing conditions and fuel poverty, and contribute to developing policy and practice in this area.
- The provision of support to young people leaving care and apprentices.
- The current Warm Homes Programme, Nest and Arbed contracts undertook an Impact Assessment on Children's Rights. Due regard was given to specific articles under the UNCRC. This approach needs to be reviewed and evaluated.

254 To advance our ambitions to tackle Child Poverty, actions in the new draft plan with an indirect positive impact on children and young people includes:

- a. Pilot an energy advice and outreach support service across Wales.
- b. Evaluate the outreach pilot and consult on how to expand support across Wales.

⁶⁴ Views of a representative, Office of the Children's Commissioner for Wales. Email 24 May 2019.

⁶⁵ <https://www.jrf.org.uk/report/poverty-wales-2018>

⁶⁶ <https://gov.wales/fuel-poverty-estimates-wales-2018>

- c. Continue our Warm Homes Programme.
- d. Commission research to consider the health and environmental impacts of maintaining a satisfactory domestic heating regime for Welsh homes.
- e. Provide support for people on lower incomes and meeting certain eligibility criteria to access a grant of up to £120 through the Discretionary Assistance Fund to arrange for the repair of their central heating boiler.

Welsh Language

255 The service providers responsible for delivering any element of the Tackling Fuel poverty Plan will be bound by the Welsh Language Standards. The current advice services take account of the Welsh Language Standards, including answering the telephone and publishing information bilingually and ensuring customers and stakeholders are dealt with in the language or their choice.

256 The traditional heartland of the Welsh language is in rural areas of the north and west (Gwynedd, Ceredigion, and Carmarthenshire). The provision of additional services needs to take this into consideration at the design stage to ensure the delivery of services in areas with a higher percentage of Welsh speakers have a positive impact on the Welsh language and contribute to sustaining the aspirations of the Welsh Government to have 1 million Welsh Speakers by 2050.

257 The design of additional services or a significant change to current methods of service delivery will be subjected to a full Welsh Language impact assessment with input from the relevant standards team.

258 The appropriate design and delivery of the following policy goals and actions will advance an equality of the Welsh language:

- a. Pilot an energy advice and outreach support service across Wales.
- b. Evaluate the outreach pilot and consult on how to expand support across Wales.
- c. Continue our Warm Homes Programme.
- d. Consult on revised arrangements for delivering the Warm Homes Programme

Health Impact Assessment

259 The new Tackling Fuel poverty Plan can have a significant and positive impact of the health of the people of Wales by supporting a greater health equality and helping the most vulnerable and disadvantaged in our society. Housing is a key determinant of health and well-being. The new plan will facilitate links to wider Welsh Government policy on health and housing, with an aim to strengthen partnership working and increase understanding across policy areas to maximise positive health outcomes and reduce health inequalities.

260 This health impact assessment reflects one of the seven goals of the Well Being of Future Generations Act 2015, a Healthier, More Equal and more Resilient Wales of Cohesive Communities. The current Warm Homes Programme, Nest and Arbed contracts

undertook an impact assessment on health in order to consider the benefits of the schemes. Fuel poverty has a significant impact on the health, social and economic well-being of householders.

- 261 The benefits of the Warm Homes Programme are numerous and include contributions to the reduction in the number of excess winter deaths and the improvement in the educational attainment of children through a reduction in time-off due to sickness and creation of a warm place to study. A warm home can also help reduce social exclusion by enabling householders to invite neighbours into their homes and by freeing-up more disposable income for food and other day to day expenses and social activities.
- 262 The Arbed and Nest schemes are currently linking their historic data with public health data. This is being used to identify any health and well-being benefits for householders before and after receiving energy efficiency measures. The outcome of this data linking project is anonymized.⁶⁷
- 263 A detailed rationale for providing a higher level of support to low income households at risk of, or living in, fuel poverty is provided in the appraisal paper for changes to the Nest Health Conditions Pilot, which were implemented in July 2019. A comprehensive review of the pilot was undertaken which included engagement with third sector partners, attendance at seminars relating to health and housing, engagement with Welsh Government colleagues in health policy and a desk-top literature review of research reports, published data sets and relevant national and international policy.
- 264 The 2019 report 'Making a Difference – Housing and Health: A Case for Investment', Public Health Wales highlights poor quality housing in Wales costs the NHS more than £95m per year in first year treatment costs and the cost to Welsh society was over £1bn.
- 265 An evaluation of the Warm Homes programme by Sheffield Hallam University, suggested as well as improving the energy efficiency of homes, the programme had made a positive contribution to helping vulnerable people keep warm. The review estimated for every £1 of funding spent on vulnerable households, there was £4 worth of health benefits⁶⁸.
- 266 There is strong evidence improvements in warmth and energy efficiency have positive impacts on the health of low income groups, particularly when targeted at the elderly or those with health conditions. Welsh residents aged 60 years and over benefiting from upgraded council houses (receiving a range of housing improvements) were found to have 39% fewer hospital admissions for cardiorespiratory conditions and injuries compared to those living in homes which were not upgraded⁶⁹.
- 267 The 2016 report 'Making a Difference: Investing in Sustainable Health and Well-being for the People of Wales', Public Health Wales highlights the fact poor quality housing, including issues such as mould, poor warmth and energy efficiency is linked to physical and mental ill health.

⁶⁷ <https://gov.wales/sites/default/files/statistics-and-research/2019-01/data-linking-demonstration-project-examining-fuel-poverty-using-home-energy-efficiency-data-and-routinely-collected-health-data-summary.pdf>

⁶⁸ Making a Difference – Housing and Health: A Case for Investment.

⁶⁹ Making a Difference – Housing and Health: A Case for Investment.

268 Also in 2016, the National Institute for Health and Care Excellence (NICE) republished quality standards about preventing excess winter deaths and illness associated with living in a cold home. In explaining the need for the new standards, NICE determined cold weather has a direct effect on the incidence of heart attack, stroke, respiratory disease, flu, falls and injuries and hypothermia. NICE has clearly identified the people who are vulnerable to health problems associated with cold homes (QS117).

269 There were an estimated 23,200⁷⁰ excess winter deaths (EWD) which occurred in England and Wales in the 2018 to 2019 winter, the lowest since the winter of 2013 to 2014. In Wales, there were an estimated 1,400 in 2018 to 2019; like England, there were more EWD among females than males. The excess winter mortality index in Wales in 2018 to 2019 was statistically significantly lower than all years since the 2013 to 2014. Winter. Respiratory diseases continued to be the leading cause of excess winter deaths which occurred in 2018 to 2019.

270 The NHS in the UK spends as much as £1.36 billion each year to treat people affected by living in cold, inefficient homes. 'A Healthier Wales: our plan for health and social care' sets out the aim to improve population health and well-being through a focus on prevention. A key element is prevention and improving the home environment for populations who are vulnerable would help prevent their health deteriorating.

271 To advance a significant and positive impact on health we have proposed in the new plan to:

- a. Pilot an energy advice and outreach support service across Wales.
- b. Evaluate the outreach pilot and consult on how to expand support across Wales.
- c. Commission research to consider the health and environmental impacts of maintaining a satisfactory domestic heating regime for Welsh homes.
- d. Continue with the Health Conditions pilot and embed into Warm Homes Nest scheme.
- e. Provide support for people on lower incomes and meeting certain eligibility criteria to access a grant of up to £120 through the Discretionary Assistance Fund to arrange for the repair of their central heating boiler.

Future Generations and Well-being

272 Our proposed approach to tackling fuel poverty will deliver multiple benefits across the seven wellbeing goals in the Well-being of Future Generations (Wales) Act 2015.

273 Welsh Government's proposed actions to tackle fuel poverty are designed to continue to improve the energy efficiency of the home and impact on attitudes and behaviours, which will provide long term improvement in the quality of the housing stock and reduce its carbon footprint whilst reducing unnecessary energy consumption and the cost of energy used. The plan will provide a clear contribution to the Well- Being Goals:

⁷⁰

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/excesswintermortalityinenglandandwales/2018to2019provisionaland2017to2018final>

- **A Globally Responsible, Prosperous and Resilient Wales.** Action on energy efficiency is a major factor in clean growth and the development of jobs, skills and supply chains. It is the most cost-effective means of meeting our commitments to reduce carbon emissions and it directly addresses fuel poverty and reduces domestic energy bills.
- **A Wales of vibrant culture and thriving Welsh language.** Providing larger spending caps within the Warm Homes Programme for rural off-gas properties will help ensure living in those areas is more affordable, thereby enabling people to remain within their communities.
- **A more equal Wales.** A warm home can help reduce social exclusion by enabling householders to invite neighbours into their homes and by freeing-up more disposable income for food and other day to day expenses and social activities.
- **A healthier Wales.** By enabling a warm home environment, we can contribute to the reduction in the number of excess winter deaths and the improvement in the educational attainment of children through a reduction in time-off due to sickness and creation of a warm place to study

274 In terms of applying the five ways of working set out under the Sustainable Development Principle in the Well-Being of Future Generations (Wales) Act 2015, action targeted at supporting fuel poor households is vital in terms of providing them with long term resilience and preventing future harm resulting from cold, damp houses. Working with others and with regard to wider relevant policy agendas will provide the support to guard against situations which lead to households making difficult choices which affect well-being. Officials have identified and engaged with key stakeholders to aid development of the plan. These are partners who will be instrumental in achieving the objectives of the new plan.

275 There are currently 14 well-being objectives under our Programme for Government, Taking Wales Forward, which cover the period 2016-2021 and delivery against them should be embedded in policy making. The Welsh Government proposals for a new plan makes a significant contribution across at least six of Welsh Government's wellbeing objectives:

- **Improve prosperity for all across Wales, helping people into employment and sustaining jobs.**
- **Foster conditions for sustainable economic development and employment, whilst stimulating innovation and growth for a modern low carbon economy.**
The Warm Homes Programme Schemes are currently designed to ensure economic benefits for Wales in terms of employment and business opportunities. The new plan identifies a need to use innovation to explore how best energy consumption can be reduced at a lower cost in harder to treat properties including homes in off grid areas.
- **Help people live healthy and independent lives and support a healthy workforce.**
Fuel poverty has a significant impact on the health, social and economic well-being of householders. It also has negative impacts in relation to educational attainment, social inclusion, community cohesion and the economy.

- **Support the transition to a low carbon and climate resilient society.** The plan will help reduce the demand for energy in the domestic setting.
- **Improve access to secure, safe, efficient and affordable homes.** A reduction in energy use through an improvement in energy efficiency will create a more stable and warm home environment which has the potential to be cheaper to run.
- **Facilitate high quality, responsive and better integrated public services, to those who need them most, enabling citizens to be an equal partner.**

276 **All 18 proposed actions in the new plan**, to varying degrees, are likely to improve the well-being of the people of Wales.

Secondary Category of Impact Assessments

277 The Welsh Government has made certain policy commitments to consider particular matters. There are an additional five areas to assess, in order to ensure cross cutting issues are being taken into account, including:

Rural Proofing

278 The most commonly adopted definition of 'rural' refers to settlements of 10,000 or less residents. Energy and thermally inefficient homes are disproportionately found in rural areas, and thus people living in these areas have an increased likelihood of living in a cold home (National Energy Action, 2013a). Estimates by the Welsh Government (2018) suggest 14 per cent of homes in rural areas are in fuel poverty, compared to just 10 per cent of those in urban areas⁷¹. In part this may reflect a greater proportion of households in rural areas not having central heating.

279 Rural communities are influenced by determinants, such as:

- Access to services. It can be difficult for rural communities to access the same level of services as urban areas.
- Isolation – it is noted there may be a 'remoteness circle' in some rural areas resulting from a lack of infrastructure
- Public transport – a commonly reported problem is a lack of public transport. Some form of transport is needed even for short journeys. This links in to the access to services. For example, the time needed to travel to GP surgeries is longer in rural areas. The average travel time by private transport is around 4.5 minutes in urban areas, this compares to a travel time of between 10 – 14 minutes in rural areas.⁷²
- People living in sparsely populated areas are more likely to be off gas mains network and rely on other sources of heating and cooking fuels such as Liquefied Petroleum Gas (LPG).
 - Fuel costs can be higher
 - Household incomes can be adversely affected

⁷¹ <https://gov.wales/fuel-poverty-estimates-wales-2018>

⁷² <http://ppi.w.org.uk/files/2016/06/An-introduction-to-Rural-Poverty.pdf>

- Access for delivery of LPG can be difficult in adverse weather conditions.
- Poor infrastructure including roads and broadband provision which can mean:
 - Travel using public and community transport is challenging
 - Access to markets is difficult
 - Opportunities to innovate using ICT are limited.
- An aging population
- The Welsh language may form an essential part of the fabric of everyday life.

280 Currently, the Warm Homes Programme, Nest and Arbed Schemes have spending caps in place for the amount spent on individual properties. These have been set higher for off-gas properties (which are common in rural areas) in recognition of their hard to treat nature. The new tackling fuel poverty plan will build on the support currently offered to rural areas. This can be achieved by advancing the support given to vulnerable groups, improving the provision of advice and support and looking at innovation to encourage change in attitudes and the use of energy.

281 To advance a significant and positive impact in rural communities, we have proposed in the new plan to:

- a. Prepare and publish Welsh domestic energy data annually to help us and partners focus on communities at greatest risk of living in fuel poverty
- b. Ensure the Welsh Housing Conditions Survey is undertaken at least every five years to enable accurate Fuel poverty estimates.
- c. Pilot an energy advice and outreach support service across Wales.
- d. Evaluate the outreach pilot and consult on how to expand support across Wales.
- e. Continue our Warm Homes Programme in the owner occupier and Private Renter Sector.
- f. Develop and implement an innovation fund to explore how energy consumption can be reduced in 'hard to reach' houses such as those in off-grid areas.

Tackling Poverty

282 The current financial climate makes it important the Welsh Government retains its commitment to tackling poverty by prioritising the needs of the poorest and protecting the most vulnerable against poverty and marginalisation. The causal factors behind poverty and inequality can be closely inter-linked.

283 The plan is designed to have a positive impact on people living in poverty. There are many factors which influence poverty, and fuel poverty is one resulting outcome for households. The proposals set out in the plan are a significant contributor to the Welsh

Government's objectives to tackle poverty in all its forms. Poverty has a profound negative impact on peoples' lives and communities. Specifically fuel poverty can give rise to cold homes and put people at risk of ill-health and death, it can be a barrier to educational attainment due to the lack of a warm place to study and cause social isolation and be detrimental to mental health. The new plan will seek to break a cycle of people falling into fuel poverty and aid those feeling the long-term effects.

284 The plan outlines how the Welsh Government will work together with partners towards the aim of alleviating fuel poverty in lower income households. The partners include wider Welsh Government departments and third sector organisations. A wider collaboration and involvement with other policy agendas and stakeholders will help to ensure the greatest positive impact. It will open up access to more knowledge, networks and potentially resources to holistically tackle the wider problem of poverty.

285 To advance a significant and positive impact on tackling poverty we have proposed in the new plan to:

- a. Prepare and publish Welsh domestic energy data annually to help us and partners focus on communities at greatest risk of living in fuel poverty
- b. Pilot an energy advice and outreach support service across Wales.
- c. Evaluate the outreach pilot and consult on how to expand support across Wales.
- d. Continue our Warm Homes Programme in the owner occupier and Private Renter Sector.
- e. Continue with the Health Conditions pilot and embed into the Warm Homes Nest scheme.
- f. Encourage UK Government, Regulator and Energy suppliers to reduce the overreliance on the installation of prepayment meters as a method of recovering arrears, which results in self-rationing and self-disconnection.
- g. Work with key partners to reduce the incidence of self-disconnection and self-rationing in Welsh homes, ensuring eligible homes receive entitlements to winter fuel payments and warm homes discounts.

Third Sector Impacts

286 The Third Sector in Wales is a vibrant and diverse collection of registered charities, voluntary associations and community groups. Research by Wales Council for Voluntary Action (WCVA) suggests there are over 31,000 voluntary organisations in Wales. This includes community associations, self-help groups, voluntary organisations, charities, faith-based organisations, social enterprises, community businesses, housing associations, development trusts, cooperatives and mutual organisations.

- 287 The process of developing a new Tackling Fuel poverty Plan has included a stakeholder analysis which has captured the details of key third sector organisations with a significant interest and influence in tackling fuel poverty. These organisations have a clear and defined remit for taking action to tackle fuel poverty. These are national organisations with the resources available to them. They are supportive of the Welsh Government's work and actively engage with officials on relevant work streams. They are well informed and have their own relevant programmes of work in place. They are likely to be key delivery partners of the objectives and actions.
- 288 On 19 February 2019, the Minister for Environment, Energy and Rural Affairs gave a Government Statement in Plenary updating Assembly Members on the Warm Homes Programme and on plans to develop a new plan to tackle fuel poverty. In the statement, the Minister gave a commitment to work with key stakeholders in order to develop and deliver a plan, which best meets the needs of the people of Wales.
- 289 Following on the statement in Plenary, a range of key external stakeholders identified as part of the stakeholder analysis were invited to attend a round table event on 5 June 2019 in Ty Hywel. This event signified the formal start of the consultation to develop the new plan. However, officials have been engaging with third sector partners to form professional relationships and establish views of key topics for inclusion in the new plan since October 2018.
- 290 Third Sector Organisations, such as NEA and Care and Repair Cymru, have hosted conferences, workshops and forums where a topic of debate has included the development of the new tackling fuel poverty plan and Welsh Government Officials have been invited to present at these events. The sector has continually been encouraged to share their priority measures with officials to enable them to be considered in the new plan.
- 291 The new plan will require strong engagement and support from the third sector in order to deliver the aims and objectives. It has been identified there are replications in the provision of some support offered across the third sector, for example in the provision of advice services across Wales.
- 292 These services benefit from a range of different models of funding, with some organisations receiving no public money for the assistance they offer. The new plan will consider the availability and co-ordination of advice and support to people living on lower incomes, and how the services are funded and delivered.
- 293 The proposal is intended to have a significant positive impact on people already receiving a high level of support from the third sector. The new plan is designed to coordinate the work across Wales to alleviate fuel poverty and will enable the strategic delivery of the agreed objectives and actions over a 15 year period.
- 294 To advance a significant and positive impact on the Third Sector we have proposed in the new plan to:
- a. Pilot an energy advice and outreach support service across Wales.
 - b. Evaluate the outreach pilot and consult on how to expand support across Wales.
 - c. Commission research to consider the health and environmental impacts of maintaining a satisfactory domestic heating regime for Welsh homes.

- d. Provide support for people on lower incomes and meeting certain eligibility criteria to access a grant of up to £120 through the Discretionary Assistance Fund to arrange for the repair of their central heating boiler.
- e. Consult on revised arrangements for delivering the Warm Homes Programme
- f. Develop a scheme to provide people who are owner occupiers living in Fuel poverty with support to make minor repairs to their home to maintain or improve energy efficiency.

Climate Change

295 Climate change has been identified as one of the biggest threats facing our future generations. We need to reduce our emissions through decarbonisation action and to adapt to the impacts of climate change by increasing our resilience.

296 The Environment (Wales) Act 2016 sets a legal target of reducing emissions by 2050 and places a duty on the Welsh Ministers to set a series of interim targets (for 2020, 2030 and 2040) and carbon budgets. The budgets will set limits on the total amount of emissions emitted in Wales over a 5 year period and act as stepping stones and ensure regular progress is being made towards the long term target. Wales is currently committed to a 95% reduction in carbon emissions by 2050.

297 In order to meet our ambitious and important targets we need to work across Government to consider how the effects of all our policies impact on our emissions in Wales. The Climate Change Act 2008 places a duty of the Welsh Ministers to lay before the National Assembly for Wales from time to time a report on:

- the objectives of the Welsh Ministers in relation to greenhouse gas emissions and the impact of climate change in Wales,
- the action that has been taken by the Welsh Ministers and others to deal with such emissions and impact, and
- the future priorities for the Welsh Ministers and others for dealing with such emissions and impact.

298 Adapting to climate change means being prepared for effects such as increased temperatures, stronger winds, rising seas and more rain. The new Tackling Fuel poverty Plan will consider how it can contribute to the statutory targets and reduce demand for energy in the domestic setting. The plan will contribute to the delivery of a wider decarbonisation agenda, playing a crucial part in the Welsh Government's transition to a low carbon and prosperous economy.

299 The Standard Assessment Procedure (SAP) is the methodology used by the Government to assess and compare the energy and environmental performance of homes. Its purpose is to provide accurate and reliable assessments of home energy performances are needed to underpin energy and environmental policy initiatives. Using the SAP methodology, homes are given an Energy performance certificate (EPC). The SAP methodology will continue to be used in the Welsh Housing Conditions Survey (WHCS).

300 The Welsh Government is, however, proposing future schemes under the Warm Homes Programme should aim to achieve a 21%, but not less than a 15% reduction in energy used for heating for people living in Fuel poverty following the installation of home energy efficiency measures under the Warm Homes Programme. This change should better align to the need to reduce householder bills compared to the SAP methodology.

301 To advance a significant and positive impact on Climate Change we have proposed in the new plan to:

- a. Ensure the Welsh Housing Conditions Survey is undertaken at least every five years to enable accurate Fuel poverty estimates.
- b. Pilot an energy advice and outreach support service across Wales.
- c. Evaluate the outreach pilot and consult on how to expand support across Wales.
- d. Continue our Warm Homes Programme in the owner occupier and Private Renter Sector.
- e. Prepare, publish and keep under review a plan to improve winter resilience for people struggling to meet the cost of their domestic fuel needs and at risk of avoidable ill health or premature death from living in a cold home.
- f. Develop and implement an innovation fund to explore how energy consumption can be reduced in 'hard to reach' houses such as those in off-grid areas.
- g. Consult on revised arrangements for delivering the Warm Homes Programme
- h. Develop a scheme to provide people who are owner occupiers living in Fuel poverty with support to make minor repairs to their home to maintain or improve energy efficiency.
- i. Deliver a pilot to provide more energy efficiency products to lower income households to lower their energy consumption
- j. Support the development and implementation of the Energy Company Obligation scheme replacement and other UK Government initiatives in relation to Wales.

Economic Impact

302 The delivery of the new Tackling Fuel poverty Plan can have a significant and positive economic impact on Wales. To date the Warm Homes Programme has created jobs by providing opportunities for small and medium heat engineering and insulation companies to be employed in the schemes, as well as delivering skills training through associated apprenticeship programmes. All installations are done by Wales based installers.

303 Indirectly, this investment has been applied to fuel poor households, enabling the household to make savings which will impact on their potential ability to spend in other areas of the local economy. The impact of the investment in energy efficiency measures is likely to be of long-term benefit for the household, reducing bills on an annual basis and removing the need for a significant initial capital investment on basic improvements, which are likely to be beyond the capabilities of those living in fuel poverty.

304 To date the Warm Homes Programme has:

- Through benefit entitlement checks increased the benefit take-up (Nest £3.2million since 2011)⁷³
- Enabled average energy bill savings of over £400 year on year.⁷⁴

305 Directly, it has enabled employment for local trades' people, developing the skills of a diverse workforce and increasing the salaries and monies paid to local employees. For example, in 2016/17 Nest directly supported 43 jobs and apprenticeships. The durability of this impact is varied. The development of skills through apprenticeships and on the job training enable a long-term economic benefit, whilst the employment on the delivery of the programme has short to medium term benefits.

306 In the absence of any intervention, the positive benefits recorded by households to date would not have been realised on the same scale. Although approximately 100,000 properties have benefited from a degree of Energy Company Obligation (ECO) funding, the contribution of a successfully delivered, specific energy efficiency scheme in Wales has been acknowledged by wider UK Government reports. A higher level of per capita investment in energy efficiency schemes indicates the priority placed by the Welsh Government on improving the energy efficiency of fuel poor homes and helping to tackle climate change.⁷⁵

307 The 2019 report 'Making a Difference'⁷⁶ – Housing and Health: A Case for Investment', highlights poor quality housing in Wales costs the NHS more than £95m per year in first year treatment costs and the cost to Welsh society is over £1bn. The report suggests investing in housing quality will yield health benefits. It suggests for every £1 spend on central heating, 42p of health benefits will be generated or every £1 spend on insulation will provide a return in health benefits worth £1.87.

308 The report also suggests when support is targeted towards vulnerable homes a greater benefit is realised. It suggests every £1 spent on improving warmth in vulnerable households results in £4 worth of health benefits.

309 To advance a significant and positive impact on the economy we have proposed in the new plan to:

- a. Pilot an energy advice and outreach support service across Wales.

⁷³ https://nest.gov.wales/workspace/uploads/files/nest-report_2017-18_english_fi-5b4c9a0604a6c.pdf

⁷⁴ Nest annual reports 2011-2018

⁷⁵ <https://www.parliament.uk/business/committees/committees-a-z/commons-select/business-energy-industrial-strategy/news-parliament-2017/energy-efficiency-report-published-17-19/>

⁷⁶ <https://phw.nhs.wales/files/housing-and-health-reports/a-case-for-investment-report/>

- b. Evaluate the outreach pilot and consult on how to expand support across Wales.
- c. Continue our Warm Homes Programme in the owner occupier and Private Renter Sector.
- d. Commission research to consider the health and environmental impacts of maintaining a satisfactory domestic heating regime for Welsh homes.
- e. Continue with the Health Conditions pilot and, if successful, embed it into the Warm Homes Nest scheme.
- f. Provide support for people on lower incomes and meeting certain eligibility criteria to access a grant of up to £120 through the Discretionary Assistance Fund to arrange for the repair of their central heating boiler

Third Category of Impact Assessments

310 There are an additional two areas to be considered in designing the new plan.

State Aid Regulations

- 311** All public assistance provided to organisations involved in economic activity must comply with State Aid rules. State aid is defined under Article 107(1) of the Treaty on the Functioning of the European Union as: **"any public resource given selectively to an undertaking that could potentially affect competition and intra-community trade."**
- 312** An activity is economic in nature if it relates to the provision of goods and/or services for which there is a market and where the private sector do provide, or could potentially provide, the goods and/or services for a profit⁷⁷.
- 313** State aid provided by European Union Member States can distort the market, which in turn can result in lower competitiveness for business, less innovation and ultimately higher prices for consumers. There is therefore a need for effective State Aid Control in order to maintain a level playing field for free and fair competition in the single market. State Aid rules and regulations exist to open up competition, ensure there is no distortion of competition and to protect the consumer.
- 314** Support can take the form of direct payment of state resources in the form of grants and subsidies as well as indirect benefits that affect the public budget such as tax breaks, rate rebates, low interest loans, sale of public land below market value and the provision of services for free or below market rates. An undertaking is defined as any entity, regardless of its legal status, which is engaged in economic activity and where there is a market in comparable goods or services. It does not have to be profit-making as long as the activity carried out is one which in principle has commercial competitors.
- 315** It can include voluntary and non-profit-making public or private bodies when they are engaged in economic activity. Charities, universities, research institutions, voluntary entities, social enterprises and public sector bodies may be deemed to be undertakings when they are engaged in economic activity.

⁷⁷ <https://wales365uk.sharepoint.com/sites/Intranet-Money/SitePages/How-to-Identify-State-aid.aspx>

316 There are five criteria that provide a framework for identifying when public support constitutes State Aid. Support will be classed as State Aid where all of the following five criteria are met:

- The support is granted by the State or through State resources
- The support confers an advantage on the recipient;
- The support is selective;
- The support distorts or has the potential to distort competition;
- The support has an impact on trade across member states.

317 The proposed activity which will be delivered via the new Tackling Fuel poverty plan includes undertakings involved in economic activities. However, although support is granted by the state, confers an advantage on the recipient and is selective, it should not distort competition or have the potential to distort competition or impact on trade across member states. Therefore, Welsh Government concludes the funding and activity we are proposing is not unlawful State Aid.

318 Significant changes to activity outlined in the plan relating to economic outcomes which has an impact on consumers may be subject to consideration by the Competition and Markets Authority (CMA).

319 Under current arrangements, the provision of energy efficiency advice and home energy efficiency improvements delivered under the Warm homes Programme are delivered under contract, in accordance with OJEU and public procurement regulations. Under the proposed approach, we will be looking at models to improve the delivery of advice and outreach services, depending on the outcome of a pilot scheme to test “proof of concept”. If proved, options to deliver an advice and outreach service, which is universally available at a consistent standard across Wales, will need to be considered in relation to State Aid rules. Further assessment will be given to the current delivery arrangement for the installation of home energy efficiency measures and whether this model delivers the best value for money for Welsh public funding.

320 The future approach of the Warm Homes Programme and future pilot schemes, such as the proposed advice and outreach support pilot, is yet to be decided. State Aid impact assessments will be considered once an approach has been agreed to consult.

Privacy impact assessment

321 The processing of personal data is required in order to identify individuals who have applied for / received assistance under the Welsh Government Warm Homes Programme, Nest and Arbed. The processing of data may be required to facilitate an improved availability and co-ordination of advice and support to people living on lower incomes to reduce energy consumption, the cost of energy used and improve their home energy efficiency.

- 322 The General Data Protection Regulations (the GDPR) specify that any processing of personal data by a processor should be governed by a contract with certain provisions included. This means that in addition to all new contracts, Welsh Ministers must ensure all existing contracts are varied accordingly to achieve compliance with the GDPR. The Data Protection Act 1998 provides the restrictions, and gateways, for 'processing' data. All users must have consented to any necessary data processing.
- 323 The legal basis and appropriate gateway for processing the data will therefore be 'data subject consent', pursuant to paragraph 1 of Schedule 2 to the Data Protection Act 1998.
- 324 The processing of data is currently covered by requirements set out in the contract with the scheme manager for the Warm Homes Programme, Nest and Arbed schemes. The sensitive data will only be used for the purposes of confirming eligibility and involved partners will only see the information relevant to their role in the process, with full explicit customer consent at each stage and covered by governance contracts with each relevant party.
- 325 The details of Warm Homes Programme recipients and the details of energy efficiency measures installed may be linked anonymously to other data to evaluate the impacts of home energy efficiency measures, for example, as part of the Fuel poverty Data Linking project.
- 326 The implementation of actions laid out in the plan by third sector parties will be subject to Welsh Government terms and conditions of contract setting out the strict requirements for the processing and safe keeping of personal data. New schemes that require data capture will need to be considered for an individual privacy impact assessment (PIA). If changes are made to any contracts or schemes which require the capture of personal data, the need for a PIA will be reviewed.
- 327 The following actions will be impacted by the collection of personal data:
- a. Pilot an energy advice and outreach support service across Wales.
 - b. Evaluate the outreach pilot and consult on how to expand support across Wales.
 - c. Continue our Warm Homes Programme in the owner occupier and Private Renter Sector.
 - d. Commission research to consider the health and environmental impacts of maintaining a satisfactory domestic heating regime for Welsh homes.
 - e. Continue with the Health Conditions pilot and embed into Warm Homes Nest scheme.
 - f. Develop a scheme to provide people who are owner occupiers living in Fuel poverty with support to make minor repairs to their homes to maintain or improve energy efficiency.
 - g. Deliver a pilot to provide more energy efficient products to lower income households to lower their energy consumption.

Impact Assessments of less relevance

328 In the impact scoping assessment, officials considered, documented and subsequently discounted the need for impact assessments on the following:

- Justice
- Biodiversity
- Environmental
- Habitat regulations
- Strategic environment

Regulatory Impact Assessments

329 Although for every policy a regulatory impact assessment (RIA) may not be required, for every Assembly Bill this is required under Standing Orders. Therefore where the delivery options for the policy indicate that an Assembly Bill may be required, an RIA will need to be undertaken. When the preferred option for delivery of part or all of the policy is through an Assembly Bill, a full and detailed RIA will need to be prepared and laid before the Assembly.

330 After the work to develop the policy approach to tackling fuel poverty is completed, amendments may be made to the Home Energy Efficiency Scheme (Wales) Regulations 2011¹. A regulatory impact assessment will be required at that stage.

POTENTIAL COST ANALYSIS OF NEW PLAN

331 The Public Health Wales / Community Housing Cymru report ‘Making a Difference – Housing and Health’⁷⁸: A Case for Investment’ report in 2019 claims living in warmer homes has a positive impact on people’s health and well-being. It estimates that poor housing quality in Wales costs the NHS more than £95m per year in treatment costs. The report

⁷⁸ <https://phw.nhs.wales/news1/publications/making-a-difference-housing-and-health-publications/phw-making-a-difference-housing-and-health-a-case-for-investment-pdf/>

suggests for every £1 spent on making vulnerable people's homes warmer there were £4 of health benefits. Health benefits include a reduction in GP visits and fewer hospital admissions for cardiorespiratory conditions.

332 The estimated average cost of installing home energy efficiency measures through the Warm Homes Programme is approximately £4,500 per home benefitting on average 6,100 homes annually, not including our investment in the social housing sector implementing the Welsh Housing Quality Standards. To reduce Fuel poverty in an estimated 155,000 homes still further, suggests our programme needs to be expanded to ensure more than 10,000 homes annually will need support until 2035.

333 Not all homes will need home energy efficiency improvements to lift them out of Fuel Poverty. Some may only require advice on how to save energy or secure a better deal on the energy market. In addition to the estimated numbers of homes experiencing Fuel Poverty, there are an estimated 145,000 homes at risk of being in Fuel poverty in Wales, meaning they spend between 8% and 10% of their household income on fuel costs using our proposed measure. The new Tackling Fuel poverty Plan has set an objective to reduce this figure by 50%. This equates to 72,000 households.

334 Further detailed analysis will be required as interventions and measures are developed in support of the plan, but some high level assumptions have been set out below in relation to actions and potential costs, which may be required over the next fifteen years.

Nest Health Conditions pilot

335 The pilot will run until March 2020 and expands eligibility for support through the Warm Homes Programme Nest Scheme. The current Warm Homes Programme Nest Scheme invests approximately £18m annually. The current funding settlement ends in 2020/2021. If the criteria of the Warm Homes Programme is amended to include the health conditions criteria, the costs of this will be embedded within the impact assessment for the Warm Homes Programme below.

Advice and Outreach Support Pilot

336 A proposal to pilot an advice and outreach support service in order to explore how such services can provide home energy advice and tackle fuel poverty is being developed for public consultation early in 2020. The pilot programme will better inform potential costs and benefits arising from improved advice and support available to low income homes. Officials are proposing three pilot areas, in each of which five case workers will be deployed in Wales delivering intensive advice and support to lower income families.

Increasing the financial cap thresholds applied to the Warm Homes Programme

337 Schemes delivered under the Warm Homes Programme are subject to a maximum level of investment for each home to maximise the number of homes able to be assisted. The spending caps on a home are relative to the EPC rating prior to any Measures being installed, and are as follow:

Original EPC Rating	On-Gas Cap	Off-Gas Cap
D & E	£5,000	£8,000
F & G	£8,000	£12,000

338 The installation of energy efficient measures with lower carbon and harmful emissions, such as air source heat pumps and external wall insulation are expensive and are not usually available within the spending caps. There are some cases however, where the Welsh Government will consider measures costing more than the cap currently permits. Evidence⁷⁹ suggests improving the energy efficiency of homes with an EPC rating of E, F and G with measures costing an average of £2,335 can result in an average improvement in the SAP scores of 12 points saving an average £319 on domestic fuel bills annually.

339 An uplift to the current financial thresholds applied to the Warm Homes Programme schemes of 20% would increase the spending caps as below:

Original EPC Rating	On-Gas Cap	Off-Gas Cap
D & E	£6,000	£9,600
F & G	£9,600	£15,000

Estimated cost of increasing financial cap threshold

340 In 2020/21, the Arbed area based scheme is expected to install home energy efficiency measures in approximately 4,200 homes with about 10% of these homes being sited off the gas grid. Nest is expected to install home energy efficiency measures in approximately 4000 homes in 2020/21. Approximately 21% of Nest installations are expected to be off the gas grid. The Welsh Housing Conditions Survey 2017-18⁸⁰ estimates 20% of Welsh homes are rated EPC band E or lower. About a quarter of these homes are rated EPC band F or G, which are subject to the higher financial thresholds under the Warm Homes Programme.

341 As fewer homes have an EPC rating of E and below, the cost of installing energy efficiency measures will become more difficult within the current financial caps. If a 20% uplift were applied to the current financial caps applied to the current activity levels delivered as part of the Warm Homes Programme, the additional costs could potentially reach £10.44m annually.

WARM HOMES PROGRAMME - FINANCIAL THRESHOLD – uplift in all areas						
SCHEME	HOMES	EPC E	EPC F/G	OFF GRID	ON-GRID	EST. COST
Nest	4000	3000	1000	21%	79%	£5,272,000
Arbed	4200	3150	1050	10%	90%	£5,166,000

342 Increasing the financial thresholds in relation to off-grid areas, where harder to treat homes tend to be sited, the potential additional costs reduce to an estimated £2.46m annually.

WARM HOMES PROGRAMME – FINANCIAL THRESHOLD – off gas grid uplift only						
SCHEME	HOMES	EPC E	EPC F/G	OFF GRID	ON-GRID	EST. COST

⁷⁹ "Understanding the characteristics of low income households most at risk from living in a cold home" published 11 July 2016 SRN/41/2016,

⁸⁰ <https://gov.wales/welsh-housing-conditions-survey-energy-efficiency-dwellings-april-2017-march-2018>

Nest	4000	3000	1000	21%	79%	£1,638,000
Arbed	4200	3150	1050	10%	90%	£ 819,000

343 The above indicative costs are based on planned delivery in 2020/21 only and do not take into account delivery in following years should the spending caps or the number of homes in which measures are installed be increased.

344 Adding 20% to the current average cost per property may give us an indicative cost per property if the cap is increased. Increasing the financial cap thresholds will also allow measures not previously included within the Warm Homes Scheme to be considered, such as glazing and energy efficient windows and doors.

Potential options for Warm Homes Programme prior to consultation

345 The options set out below for the Warm Homes Programme are based on the number or properties we aim to target and whether or not the spending cap threshold is increased. The eligibility criteria can be amended depending on the budget available,⁸¹ this includes the health conditions eligibility criteria.

- Option 1 - This option is based on continuing to deliver the Warm Homes Programme in the same vein as in previous years. This means delivering energy efficiency measures to 6,100 properties per annum for 15 years from 2020-35 at the current average spend per property of £4.6k.
- Option 2 - This option is similar to option 1, however, it is based on delivering home energy efficiency measures to 8,000 properties per annum. The increase reflects more needs to be done to tackle fuel poverty in Wales, while taking into account budgetary constraints.
- Option 3 - This option is based on delivering home energy efficiency measures to all 155,000 homes in Wales estimated to be in fuel poverty at £4.6k per property. This means 10,300 homes per annum.
- Option 4 - This option is the same as option 1 but with average spend per property increased by 20% to £5,520.
- Option 5 - This option is the same as option 2 but with average spend per property increased by 20% to £5,520.
- Option 6 - This option is the same as option 3 but with average spend per property increased by 20% to £5,520.

Option	Description	Outcomes	Cost up to 2035	Estimated annual cost
1	6,100 properties per annum at	This would result in approximately 91,500 properties receiving measures. This could be over	£421m	£28m

⁸¹ "Understanding the characteristics of low income households most at risk from living in a cold home" published 11 July 2016 SRN/41/2016,

Option	Description	Outcomes	Cost up to 2035	Estimated annual cost
	£4.6k per property	60,000 properties short of the estimated 155,000 properties estimated in Wales to be in fuel poverty.		
2	8,000 properties per annum at £4.6k per property.	This would result in approximately 120,000 properties receiving measures. This would be around 35,000 properties short of the estimated 155,000 properties in Wales estimated to be in fuel poverty.	£552m	£36.8m
3	10,300 properties per annum at £4.6k per property.	This would result in approximately 155,000 properties receiving measures, matching the number of properties in Wales estimated to be in fuel poverty in 2018.	£711m	£47.3m
4	6,100 properties per annum at £5.52k per property	Same as option 1 but allows for the installation of more expensive measures (e.g. External Wall Insulation)	£505m	£33.7m
5	8,000 properties per annum at £5.52k per property.	Same as option 2 but allows for the installation of more expensive measures (e.g. External Wall Insulation)	£662m	£44.2m
6	10,300 properties per annum at £5.52k per property.	Same as option 3 but allows for the installation of more expensive measures (e.g. External Wall Insulation)	£853m	£56.9m

Households at risk of living in Fuel Poverty

346 In addition to the 12% of households estimated to be in fuel poverty, there are around 145,000 households at risk of being in fuel poverty in Wales, spending between 8% and 10% of their household income on fuel costs. The new Tackling Fuel poverty Plan has set an objective to reduce this figure by 50%. This equates to 72,000 households. If all 72,000 households are to be retrofitted with low risk energy efficiency measures, at the current

average spend per property of £4.6k, the cost over 15 years from 2020 to 2035 would be around £33.1m. This equates to £2.2m per year over 15 years.

347 There is evidence, set out in the Welsh Government's report regarding the characteristics of living in a cold home, to suggest households at risk of living in Fuel poverty will require less investment per property than those in Fuel poverty or Severe Fuel Poverty. It is suggested an average spend per property of £2,353 will gain 12 SAP points and save the household an estimated £319 per year⁸². This equates to £16.9m across 72,000 households over 15 years, or £1.1m annually. Similarly, an average spend of £3,403 per property will achieve 14 SAP points and save an estimated £354 per year⁸³. This equates to £24.5m across 72,000 households over 15 years, or £1.6m annually.

348 In the three-year period ending 2017/18 the median weekly equivalised household income before housing costs in Wales was £462⁸⁴. This gives a relative low income threshold (60 per cent of the median) of £277 per week, which equates to an annual household income of £14,414 (relating to a couple with no children). An annual energy cost saving of £319 may be sufficient to remove the risk of Fuel poverty for these households.

349 It may be possible, however, to help some of those households at risk of being in Fuel poverty by providing advice and support to save energy or secure a better deal from the energy market. Ofgem estimates customers can achieve potential savings of more than £300 a year by switching energy suppliers alone⁸⁵. This along with change in attitudes and behaviours towards energy usage may be sufficient to support those at risk of Fuel Poverty.

350 Switching has been on the rise since 2014. In 2018 the gas and electricity switching rates were up to 19%, compared to 18% in 2017. The number of domestic switches in 2018 was 6% higher than in 2017 for electricity and 9% higher for gas. In December 2018 the proportion of net gains in switching away from the six large suppliers made up 25% of total switches for gas and electricity combined, down from 30% in December 2017⁸⁶.

351 The above demonstrates there are still a significant number of households across the UK that have not yet engaged in the energy market. Therefore a significant impact could be made by providing advice on getting a better deal on energy costs. The advice and outreach support service pilot will provide evidence on the effectiveness of providing this advice to households in Fuel Poverty, or at risk of Fuel Poverty. The costs of providing such a service will become clearer once the pilot has been completed and relevant stakeholders have been consulted, however, it is expected to carry less cost than the retrofitting of homes with energy efficiency measures.

PAS 2035

352 PAS 2035 is the new overarching document in the retrofit standards framework which specifies the requirement for a holistic approach to the retrofitting of dwellings. The document gives better clarification regarding the qualifications and responsibilities of individual retrofit roles and respective activities required prior to the commencement of the

⁸² As recommended in "Understanding the characteristics of low income households most at risk from living in a cold home" published 11 July 2016 SRN/41/2016

⁸³ As recommended in "Understanding the characteristics of low income households most at risk from living in a cold home" published 11 July 2016 SRN/41/2016

⁸⁴ Department for Work and Pensions: [Household Below Average Income 2017/18](#), table 2_5ts

⁸⁵ OFGEM website August 2018

⁸⁶ OFGEM update February 2019

physical installation. TrustMark is positioned to deliver the compliance function to ensure businesses are properly certified. TrustMark Registered Businesses carrying out work within its scope are required to be compliant with its requirements.

- 353 The upfront cost to businesses engaged with the Warm Homes Programme or ECO as a result of the implementation of these standards are in excess of £2,000. There will also be a cost payable to businesses claiming ECO subsidy towards the cost of measures, at £10 per measure. It is assumed this increased cost to businesses will have a cost impact on the delivery of the Warm Homes Programme going forward.

Potential Energy Company Obligation (ECO) Costs

- 354 ECO obligates energy suppliers to deliver energy efficiency and heating measures to homes across the UK. These measures help households to keep their homes warmer, reduce their energy bills and reduce carbon emissions. From January 2013 to June 2019 ECO measures installed in Wales made up 5.5% of all ECO measures installed across the UK.

- 355 This equates to a total of 138,399 measures. Households in receipt of ECO measures made up 5.2% of all households in receipt of ECO measures across the UK. This equates to a total of 103,533 households.

- 356 BEIS is proposing changes to the current ECO scheme, which is running until March 2022. The main proposal is to incorporate the TrustMark Government Endorsed Quality scheme into ECO3, as a route for demonstrating compliance with the most up to date relevant PAS standards and to ensure a sufficient consumer protection process and sufficient guarantees are in place. The effect this may have on the number of ECO measures installed in Wales is not known at this time.

Fuel poverty Estimates and Housing Conditions Survey

- 357 The Welsh Government is proposing to improve the frequency of reporting of housing conditions and Fuel poverty estimates in Wales. It is further proposed to develop and publish statistics about the GB domestic energy market to enable key partners to target their efforts to tackle Fuel Poverty. Based on current levels of activity, the cost of developing and maintaining the evidence base is likely to be in the region of £600k annually, or £9m over the next fifteen years.

Discretionary Assistance Fund for Winter Resilience/Boiler Repairs

- 358 In November 2018, the Warm Homes Programme was further expanded to support people unable to meet the cost of a call out fee for a gas safe engineer and minor repair. Working with key partners including the Energy Savings Trust, Citizens Advice Cymru, NEA and Northgate Public Services Ltd, emergency assistance payments of up to £120 can be authorised, subject to meeting certain eligibility criteria, to meet the cost of repair.

- 359 The Welsh Government's Discretionary Assistance Fund (DAF) makes Emergency Assistance Payments (EAP) as a non-repayable grant to help with essential costs in the event of an emergency or a disaster. The payment can currently help people meet the cost of food, gas and electricity, clothing and emergency travel. This grant scheme is demand led and is dependent on the severity of the winter conditions in any year. The winter in 2018/2019, for example, was milder than the winter conditions in the preceding three years.

A further factor is the number of homes currently with no maintenance agreement to cover them for boiler breakdowns.

Energy Using Products

360 In developing the new plan to tackle fuel poverty, officials are proposing to include an objective to raise awareness of the need to improve home energy efficiency to reduce the cost of energy and improve household resilience to seasonal severe weather conditions. To do this, we will encourage and improve the uptake of lower energy consuming products, digital and smart technologies to reduce domestic energy consumption.

361 A pilot scheme to improve home energy efficiency and support efforts to tackle food and child poverty by installing induction hob cookers in lower income homes could be delivered under the new plan. The order of cost for the pilot scheme is £877,500 Capital. Additional costs to meet installation and provide appropriate cookware could add a further £200 per home, increasing the total order of cost to £1.22m Capital/Revenue.

IN CONCLUSION

362 The Welsh Government has limited influence over the key determinants of fuel poverty, such as household incomes and the cost of energy. Evidence suggests improving the thermal and energy efficiency of homes has a positive effect on maximising household incomes, improving the quality of life and incidence of poor health for people otherwise living in a cold home. Levels of Fuel poverty in Wales are also vulnerable to potential changes in UK Government policy such as the payment of Winter Fuel Payments, Warm Homes Discounts and potential changes which may be introduced to the Energy Company Obligation Scheme.

363 The Welsh Government can continue to make financial support available to improve the energy efficiency of homes through the Warm Homes Programme. The Welsh Government can also adopt a leadership role in Wales encouraging people to save energy, transition to smart metering and technology and secure lower cost energy deals which may be available from energy suppliers. In this document, some planning assumptions have been set out to help inform the consultation on the proposed new plan to tackle Fuel Poverty. Once the final plan is published, detailed estimates of costs will need to be prepared for each of the measures and interventions proposed as part of the ongoing engagement with partners about how the Welsh Government works with them to reduce Fuel poverty still further in Wales.