



Welsh Government response to: Equality and Social Justice Committee

Turning up the heat before 2160: time to pick up the pace on tackling fuel poverty

May 2025

We would like to thank members of the Equality and Social Justice committee for their report on tackling fuel poverty, which has made several important recommendations. We have set out our response to the Report's individual recommendations below.

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1. Recommendations

Recommendation 1

The Welsh Government must ensure that its approach to tackling fuel poverty is up-to-date and fit for purpose. The Welsh Government should do this by:

- updating the data that informs estimates of fuel poverty and publishing up-to-date fuel poverty estimates by September 2025;
- setting interim fuel poverty targets at the earliest opportunity and no later than by September 2025; and
- publishing a revised Tackling Fuel Poverty Plan by the end of June 2025 which includes priority actions for the next two years.

Response: Accept

We are working to develop updated estimates of fuel poverty. We have commissioned the Building Research Establishment to carry out a fuel poverty assessment and they started this work in March.

The fuel poverty estimates will be determined using the three drivers of fuel poverty: energy efficiency of the home, the income of the household and the fuel costs of the household. The indicators will estimate the number of households in fuel poverty, those in severe fuel poverty and those at risk of fuel poverty. We will request the estimates at a local authority level where possible.

We anticipate updated fuel poverty estimates will be published in September.

These revised fuel poverty estimates will be used to develop meaningful interim targets based on EPC ratings. Officials will seek input from the Fuel Poverty Advisory Panel ahead of finalising the targets.

We are currently reviewing the actions in our Fuel Poverty Plan. Our review will report on progress against the ten short term actions in the Plan and will introduce new actions to ensure continued delivery and improvement. Our Fuel Poverty Advisory Panel have reviewed our proposed updates for the Fuel Poverty Plan and we will endeavour to publish by the end of June.

Financial Implications

The existing fuel poverty policy budget will cover the costs of updating the fuel poverty estimates.

Recommendation 2

We recommend that the Welsh Government gives further consideration to the benefits of FRESH and other mapping tools and how these can be deployed by partners in government to tackle fuel poverty. To achieve this, the Welsh Government should seek a meeting with Warm Wales (at officials level) to gain a better understanding of the FRESH mapping tool and subsequently provide resources for the deployment of FRESH or similar mapping tools for use by relevant bodies including all local authorities. We would welcome an update on progress no later than by the end of July 2025.

Response: Accept in principle

The primary cause of fuel poverty is low income. Our Welsh Index of Multiple Deprivation (WIMD) is a free resource, which can be used to identify areas most likely to include households in fuel poverty and eligible for our support. We can use our internal data and analytical services to map a range of data, such as fuel poverty estimates against the WIMD and against other issues such as housing conditions.

In addition, our Nest advice service includes community outreach. By getting out and engaging with local communities, they can identify and connect with households who need our help. We have also collaborated with local authorities on targeted leaflet drops, using WIMD data and confirming the target households through collaboration with local authority officers. The Energy Saving Trust (EST), which delivers our advice and referral service, uses a range of measures to target areas for support. Their outreach workers, through their work with grass roots organisations, also provide qualitative information to supplement quantitative data to facilitate effective targeting.

We know there are a range of organisations that work with local authorities to use vulnerability mapping already, these include the Centre for Sustainable Energy and Citizens Advice. There are also commercial organisations that offer similar tools. Some of the examples we have seen, however, produce much the same information as can be commissioned from our internal data and analytical services.

Welsh Government and local authorities are subject the Procurement Act 2023 and are required to have due regard to that legislation when procuring goods and services. The principles of fairness, openness and transparency apply to all procurement related activity. It is our understanding that the services offered by FRESH are not unique, and there are other suppliers in the market offering comparable services. Therefore, it would be unfair to promote a single supplier over others in this instance and would need to consider all vulnerability mapping tools. In order to do this, we would need to consider carefully what kind of tools are available already and what they offer, over and above anything we could commission internally, and the value for money of doing so.

Officials met with Warm Wales on 28 April to discuss the FRESH tool and its use as part of the organisation's wider activities associated with alleviating fuel poverty. We have gained

a better understanding of the tool and the underlying data, which is derived from publicly available data sets.

We understand most local authorities can already identify their vulnerable and fuel poor households and we have not been approached by them seeking funding to access additional tools for this purpose. Our approach is to allow local authorities to determine what works best for their local circumstances, rather than imposing a top-down approach, although a consistent understanding of fuel poverty at a local level is, of course, valuable. Local authorities are adept at knowing how to target support at their disadvantaged households. We would consider that it is for them to decide what works best in their own area, although they can, and do share experiences and learn from each other.

We support local authorities to establish ECO4 LA Flex schemes across Wales; now the schemes are established, the challenge is to engage local residents and maximise impact. Officials are undertaking an exercise with local authorities in the summer to refine the use of this funding. We will discuss the use of vulnerability tools during this process and, if it is something local authorities require, we will ensure their funding can be used for this purpose.

Financial Implications

The funding of local authorities to support their ECO Flex activities is accounted for in existing budgets.

Recommendation 3

The Welsh Government should increase the scale of the Nest programme so that as many homes as possible are supported. It should do this by:

- continuing to work with constructors and installers to increase capacity and skills in the sector; and
- commit to ensuring that any additional funding including any underspends, or Barnett consequential arising from increases in funding for tackling fuel poverty in England, is invested in the Warm Homes Programme.

This recommendation relates to funding in the 2025-26 financial year initially and future financial years.

Response: Accept in principle

The Nest scheme has created jobs in the retrofit supply chain, employing local trades and boosting the demand for these skills in communities across Wales. British Gas continue to work closely with contractors to ensure they upskill their workforce. Contractors provide training and support to everyone working on the scheme to ensure they are competent in

delivering work to PAS 2035 standards. The PAS 2035 Standard is the official framework for whole-house retrofit in the UK, establishing the processes and best practices for the industry. As volumes increase, British Gas continue to work with additional contractors to meet the level of demand.

Installer and supply chain issues are widespread in the retrofit industry across the UK. We are working with partners to take action on the imbalance of supply and demand which is impacting our ability to deliver quality installations at pace in Wales.

Existing and prospective installers have access to personal learning accounts, which opens up free access to training opportunities. We are working with the further and higher education sector in Wales to ensure the provision of courses meets the need.

Demand pressures on the whole supply chain of products and services in energy efficiency and low carbon heating will increase in the medium term. We continue to assess provision over time and plan training provision accordingly. As part of the development of the supply chain, we have developed the Wales Built Environment Dashboard to assist the supply chain in promoting itself and to access business support, including training.

On funding, we will continue to ensure any available underspends are used to deliver on our priorities. Within the housing portfolio, we must balance the need for more homes with the improvement of existing properties and reduction in fuel costs for those in poverty.

We recognise that the Nest scheme also sits alongside other initiatives such as ECO4, which do not rely on government funding. Consequently, we have supported local authorities to upscale ECO4 activity through establishing ECO4 LA Flex schemes, thereby increasing access to energy company obligations funding.

Changes to funding in England on programmes which are devolved in Wales result in changes to our block grant via the Barnett formula. However, those changes do not determine what the block grant should be spent on. It is for Welsh Ministers, with the Senedd's approval, to decide how to allocate the Welsh Government's budget which includes funding from the block grant, devolved taxes, and capital borrowing. Where there is a case for using the consequential funding for similar purposes, Welsh Ministers will deploy in line with its priorities as part of the appropriate budget process.

Financial Implications

The costs of ensuring contractors are skilled and qualified to deliver the requirements of the contract are met by the programme budget.

Recommendation 4

The Welsh Government should ensure that the current review of Nest includes an evaluation of:

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- the process by which assessors deem air source heat pumps appropriate for an individual's needs as well as being appropriate for the property; and
 - how the scheme can improve awareness raising and training of householders to understand newer technologies, including air source heat pumps.

This should be completed by the end of June 2025.

Response: Accept

The current process includes a retrofit assessor visiting each property to advise on suitable measures using a whole house approach. This whole house assessment is then reviewed by an independent team of energy, finance, and retrofit experts, who determine whether the measures identified are the most appropriate for each property in order to meet the required targets for bill savings, carbon reduction and energy performance.

As part of the current review, and in light of recent changes to PAS rules, since 1 April we have included gas boilers as a possible measure for properties where air source heat pumps (ASHP) are not suitable. We will continue to review the measures available through the programme and update when necessary.

Retrofit assessors currently provide advice and guidance to all customers on the measures being installed in their properties. However, as a result of the current review, British Gas are developing a Customer Information Pack which will provide detailed information and advice on the use of installed measures. This pack will be available to all customers from summer 2025.

In addition, our Nest advisors provide myth busting information regarding low carbon technology as part of their communications and marketing activity.

Financial Implications

These changes are being met within the programme budget.

Recommendation 5

The Welsh Government should ensure that the current review of Nest includes an assessment of:

- the number of referrals that are declined and how these rates compare with previous iterations of the scheme; and

- the training and development provided to Nest caseworkers with a view to ensuring they have a full knowledge of the scheme.

The outcome of the review should be shared with the Committee and be completed no later than July 2025.

Response: Accept

Since the implementation of the new iteration of Nest, there has been a significant increase in referrals being declined. As part of the ongoing review, officials have been working to understand the reason for this increase and to explore solutions to reduce this rate. Since November, several mitigations have been introduced, including:

- Widening the crisis route to include all Nest eligible applicants.
- Widening the criteria to include those in EPC D rated properties, who would previously have been included on a waiting list.
- Enabling customers to provide required documentation during home visits, rather than uploading online.
- Including gas boilers as a possible measure, where ASHPs are not suitable.

As a result of these changes, there has been a significant increase in referrals to the programme – from 106 in December to 266 and 279 in February and March respectively. Between April and June, we will be monitoring the impact of these changes on the number of referrals that are being declined after being passed to British Gas with the expectation we will see a significant reduction.

Whilst officials are aware of the evidence provided regarding the inconsistency of advice given by Nest advisers, it must be noted that throughout the contract year, the net promoters score for customer service as part of the end of call survey has remained at world class. In addition, the net promoter score for the postal/email survey improved from 'good' for the rest of the programme year to 'excellent' for the first time in March, showing that as the scheme is bedding in, with continuous improvement being prioritised.

However, with a programme this size, there will inevitably be some customers who are not entirely satisfied with the service they receive, particularly with a programme in its infancy. Since the committee's evidence session in December, officials and Energy Saving Trust have worked with Warm Wales and Care and Repair to identify examples where the advice provided has been inaccurate or below expectations. Care and Repair have been able to provide a very low number of examples where training needs have been identified, which have now been taken forward. Whilst no specific training examples have been received from Warm Wales, officials have agreed a line of communication in order to pick up any concerns they may have in the future.

As part of telephone advisor induction, all advisors have Nest programme specific training, covering the customer journey, eligibility, Nest processes and procedures, customer relationship management and compliance and data protection training.

In addition, all advisors are required to undertake the NEA City & Guilds Energy Awareness 6281-01 (Level 3) as standard. They will also go through a customer service induction. All advisors will undertake energy advice provision training centred on behavioural advice and potential savings that customers can achieve by making simple changes. They also undertake income assessment training and are tested quarterly. All advisors are also tested on Nest eligibility on a quarterly basis.

Energy Saving Trust has also recently developed an in-house energy advice course for the Nest team, comprising of the following modules, which will be rolled out from June.

Module 1: Introduction to retrofit and net zero

Module 2: Technologies - key operations explained and focus on the benefits to householders

Module 3: Identifying customer needs and matching solutions eg asking the right questions to understand customer needs

Module 4: Practical scenarios and roleplay

Our contractors are measured on the number of complaints received. Throughout the first year of the programme, this has remained below 1% of the numbers the scheme has supported, which is within our target of 3%.

Financial Implications

None. The developments and improvements detailed are being met within the programme budget.

Recommendation 6

The Welsh Government should ensure there is maximum transparency, with key performance monitoring data in relation to Nest published on at least an annual basis. This recommendation should be completed in line with the reporting cycles for the Nest annual reports.

Response: Accept

It is our intention that an annual report will be published in the Summer following each contract year.

Financial Implications

None.

Recommendation 7

The Welsh Government must speed up its development and establish a new area-based scheme as a matter of urgency. To ensure accountability the Welsh Government should sketch out a route map of timescales and milestones between now and the target date for going live (in the form of the first energy efficiency measures being physically installed in properties) by the end of June 2025. Given the considerable gap since the end of the last scheme we would expect this route map to be ambitious but deliverable.

Response: Accept in principle

Welsh Government officials are currently developing options for decarbonising within geographical areas, as a complementary approach to the demand-led Nest scheme. Considerations include the geographical spread of energy inefficient housing, potential technology solutions and impacts on economies of scale. They are also taking into consideration the large number of area-based schemes already completed through Arbed, which benefitted from EU funding no longer available to us.

In the meantime, we are already supporting some schemes with specific technical needs. For example, we are funding work at two British Iron and Steel Federation estates in Cardiff. The homes are technically challenging, generally cold and difficult to heat, with some owned by the local authority and others privately owned. We have agreed to fund the retrofitting of all homes, irrespective of tenure, as one project.

Our Optimised Retrofit Programme has funded social landlords to offer retrofit on an area basis where there are significant numbers of social homes alongside houses of other tenures. This option is available to any social landlord when they are assessing potential schemes.

Should there be a robust case for a new area-based scheme, it would need to be included in a future Spending Round bid and considered for funding alongside other priorities. The alternative is to transfer funds from the Nest scheme, which is counterproductive.

Consequently, we will not be in a position to set out a meaningful routemap by the end of June, as recommended by the Committee.

Financial Implications

The establishment of any new scheme would require additional resources, the amount being dependent on the scale of any scheme.

2. Conclusions

Conclusion 1

We note that direct investment in the Warm Homes Programme has not substantially increased since 2021-22 when accounting for inflation and that this, along with higher costs associated with newer technologies will have eroded the purchasing power of this funding over time.

Response:

We recognise construction inflation, and the higher costs of new technologies and complex retrofit packages, has had an impact on the number of homes we can support within a broadly flat budget envelope. However, the budget reflects the considerable constraints placed on us by the funding we received from the previous UK Government over many years. Increased funding for 2025-26 is welcome, and I am pleased that, in the context of significant calls on funding across a range of public services, I have been able to secure modest increases to the Nest budget.

It is important that the budget reflects what we can deliver, and that is partly dependent on contractor capacity in Wales to deliver the programme to the PAS2035 industry standard. This standard ensures we are not facing the same issues of poor workmanship that the UK Government is encountering in their ECO and GBIS schemes.

If we find we can exceed projected delivery in any year, we have the ability to consider in-year funding allocations in the usual manner.

Conclusion 2

It is disappointing that TrustMark has been unwilling or unable to provide disaggregated data as requested by the Welsh Government. To ensure accountability, we support the Welsh Government's efforts to press this issue and that of quality control with them and with counterparts in the UK Government.

Response:

Officials will continue to speak to Ofgem and Trustmark on this issue. In the meantime, the publicly available statistics on household energy efficiency includes helpful data and charts to track progress, including differences at a local authority level: [Household Energy Efficiency Statistics, detailed report 2024 - GOV.UK](#)

Conclusion 3

We reiterate our previous calls (made most recently in our Draft Budget 2025-26 report) for the Welsh Government to redouble its efforts to ensure that all local authorities apply the Policy in Practice methodology across the board.

Response:

Linked to the work to streamline Welsh Benefits with the aim of exploring the complexities around data sharing, Welsh Government are undertaking a 12-month benefit take up pilot working with Policy in Practice's Low Income Family Tracker (LIFT).

The voluntary pilot commenced in January 2025 with 12 local authorities across Wales taking part. Using the LIFT tracker these authorities will be able to identify and directly target residents who are missing out on their financial entitlements.

In addition to the 12 local authorities on the pilot there are 2 additional authorities who are using the LIFT tracker, meaning a total of 14 authorities across Wales.

As part of the pilot, a robust evaluation will be undertaken, which will inform any future decisions on whether using a data analytical tool such as LIFT is the best way of maximising household incomes.