



House of Commons
Committee of Public Accounts

Warm Front: helping to combat fuel poverty

**Fifth Report of
Session 2003–04**

*Report, together with formal minutes,
oral and written evidence*

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The Committee of Public Accounts

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Summary

Introduction

The Warm Front Scheme is a major component of the Government's UK Fuel Poverty Strategy, which aims to eliminate fuel poverty in England by 2016, and to eliminate it in vulnerable groups by 2010 as far as practicable. Fuel poverty damages an individual's quality of life and health, increasing the likelihood of influenza, heart disease, and strokes as well as increased risk of death in winter. The Scheme helps alleviate these problems by providing grants for a range of insulation and heating measures to vulnerable people in owner-occupied homes or in private rented accommodation to improve the energy efficiency of their homes. It replaced the former Home Energy Efficiency Scheme on which we reported in 1998.¹

Since the Warm Front Scheme began in June 2000, the Department for Environment, Food and Rural Affairs has spent on average £150 million each year on the Scheme, around 75% of which was spent on grants and the other 25% on administration and survey work. Day to day administration of the Scheme is carried out by two Scheme Managers covering different parts of the country. Warm Front is administered on behalf of the Department by two Scheme Managers—Eaga Partnership Ltd and Powergen Warm Front Ltd. The Scheme Managers are responsible for a range of activities including marketing, identifying eligible households, approving applications, surveying properties, appointing and managing contractors to complete the work, and carrying out quality insurance inspections on work done.

On the basis of a Report by the Comptroller and Auditor General,² we examined the Department and those responsible for administering the Scheme. We looked at the current eligibility criteria for the Scheme and the targeting of grants; the range of measures it provides; and the Scheme's impact on fuel poverty.

¹ 45th Report from the Committee of Public Accounts, *Department of the Environment, Transport and the Regions: The Home Energy Efficiency Scheme* (HC 613, Session 1997–98)

² C&AG's Report, *Warm Front: Helping to combat fuel poverty* (HC 769, Session 2002–03)

Conclusions and recommendations

- 1. Much of the public funding of £150 million for Warm Front annually does not help those most in need.** Currently only around a third of grants made under the Warm Front Scheme help the fuel poor, and a third or more fuel poor households are not eligible for Warm Front grants. Fuel poverty is a factor of personal incomes, fuel prices and the energy efficiency of homes. The Department uses certain passport benefits as an indicator of income but these passport benefits do not provide a good match in identifying the fuel poor. To improve the Scheme's effectiveness, the Department should establish eligibility criteria which best identify low income groups, for example those on means tested benefits.
- 2. The Scheme needs to reach more of those in fuel poverty where real needs exist, and practical help can be given.** The Department should consider whether a proportion of current Scheme funding could be ring fenced to a discretionary fund through which the most fuel poor could be prioritised, assisted quickly and with sufficient measures to make a real difference.
- 3. Benefit health checks, visits and local networks such as doctors' surgeries and shops may provide a better way of identifying those most in need of assistance and helping them apply for a grant.** The Department is using these approaches in some areas and should extend them if they prove effective in addressing fuel poverty, particularly for those living in rural communities who may be harder to reach.
- 4. The Department currently has no eligibility criteria reflecting the energy efficiency of the home.** It should concentrate on resources on homes with low energy efficiency but which can be significantly improved to reduce occupiers' fuel costs.
- 5. 8% of all grants have been for two energy efficient light bulbs only, and 20% of all jobs have resulted in light bulbs or draught proofing only.** £14 million was spent on providing light bulbs and draught proofing to households in a sample year, though they have limited impact on energy efficiency and hence fuel poverty. The Department should reduce expenditure on measures which have limited impact on fuel costs, and on homes which are already energy efficient, and use the money saved to help those households most in need.
- 6. Some Scheme rules result in poor value for money by requiring installation of more expensive and less efficient options for some claimants than alternative solutions available.** The current Scheme rules require like for like replacement of central heating systems and boilers even when an alternative would be cheaper and more effective for the household. Nor can inefficient systems be replaced and repaired unless they are broken at the time of the Warm Front survey, even though the defective equipment may be condemned later. The Department should remove the requirement for like for like replacements, and create more flexibility within the Scheme rules to provide assistance where systems are in a poor and potentially dangerous condition but still operate.

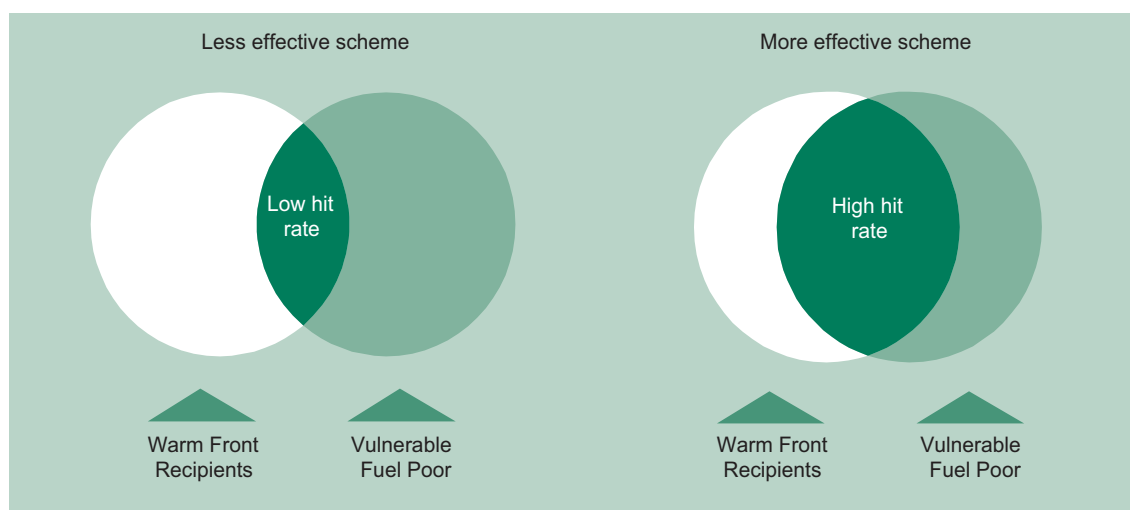
7. **The Scheme offers few practical options for hard to treat homes such as those off the gas network or with solid walls.** And in some hard to treat homes, the current grant maxima do not cover feasible but more expensive options. The Department should undertake research to develop new solutions for hard to treat homes, and the Scheme rules should recognise that some potential claimants in such homes may need additional financial assistance, perhaps through a discretionary fund. Scheme Managers should be set objectives to increase assistance in this sector.
8. **Delays in installing measures under the Warm Front Scheme continue to occur with over 50% of all jobs exceeding target times.** These delays may partly reflect a shortage of suitably qualified engineers. But the Department should also work with Scheme Managers and suppliers to prioritise those cases most likely to benefit, for example homes where the agreed measures will significantly improve home energy efficiency with a resultant reduction in fuel costs (or provide better comfort at the same or similar cost).
9. **The Department's Public Service Agreement target measures success in terms of the numbers of households assisted regardless of whether the assistance has had any significant impact on energy efficiency and on the occupier's fuel costs.** The Department and the Treasury should revise the target to better measure the impact of the Scheme in reducing fuel poverty and on the fuel efficiency of the homes assisted. The Department's targets for Scheme Managers should similarly provide greater incentive to Scheme Managers to identify and help those most in need.
10. **The Department should also seek to assess the wider impact of the Warm Front Scheme by researching whether the Scheme is moving people out of fuel poverty.** Such an exercise should inform the planned scheme redesign in 2005, and in particular identify whether the Scheme will contribute fully to achieving the aim of eliminating fuel poverty in vulnerable groups by 2010.

1 Reaching the right people

1. Warm Front aims to reduce fuel poverty in vulnerable households in England by improving the energy efficiency of their homes. The Scheme is an important component of the Government's UK Fuel Poverty Strategy, published in November 2001, which aims to eliminate fuel poverty in England by 2016, and to eliminate it in vulnerable groups by 2010 as far as practicable. Eligibility for the Scheme is open to households in receipt of certain 'passport' benefits such as Housing Benefit or Income Support, living in private sector accommodation. Other policy measures are intended to reach the fuel poor living in social housing. Those eligible for Warm Front fall into one of three vulnerable groups; families with children, the over 60s, and the disabled or long term sick. The assistance the Scheme provides has been much appreciated by those who have benefited from it.³

2. Warm Front has, therefore, the potential to make a significant difference to households in need. Of the grants made under Warm Front however, two thirds have gone to people who were not fuel poor, resulting in a poor match between those whom the Scheme was intended to reach and those who have actually received assistance (**Figure 1**).⁴ The Department explained that following consultation when the Scheme was devised, it was decided that target groups could best be identified through the receipt of certain benefits, and that this approach would provide easily understood eligibility criteria.

Figure 1: An effective scheme is one where the majority of those eligible is in the target population



Source: National Audit Office

3. Of the 1.2 million fuel poor households in vulnerable groups in the private sector in 2001, a third do not qualify for the Warm Front Scheme, because they are not in receipt of qualifying benefits. The Department acknowledged that as the overall numbers of fuel poor declined the proportion of fuel poor ineligible for Warm Front might increase. They also agreed that that the proportion of Scheme beneficiaries who were genuinely in fuel poverty would decrease further unless the eligibility rules of the Scheme were improved.⁵

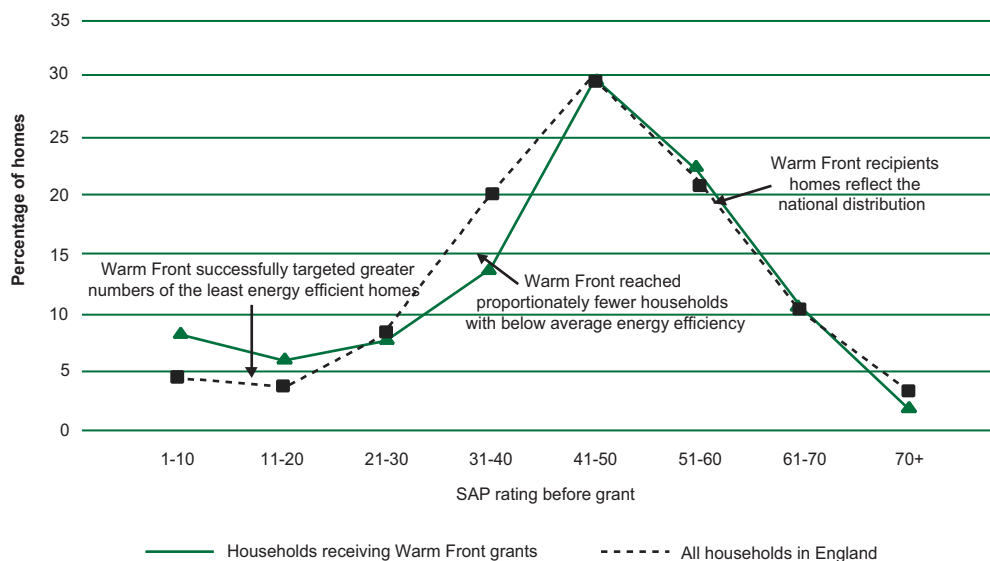
³ C&AG's Report, para 2.6 and Figure 7

⁴ Qq 2, 6, 22-25

⁵ Qq 83-85, 90-91; English House Condition Survey 2001

4. Currently the energy efficiency of homes receiving grant is similar to the profile of the energy efficiency of homes across England (**Figure 2**). The Department did not select households for the Scheme on the basis of the energy efficiency of the property but on the need of the household and what was available under the Scheme. Grants helped to improve the levels of comfort of vulnerable people even if the energy efficiency of their homes was not permanently improved. An energy efficient household would be most likely to receive energy advice and energy efficient light bulbs under the Scheme. 10% of Warm Front grants had no impact on the energy efficiency of the home, and a fifth of all grants had no significant impact.⁶

Figure 2: Warm Front grants are not sufficiently targeted towards the least energy efficient homes



Source: National Audit Office / English House Condition Survey 1996

5. The Scheme is not directing funds at those most in need. The Department agreed that after taking account of administration costs of around £18 million, and around the same on survey and inspection costs, approximately £113 million each year was available to help the fuel poor. Half of that expenditure was directed to people who were not fuel poor. The Department estimated that between £234 million and £410 million of grants had gone to non fuel poor households since the Scheme began. Those helped under the Scheme who were not fuel poor were, nevertheless, vulnerable people receiving benefits such as pensioner couples and therefore worthy of help even if not the main priority of the Scheme as originally intended. The Department was concerned not to complicate the eligibility criteria in case this discouraged people from applying but was considering whether future criteria might include the energy rating of the property. The Department would be consulting on this issue in 2004 with a view to revising the Scheme in 2005.⁷

6. One way in which the Scheme could be improved would be to talk directly with those most likely to need help, such as pensioners, and to have a discretionary basis of help directing resources to those who most need it. The Department was undertaking a pilot

⁶ Qq 4, 12, 13, 60, 64-67; C&AG's Report, para 3.13, Figure 18

⁷ Qq 18-28; Ev 21

scheme, Warm Zone Scheme, which involved home visits. It was a three year trial in five zones, and once the trials had been evaluated the Department would consider whether the approach should be extended. The Department noted that to address fuel poverty the only accurate and precise method depended on calculating household income, which was a sensitive task. An early finding from the Warm Zones trial estimated that around 20% of households refused assistance even when offered help. The Department intended to carry forward the benefit health checks it had begun and to consider improving targeting through a combination of benefits passporting and energy efficiency rating.⁸

7. Certain groups of people have been under-represented in the population of Warm Front grant recipients. Some areas of England, for example the South West and Midlands area, and the London and the South East area, received considerably fewer grants than the North East and North West area. The Department attributed this to a greater propensity for people in the northern areas to be eligible for Warm Front assistance and to a greater acceptance of the Scheme in the north than in the south.⁹

8. The Department acknowledged that rural areas had been significantly under-represented both in Warm Front and, before that, in the Home Energy Efficiency Scheme. The number of grants to rural areas may have been lower for a number of reasons. Evidence suggested that people in these areas responded less well to Scheme marketing, such as advertisements and word of mouth endorsements from friends and neighbours. It therefore required more effort on the part of Scheme Managers to persuade them to apply. Rural homes were also less likely to be on the gas network and more likely to have solid rather than cavity walls. The range of options available to them was limited because they fell into the category of homes classed as 'hard to treat', although technological developments were being researched that could help such homes. In other cases, feasible options such as connection to the gas network for homes a little way outside the current limit of 23 metres, cannot be provided within existing grant maxima. These difficulties dissuaded people from applying and meant that only minimal assistance could be given to those that did apply. The Department had commissioned National Energy Action to look at the barriers to take up of Warm Front in rural areas and to identify ways of tackling these problems.¹⁰

9. The Scheme Managers have built up networks of people such as local authorities, libraries, care trusts and other agencies to assist them in reaching those most in need. These networks included charities such as Age Concern, the clergy, ethnic group leaders and district nurses who may be in touch with those unlikely to refer themselves. The Scheme Managers acknowledged that it was difficult to reach those who were oldest and coldest as they did not necessarily respond to traditional marketing methods. Success was dependent on building trust and confidence with other agencies but this took time and investment. After three years of effort, however, the approach was showing signs of success. The Department had commissioned research on how to fast track applicants who are in particular need, to move from a first come first served basis of operation to a system involving queuing and prioritisation.

⁸ Qq 16–17, 40, 44–45

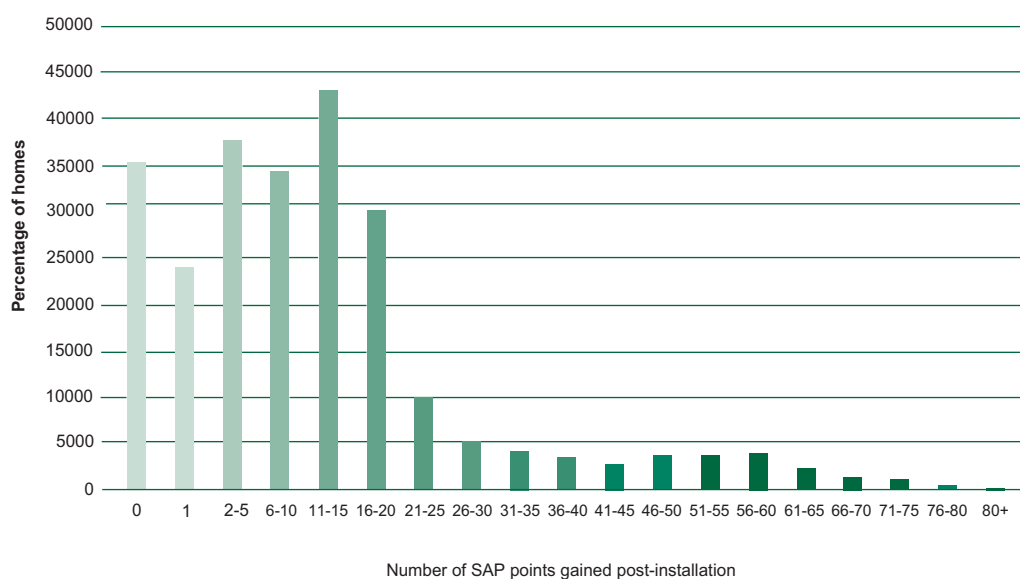
⁹ Qq 93–94, 103

¹⁰ Qq 11, 105

2 Installing the right measures

10. The Warm Front Scheme provides funding for a range of heating and insulation measures, the selection of which by Scheme Managers is governed by rules set by the Department. Warm Front offers a wider range of measures than was offered by the previous Scheme. The Department explained that cavity wall insulation was the most effective way of increasing energy efficiency and reducing heating bills in domestic homes, although fitting a gas condensing boiler and insulating the loft would also have a significant impact. Some measures had very little effect, such as two energy efficient light bulbs, which saved only £10 a year (**Figure 3**).¹¹

Figure 3: 50% of households have their SAP improved by 10 points or less



Source: Warm Front Scheme manager

11. The Department intended that the rules on the provision of energy efficiency measures under the Scheme should assist the greatest number of people in the most effective way. The existing Scheme rules require, however, ‘like for like’ replacement of boilers and heating systems. Thus for example heating systems can only be replaced by those of a similar kind, so that a defective warm air system has to be replaced with another warm air system, even if a cheaper, more efficient option is available. Boilers cannot be repaired or replaced unless they are broken at the time the Warm Front technical survey is carried out. As a result, old, inefficient but technically operational boilers, or boilers with an intermittent fault cannot be repaired or replaced through the Scheme, even though in some cases the defective boiler is later condemned. The Department was working with Scheme Managers on criteria to provide new or different systems more effectively, and would change the like for like rule at the earliest opportunity.¹²

¹¹ Qq 47, 81, 75–76

¹² Qq 28, 32–36, 54

12. Homes with a low energy efficiency rating usually require substantial investment to make them more energy efficient. Where the estimated cost of these essential works exceeded the Warm Front grant maximum or where the Scheme rules did not permit the best solution, Scheme Managers had used funds provided by electricity and gas suppliers through the Energy Efficiency Commitment to supplement Warm Front grants.¹³ Under the Energy Efficiency Commitment, energy companies 'buy back' measures originally provided by Warm Front, by providing funds for these measures to the Scheme Managers. The Scheme Managers use these funds to provide extra or more flexible assistance to recipients.¹⁴

13. Delays in installing measures were a serious problem for the Scheme, with over 50% of all jobs exceeding the target times. In one case, a recipient faced a wait of nine months for a central heating boiler, and hence the family had found their own funds to do the work. The Scheme Managers noted that there was a shortage of gas engineers, which created price pressures, influencing companies' prioritisation of work. Average waiting times had, nevertheless, fallen by 17% compared with a year ago and more skilled engineers had been brought into the Scheme. In addition, a new industry training scheme, linked to changes in building regulations which come into force in April 2005, should increase the number of trained engineers able to undertake work for Warm Front.¹⁵

¹³ The Energy Efficiency Scheme is a government scheme, administered by Ofgem, which began on 1 April 2002 and runs until 31 March 2005, and sets each energy supplier a target to save energy based on the number of domestic customers they supply.

¹⁴ Qq 29, 51–52, 77

¹⁵ Q 7

3 Measuring progress in tackling fuel poverty

14. The government has been providing grants towards domestic energy efficiency measures for around thirteen years through Warm Front and its predecessor, the Home Energy Efficiency Scheme. Since the launch of the UK Fuel Poverty Strategy in 2001, the Warm Front Scheme has been part of a range of measures aimed at eliminating fuel poverty in vulnerable groups by 2010, and eliminating it completely by 2016. The number of people in fuel poverty fell from 3.3 million in 1998 to an estimated 1.7 million households in 2001. But the majority of this reduction was due to lower fuel prices and increased incomes, rather than to the impact of the Warm Front Scheme, which was introduced in June 2000. If fuel prices increase the number of people in fuel poverty is likely to increase too.¹⁶

15. Warm Front's contribution towards the aim of reducing fuel poverty has been monitored through a Public Service Agreement (PSA) target "to reduce fuel poverty among vulnerable households by improving the energy efficiency of 600,000 homes between 2001 and 2004". Measurement towards the PSA target has been calculated by counting the number of households in a year receiving grants whether assistance comprised, say, provision of two energy efficient light bulbs or a new central heating system or insulation measures. The current target does not therefore reflect the impact which Warm Front has made on fuel poverty, fuel bills or the energy efficiency of homes assisted. The Department agreed that the current PSA target was inappropriate and planned to discuss a revised target with the Treasury. The target should address fuel poverty more directly, and also incentivise Scheme Managers to achieve success.¹⁷

16. The Department claimed that it was on track to meet the target of eliminating fuel poverty as far as practicable in vulnerable households by 2010 although it was more cautious about the prospect of eliminating fuel poverty as far as practicable by 2016. Nonetheless there remain significant challenges to meeting either target, such as reaching homes in rural areas or those that are hard to treat. Achievement of the targets also depends on the success of the Decent Homes Standard, which sets standards of housing provision in the social housing sector.¹⁸

¹⁶ C&AG's Report, para 1.4

¹⁷ Qq 122–125

¹⁸ Qq 8–10

Formal minutes

Monday 12 January 2004

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon

Jon Trickett

Mr Frank Field

Mr Alan Williams

Mr Brian Jenkins

The Committee deliberated.

Draft Report (Warm Front: helping to combat fuel poverty), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 16 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

Adjourned until Monday 19 January at 4.30 pm

Witnesses

Wednesday 22 October 2003

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Sir Brian Bender KCB, Mr Jeremy Eppel, Department for Environment, Food and Rural Affairs, **Mr Chris Leek**, Eaga Partnership Ltd, and **Mr Garry Worthington**, Powergen UK

Ev 1

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Fifth Report	Warm Front: helping to combat fuel poverty	HC 206

The reference number of the Treasury Minute to each Report will be printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 22 October 2003

Members present:

Mr Edward Leigh, in the Chair

Jon Cruddas
Mr Ian Davidson
Mr Nick Gibb
Mr Brian Jenkins

Mr David Rendel
Jim Sheridan
Mr Gerry Steinberg
Mr Alan Williams

Mr Tim Burr, Deputy Comptroller and Auditor General, further examined.

Mr Rob Molan, Second Treasury Officer of Accounts, HM Treasury, further examined.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL: Warm Front: Helping to Combat Fuel Poverty (HC 769)

Witnesses: **Sir Brian Bender**, Permanent Secretary, **Mr Jeremy Eppel**, Head of Sustainable Energy Policy Division, Department for Environment, Food and Rural Affairs (DEFRA); **Mr Chris Leek**, Operations Director, Eaga Partnership Limited; **Mr Garry Worthington**, Warm Front, General Manager, POWERGEN UK, examined.

Q1 Chairman: Welcome to the Committee of Public Accounts where we are discussing today the Warm Front scheme. We are delighted to welcome back Sir Brian Bender who is the Permanent Secretary and accounting officer at the Department for Environment, Food and Rural Affairs. I will ask Sir Brian to introduce his team but, before I do so, can I welcome a delegation from the Ugandan Ministry of Finance? I hope that you enjoy our meeting. Thank you for coming. There is also a delegation from Nigeria, which will be visiting our Committee in stages. Sir Brian, would you like to introduce your team?

Sir Brian Bender: On my left is Jeremy Eppel, who is head of the Sustainable Energy Policy Division in my Department. On my right is Chris Leek, who is the Operations Director of Eaga Partnership, one of the scheme managers. On his right is Garry Worthington, who is the General Manager of Powergen Warm Front, the other of the two scheme managers.

Q2 Chairman: Perhaps you could start by going to the central critique of this scheme. You can see that set out on page 14 of the Comptroller and Auditor General's Report, particularly in paragraph 2.8. What we have here is a scheme by which 70% of Warm Front grants may go to people who are not fuel poor and a third or more fuel poor households are not eligible for Warm Front grants. In other words, there is a rather poor mismatch. How are you going to improve the match between the eligibility rules for Warm Front grants and those who are genuinely in fuel poverty?

Sir Brian Bender: As the NAO Report recognises, getting this right is a real challenge. When the scheme was devised, it was decided in the light of

consultation that we should be aiming at the target groups that were best identified through the receipt of benefits, and that importance was attached to ensuring those who applied could easily understand the eligibility criteria. As a direct answer to your question, first of all, we keep the eligibility criteria under review. In the last month or so, we have included pension credit and we have included child tax credit and working tax credit to replace working families' tax credit and disabled persons' tax credit with an income cut-off point. Secondly, we will continue to look for ways to improve targeting and what we will be looking at in the months ahead is whether there should be a mix of criteria covering both benefits and the SAP rating for property. That is our thinking on the way forward, so that we would improve the proportion of those who receive assistance being in fuel poverty.

Q3 Chairman: If we were having our hearing in a year's time or two years' time, do you think we would get a very different answer from what we read here, which is fairly alarming, that a third or more fuel poor households are not being reached at the moment?

Sir Brian Bender: I would hope we would, through a mix of criteria, but getting this right is enormously difficult. The risk must be that we create something that is so complex we discourage applicants. We have also introduced in the last few weeks through Eaga, and we are about to do so through Powergen Warm Front, a benefits health check which is also increasing the access of the scheme to participants.

Q4 Chairman: Can you look, please, at page 25 of the Comptroller and Auditor General's Report and particularly at paragraphs 3.20 to 3.22. You will see

there, “Some homes, however, receive significant (and costly) assistance even though they are already energy efficient. . . . The funds available under Warm Front would achieve most if focused on those homes with a low SAP rating.” How do you propose to direct a great proportion of grants to those homes which are the least energy efficient? That is what we should be about, is it not?

Sir Brian Bender: We do not select households based on the energy efficiency of the property. It is based on the need of the household and what is available under the scheme.

Q5 Chairman: Does that mean that there is something therefore wrong in the way in which this scheme is devised? Surely, it would not be unreasonable to suggest that if you were devising a scheme like this you would propose to direct a greater proportion of grants to those homes which were least energy efficient. Is that not what we are about?

Sir Brian Bender: We are trying to direct the scheme primarily to vulnerable parts of society and there may well be a mismatch between the vulnerable people and the energy efficiency of their homes. Getting this match as best we can is what the issue is about.

Q6 Chairman: But you are also not hitting the vulnerable, are you? Do you accept that? A third or more fuel poor households are not eligible, so you are not winning either way.

Sir Brian Bender: We are hitting more vulnerable people through the benefits health checks and through the work we are doing on reviewing the eligibility criteria.

Q7 Chairman: We have had that answer. Turn, please, to page 26. You will see that there are sizeable delays. Look at paragraph 3.23: “In the first 22 months of the new Scheme—to March 2002—half of all heating jobs and two-thirds of insulation jobs took longer than the target days.” I have received a letter from my colleague, Siobhain McDonagh, who is a Member of Parliament for Mitcham and Morden and she has raised, for instance, a case of one of her constituents. She tells me, “As you will see from her constituent’s case, the family quite rightly felt unable to operate without a central heating boiler for the nine months it would take for it to be replaced with the Warm Front scheme.” What do you have to say to Ms McDonagh’s constituent?¹

Sir Brian Bender: I would like the scheme managers perhaps to answer that more directly. The waiting time compared with 12 months ago has come down by about 17%, so things are improving. More skilled engineers are being brought into the scheme.

Mr Leek: There is a widely accepted under-resource of gas engineers able to do this type of work. When you get an under-resource of engineers, it does mean that there is a price pressure which has a strong influence over the companies in the way in which they prioritise work. We continue to apply pressure

in this area to minimise the waiting times and, if you compare to this time last year, we have seen a 17% reduction in the average waiting time. This is the shortest it has ever been. Despite the waiting times, every year, we have exceeded the target that has been set for us in installing heating systems into clients’ homes and that scheme is very popular.

Q8 Chairman: Let us move on to the government goal of eliminating fuel poverty for vulnerable households by 2010, which you can see detailed on page 30 of the Report in paragraph 4.9. This is an important commitment by the government. Are you going to meet it?

Sir Brian Bender: We have a series of comprehensive packages of measures designed to meet it. We produce annual reports. The first was in March of this year. The Fuel Poverty Advisory Group has provided independent advice on progress. The government is determined to meet it. I cannot say now that we will meet it.

Q9 Chairman: Are you on course to meet it, given what we have been hearing in the first few minutes of this inquiry already?

Sir Brian Bender: I believe we are on course to meet it.

Mr Eppel: The fuel poverty target for 2010 we are on course for.

Q10 Chairman: And eliminating fuel poverty altogether by 2016?

Mr Eppel: That is some way off and clearly we would need to see just how we are as we get closer to that date. At the moment, there is nothing to indicate that we would not be able to be on course for that as well.

Q11 Chairman: Look, please, at page 22. I am now asking about hard to treat homes dealt with in paragraph 3.8. These typically may be homes in rural areas which are not on main line gas. They may have difficulty with cavity wall insulation. Have you any plans to improve assistance to these hard to treat homes?

Mr Eppel: We are certainly looking at what more could be done for hard to treat homes. There are a number of things that can be done, including putting them on the gas network and other types of measures that can be taken. A number of these are solid wall properties. Yesterday, the Carbon Trust, which is one of the bodies that DEFRA sponsors, announced that it was going to look into speeding up the technological developments that could help with solid wall properties. There is a range of possible technological and administrative things that one could do.

Q12 Chairman: Let us look at page 23, paragraph 3.13. You will see that a fifth of all grants have no significant impact on energy efficiency. Are you concerned about this?

¹ Ev 21–23

 Department for Environment, Food and Rural Affairs, Eaga Partnership Limited and POWERGEN UK

Mr Eppel: Yes. The measures nevertheless can reduce people's bills and can have an impact on their overall comfort. Energy efficiency measures may be needing additional activity that is not necessarily tackled by those particular inputs at that time.

Q13 Chairman: Are you concerned that a fifth of all grants have no significant impact on energy efficiency?

Mr Eppel: The scheme is directed essentially at helping vulnerable people potentially in fuel poverty. It is desirable to try and improve energy efficiency so obviously what we want to try and do, in developing and rethinking parts of the scheme, is to try and improve that ratio so that as few as possible do not have an impact on energy efficiency.

Q14 Chairman: Am I right in thinking that a considerable proportion of these grants simply relate to energy efficient light bulbs and the provision thereof?

Mr Eppel: As the Comptroller and Auditor General's Report spells out, pretty much every household that is treated and dealt with in addition to any other measures always has energy efficient light bulbs—I think over 300,000 in the last year—but the bulk of households addressed also have other measures which have a more substantial impact.

Q15 Chairman: Such as draught proofing?

Mr Eppel: Draught proofing is one of the measures. Insulation and heating are installed in a considerable number and have a significant impact in their own right.

Q16 Chairman: It seems to me that there is a lot we could achieve simply by talking to pensioners, working out what they need and having a discretionary scheme which would direct resources to those who most need them. I thought this was the obvious way forward. I am told that there is a pilot scheme that you are running called the Warm Zone Scheme where you do precisely this. You go and talk to pensioners and find out where people are, what they need and you try and help them. Are we going to see an extension of the Warm Zone scheme which seems to be far more effective?

Sir Brian Bender: We are waiting to evaluate it. It is a three year trial in five zones. It took a while to get under way. We are going to evaluate it and see whether it is producing things that merit extension.

Q17 Chairman: You get my point, do you not? We see from the Warm Zone scheme that you can direct resources where they are most needed, to help those most in need.

Sir Brian Bender: If it is working, it should be extended. It would be a way of joining things up on the ground.

Q18 Mr Williams: We gather that Warm Front costs 150 million a year of which 25% is on administration. That is 37 million, approximately. Is that correct?

Sir Brian Bender: The 23% administration covers some of what one might call the costs of the scheme such as marketing, and not simply the administration by the scheme managers.

Q19 Mr Williams: The NAO says on administration and I assume it does not go into the end objective. That means that on the non-administrative side there is 113 million approximately.

Sir Brian Bender: The costs relating to the household itself, survey measures and inspection, if they are separated out, the resulting administration costs are 12% rather than 23%. 11%, about half of the 23%, are measures in relation to the household, survey measures and measures of inspection.

Q20 Mr Williams: We are talking of 12%. 12% is 18 million which brings us to 132 million. Nearly half of that goes to people who are not eligible in terms of being fuel poor.

Sir Brian Bender: Correct.

Q21 Mr Williams: If you take 70 away from 132, it means that in terms of hard impact we are getting 62 million out of 150 million that is going to helping those who are in need and who are fuel poor.

Sir Brian Bender: That is correct, but—

Q22 Mr Williams: That is not very good, is it?

Sir Brian Bender: The implication is that therefore the others are people who ought not to be helped. These are still vulnerable people receiving certain benefits, some of those who might have been in fuel poverty if they had not been helped, like pensioner couples.

Q23 Mr Williams: That is all well and good but that is not the objective of the operation, is it? The objective of the operation is to find those who are suffering most from fuel poverty and they are to have priority. Because you cannot find a way of assessing correctly, what we find is that just 40% of the total scheme is going to those who are suffering fuel poverty in terms of end product in their houses.

Sir Brian Bender: That is roughly the right calculation, yes.

Q24 Mr Williams: 40% is not a very high strike rate, is it?

Sir Brian Bender: That is why we want to look at the targeting and the eligibility criteria as we revise the scheme further. I would repeat that those others who are being helped are vulnerable people and I would not want to give the Committee the impression we do not think they are worthy of help, even if they are not the main priority of the scheme.

Q25 Mr Williams: They are having money that should be going to other people who are more in need, are they not? I accept entirely that there are people even beyond those who are receiving the 60% who probably could do with some help but the aim here is to aim for the most vulnerable and needy. The

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scheme is less than 50% effective. That is a pathetic performance by any standard. Are you going to improve it?

Sir Brian Bender: I do not regard it as a pathetic performance. This is a very difficult issue.

Q26 Mr Williams: Do you regard it as a good performance?

Sir Brian Bender: The risk is that in complicating the eligibility criteria we will discourage people from applying. Getting this right is not easy. The answer to your direct question is yes. We are looking at how to get a set of criteria to move forward which would or might include the SAP rating of the property.

Q27 Mr Williams: How soon will you do that?

Sir Brian Bender: We are going out to consultation on this with a view to the revision of the scheme by 2005.²

Mr Eppel: We intend to look at this. We are indeed looking at this now as part of looking at the implementation plan for the fuel poverty strategy. That report on the implementation plan will be introduced at the end of this year. When such a new measure could be brought in will probably be when the scheme is revised in April 2005. The intention is to explain the thinking on this much, much sooner than that. The scheme was originally designed to address all vulnerable people, not just those demonstrably in fuel poverty. There is no direct correlation between people in fuel poverty and a given house, but there is quite a strong relationship between a very poorly insulated or heated house and the potential for people moving into that house at some stage to fall into fuel poverty. Whilst we fully intend to try and improve the targeting of the scheme, we also realise that by directing resources to houses which have the potential for people to get into fuel poverty we will be mitigating the risk of that to an extent in the future. I do not think resources are wasted but we would agree it needs to be even better targeted.

Q28 Mr Williams: That was a great flow of words but we remain in the situation where 60% a year for the next three years is going to go to people other than those it was intended for. That is going to be a colossal sum of money over the years since the scheme started that and that is abysmal by any standards. That is an observation. I am not asking a question. I do not want to unleash another irrelevant set of information. Let us look at the way in which you deal with cases even when you are hitting targets. If we look at figure 17 on page 23, we are told there, "The Scheme rules do not always lead to the best solutions." We are given a couple of examples there. Let us take the first one. "A property needed a replacement boiler. Under the Scheme rules this replacement could only be a basic boiler of the same kind." This is a ludicrous rule when you look at the rate of technological change. As it happened, that particular boiler that needed to be replaced also had

² *Note by witness:* A stakeholder event to discuss the future design of Warm Front will take place on 18 November.

a condemned flue which needed to be replaced, but the condemned flue and the scaffolding for the flue were going to cost £2,500. That is without a replacement boiler. For £1,500, an up to date combination boiler could have been installed. Does that strike you as a good way to run a whelk stall?

Sir Brian Bender: No. The original reason why we had like for like replacements was because it was judged at the time that that would be a means of providing for as many households as possible in the most cost effective way. Experience shows that is not right and we are now working with the scheme managers on criteria to provide new or different systems more effectively. The answer is we are working on how to improve the situation.

Q29 Mr Williams: You are working also on the 60% but that is going to be another two years. How long will your working on this take?

Mr Leek: The important thing within this answer is that we did fit a combination boiler rather than trying to replace on a like for like basis and we did it through measures that we had traded on Warm Front into the—

Q30 Mr Williams: I am glad common sense prevailed. When will the new criteria be operational?

Mr Leek: It is something which, given the instruction, we can implement straight away.

Q31 Mr Williams: You go out of here today, sign a piece of paper and we can take it that from tomorrow everything is going to be all right?

Mr Leek: As scheme managers, we can change that.³

Q32 Mr Williams: Knowing you were coming here, surely self-survival would have told you to sign it yesterday so you could come here and say, "We have already signed it." Why did you not do that—or last week?

Mr Eppel: We certainly have a very clear intention of changing the rules to make them more sensibly aligned in terms of the replacement boilers, not just having the like for like rule, at the earliest opportunity. We have to make sure that that fits in at a moment when it can be done administratively sensibly, but that does not mean it will be 18 months or two years until it happens. I suspect it will happen pretty soon.

Q33 Mr Williams: If we take the next case in 17, the second incident described here is an applicant requiring a replacement for a warm air heating system. Under the rules, a replacement would cost £2,200, but a better system could have been installed, not warm air, for £2,000. There is a little amount saved, but the important thing is that that family had a child who had a severe asthmatic condition which was known to be exacerbated by warm air heating; yet you were still, under your rules, insisting that they should have warm air heating.

³ *Note by witness:* We are working with Defra to establish criteria to identify those situations when it is more appropriate to provide a new or different system to that which is already installed.

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Sir Brian Bender: The problem was resolved in the way described at the end of the example.

Q34 Mr Williams: How long ago would this be? A month? Six months?

Mr Leek: This was something that happened around last Christmas time. Once we surveyed the property and identified that, we had the thing changed and done within three weeks.

Q35 Mr Williams: How long ago was the first one I put to you with the scaffolding?

Mr Leek: I do not recall.

Q36 Mr Williams: The question that arises is, since this makes very clear that your criteria were not achieving the correct objective, why is it that we are still here at this date, at the end of October, waiting for you to decide to issue tomorrow morning a signed note saying, “We are going to change our criteria”? Why did you not act on these examples earlier?

Sir Brian Bender: There are two answers. First of all, the concrete problems that the individual households had were addressed through trading under the Energy Efficiency Commitment. Second, we are looking at changing the criteria and will do so expeditiously.

Q37 Mr Steinberg: It is not a very good Report, is it? It is not really achieving what you intended to achieve. Why does it have to be in a particular sector? Why does it need to be in social housing sector or private sector? Why can it not be those people who are in fuel poverty helped?

Sir Brian Bender: We are addressing the social sector through the Decent Homes Standard. When the Committee of Public Accounts last looked at this issue, it was partly as a result of that that we decided to apply Warm Front to the private sector and have a different set of measures through standards—

Q38 Mr Steinberg: It seems to me that if you are in fuel poverty, it does not matter where you live; you are still cold, are you not?

Sir Brian Bender: You are cold and the question is what is the most effective set of measures to do this in a situation that is—

Q39 Mr Steinberg: You are not achieving it.

Sir Brian Bender: We are helping vulnerable people.

Q40 Mr Steinberg: Why not give the people who need assistance assistance? The big difficulty is the Civil Service, is it not? You create a scheme and you create managers for that scheme. Then you create assistant managers and then you create assistant assistant managers. Eventually, what is left is used to find the people who actually need the help. At the end of the day, very few people get the help and you cannot find who they are. Why can you not just go out and find them?

Sir Brian Bender: If you are looking for fuel poverty, the only accurate and precise method for doing it depends on calculating the household income. You

will know better than I that that is not easy and it is a very sensitive thing to find out. We are trying to address proxies for that.

Q41 Mr Steinberg: I received this this morning from Eaga. I do not know if they were trying to be funny or not. Normally, if it says “Dear Sir” I put it in the bin. If it does not say “Dear Gerry” I do not usually read it. This I actually read and it says, “News Release: Warm Front Grant. City of Durham’s best kept secret.” They are asking me to put this press release out. “Warm Front grants are one of the nation’s best kept secrets’ says Gerry Steinberg, MP for the City of Durham. ‘I often meet constituents who have no idea that they can qualify for up to £2,500 of government money. It is such a shame that so many people are missing out.’” They want me to put that out and tell them I am a plonker. I am not putting this out. Why do not people know that this money is available? Nobody knows it is there.

Sir Brian Bender: As the NAO Report identifies, a lot of people do not know. Therefore, one of the things we have done over the summer is introduce Benefit Health Checks so that those who are eligible for assistance can find out who they are so that they get the benefits. Since September, with Eaga’s clients, that has resulted in 80 more customers now being eligible.

Q42 Mr Steinberg: That is not answering the question, is it? According to Eaga, nobody knows about it. Mr Leek, come on. Let us have a better one than that. That was just pure flannel. That was Civil Service speak. Now just tell us the truth.

Mr Leek: This is part of something that we do on a regular, continual basis, to encourage MPs to raise awareness of energy efficiency in their constituencies. When you are looking at the vulnerable households and the client group that we deal with, it is very difficult to reach them through a lot of traditional marketing methods such as direct mailing. By getting somebody that they trust and have confidence in to subscribe to the scheme, we find this is a great way of raising awareness of the scheme throughout the areas.

Q43 Mr Steinberg: Instead of me putting a press release out which makes me look like a plonker, you could have taken a front page advert out in *The Northern Echo*, which 95% I suspect of people in my constituency read, to say, “Do you qualify for help for your fuel?” They would see that and they could make an application. You are not prepared to do that. You want me to make a fool of myself.

Mr Leek: We do put adverts into papers but the people we are trying to reach, who are the most difficult to reach, the oldest and the coldest in society, are the ones who do not respond to that type of marketing. They respond far better to people on a personal basis that they feel are respected in society and that they can trust.

Q44 Mr Steinberg: MPs are very much respected in society!

Sir Brian Bender: The Chairman earlier referred to Warm Zones. One of the findings from Warm Zones estimates that around 20% of households refuse assistance, even when they are given offers of help. This is the sort of issue we are trying to tackle.

Q45 Mr Steinberg: How are you going to solve this? Very seriously, people come to me about this very same thing and they just miss out. When you check their income and their assets, there is very little difference between those who qualify and those who do not. There is very much a grey area of people who clearly need help but do not qualify for that help. If you look at page 14, that picks up the thread of that, paragraphs 2.7 and 2.8. How are you going to find the genuine people who actually need it, who are fuel poor but just miss out?

Sir Brian Bender: There are two things we should be doing. First of all, carrying forward the benefit health checks we have begun. That is, helping to target people who do not know they are eligible. Secondly, looking at the eligibility criteria and trying to find some combination of benefits passporting and the SAP rating of property, and getting some proper mix of those to help target that right. The risk of making it too complicated is scaring people off.

Q46 Mr Steinberg: Can we move to page 32, appendix 2, the previous PAC recommendations and the responses that we got? When you read this, the reason I opened by saying it is not a very good Report is because if you look at the very first recommendation that was made by this Committee, I think about five years ago, it was: "The Department should consider whether more could be done to reach those in greatest need, particularly in the private rented sector and in the poorest households." The NAO findings have been: "Generally the Scheme still operates on a first come first served basis and does not prioritise those most in need." Five years on from when we made this recommendation, we are still in virtually the same position we were in five years ago. That is just not acceptable. Why has something not been done to put that right?

Sir Brian Bender: First of all, we have focused Warm Front solely on the private rented and owner occupier sectors, responding to one of the recommendations of the Committee. Secondly, we have asked National Energy Action (NEA), the charity, to do some work for us on how to fast track applicants who are in particular need, how to get away from first come, first served into some sort of queuing and prioritisation. The scheme managers have achieved 50% targeting to those over 60, so we are making progress on this, but these are difficult issues.

Q47 Mr Steinberg: We are talking about five years. We can only go by what the NAO tells us. The NAO tells us that generally the scheme still operates as it was operating five years ago. That does not give us a lot of confidence. Look at recommendation two: "The Committee found it surprising that more has not been done to promote those measures which are

the most energy efficient." We see the response of the NAO: "A wider range of measures is available under Warm Front compared to the previous Scheme. However, less efficient options are still available. The Scheme rules do not always mean that the most efficient solution is possible. This point is addressed in detail in the main body of the Report (Part 3)." You do not seem to have achieved that aim. Here, to me, are the two most important things in the scheme. One, that it should go to those with the greatest need and two, it should be the most efficiently done. Neither of those aims have been achieved. What is the point of the scheme if you cannot in five years achieve those aims?

Sir Brian Bender: I read the first sentence of this right hand column as crediting us for having made progress: "A wider range of measures is available . . .", but we have not gone far enough yet.

Q48 Mr Jenkins: Having read the Report and seen the lack of progress made in the last five years, I am a bit disappointed. I know this scheme is appreciated by members of the public. I appreciate the difficulty that 20% of the people in this country do not believe that they are going to get something for free. They are always looking for the catch. Unless their family or friends who have had the scheme done inform them that it is a good scheme, it is very difficult. The direct mail shot is one they do not pick up. We have done something in government with regard to pensions where we now roll services together and we do home visits to explain to pensioners their entitlement. These are some of the most vulnerable and poor in our society. They are people who do not claim their rights. We are on a long term project of education in that area. We need to do the same in this area, do we not? There are clear indicators of where we can be looking. I can take you to any authority in this country and quite rapidly they will tell me the type of construction they have, the age of the construction and they will point out recipients of council tax rebate in that area. Do you do this?

Sir Brian Bender: We are working with the Department for Work and Pensions on these issues. Maybe Mr Leek can describe what the scheme managers do on the ground.

Mr Leek: It is difficult to reach those who are the oldest and coldest. They do not necessarily respond to the traditional marketing methods. As we progress through the scheme and we pick the low hanging fruit of those people, they become more and more difficult to reach and to target. We recognised this when we first became scheme managers back in June 2000. We decided that the way we were going to reach these was to deal with those agencies which are in regular contact with the group of people who would not respond. I am talking about people like district nurses, the clergy, community leaders, ethnic group leaders. We work very closely to build up trust and confidence with them. That takes a lot of time and investment. It is not something which suddenly clicks in overnight. You need to build that trust and that confidence before they will start bringing people into the scheme, recommending them and referring them in. After three years, this is now starting to bear

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fruit quite considerably. This is the way that we are now directing most of our targeting, through this route of networks that we have built up, rather than trying to do the traditional marketing. Things such as trying to encourage MPs to work with us, to raise energy awareness within their constituencies are one way that we believe we can do it.

Q49 Mr Jenkins: When you have raised the awareness, somebody has made an application and you go to the house, do you not feel rather bitterly disappointed? You know that this house is leaking energy like a sieve. It is poorly constructed, poorly insulated and the energy source in the house is old and inefficient. Do you not feel that some of the rules and regulations that govern your operation do not allow you to do the most effective and efficient job in that household?

Mr Leek: Where we come to those houses that we feel we cannot help, as scheme managers, we do manage other schemes, other than the Warm Front scheme, for other companies. Where we can, we direct the client through into other schemes that we manage which may be local authority funded schemes or power supply company schemes. We also have introduced the benefits health check recently which does tend to bring in a lot of people. Over 50% of those who go through a benefit health check now do become eligible. We are taking that action as well.

Q50 Mr Jenkins: One of the things that Mr Williams was questioning you about with regard to these additional cost units was where you got funding on another scheme—another pot, in effect?

Mr Leek: Yes.

Q51 Mr Jenkins: What happens if that other pot is not available?

Mr Leek: The client has to make a contribution. In the last couple of years, we have been able to trade measures with the power supply companies to enable them to meet their energy efficiency commitment requirements. Last year, that brought £10 million into the areas that Eaga manage. £6.5 million was spent of that money last year. Where a client needed measures which exceeded the grant maximum, it enabled us to go into the house, identify all the measures that could possibly be done under any particular scheme, do all of those measures and then fund it from the resources that we had available to us. In the last couple of years, we have not had anybody who has had to make a monetary contribution to the scheme.

Q52 Mr Jenkins: Now we have a promise that tomorrow you will alter the regulations so we do not get the farcical situation that you have a warm air system which would cost £2,000 to repair but would not be the best. The wet gas heating system in the house would be far better but it is not like for like. We will now be in a position where we will not have to go to this extra pot. You will be able to do the job fully out of your funding?

Mr Leek: Yes.⁴

Q53 Mr Jenkins: I look forward to that with urgency. We know the advancement in gas and particularly boiler technology has been such that many households would benefit from taking their old, inefficient boiler out and having a new one installed.

Mr Eppel: This is not to be construed as saying we will not do anything before April 2005 because we have already said we will be looking to do some of this as soon as it is feasible and we have sensible criteria established. From 1 April 2005, the Government has announced on a number of occasions, including formally confirmed by the Deputy Prime Minister yesterday, that the boiler element of the building regulations will be changed such that any replacement boilers as well as new installations of boilers will have to be energy efficient of the A and B rated condensing boiler type. That would of course also apply to anything done under the Warm Front scheme.

Q54 Mr Jenkins: I am well aware that redrawing all your criteria may take a little time. The simple criterion of not imposing a like for like condition on the installer when they could get better, more efficient for the same price or similar price unit to me smacks of bureaucracy working against you.

Sir Brian Bender: That view is coming across very clearly.

Q55 Mr Jenkins: I notice that in appendix 2 prior to 1998 your organisation had surpluses. It kept money back, which was not spent on its intended purpose. When you reset yourself up as Eaga Partnership Charitable Trust—

Mr Leek: No; just Eaga Partnership.

Q56 Mr Jenkins: Yes, but the Eaga Partnership Charitable Trust received funds from you to research into the alleviation of poverty. That money was used for a different purpose to which it had been allocated, was it not?

Mr Leek: The surpluses that have been built up as a result, prior to 2000, of Eaga Partnership being a non-profit distributing company were a result of surpluses that were trading surpluses that had been built up. Because we were a non-profit distributing company, there was nowhere for them to go. On 1 January 2000, the Eaga Partnership bought the assets of Eaga. The money that was paid for Eaga was then directed through Eaga to the Eaga Partnership Charitable Trust, which would have included the surpluses which, at that time, were only £66,000.

⁴ *Note by witness:* Yes, in rare cases when the total cost of measures provided under the scheme exceeds the grant maxima.

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Q57 Mr Jenkins: It is the principle rather than the amount that we are talking about here. I want to be sure that now your organisation, which receives this funding from the government, does not build up surpluses.

Sir Brian Bender: There is now a clawback, as it says at the bottom of that page, in the same column. There is now provision for a clawback of any surpluses. The situation that did arise in the past cannot arise post 2000.

Q58 Mr Jenkins: I do not want a clawback; I want the money spent because at the present time we have a waiting list. We have people in need and I want to make sure that your organisation is spending the money allocated to it rather than sitting on reserves while people are cold. You are now spending all your income on this scheme year by year?

Mr Leek: The Eaga Partnership is a commercial organisation which manages more than the Warm Front scheme. We do generate profits through schemes that we manage as a normal, commercial organisation would do. Within the Warm Front contract that we have, there is a clawback provision which pays back a proportion of the profit that we generate under the Warm Front scheme to the government. The profit that was generated last year has been paid back to the government and that has been spent on additional measures.

Sir Brian Bender: It is, for example, being used for the trial benefit health checks that we have referred to a couple of times so far.

Q59 Mr Rendel: I want to come back to figure 18. It looks as if some 35,000 homes have been helped in the year 2001–02 with no real effect in terms of energy efficiency. That means that over 10% of the homes that were aided and given a grant had no increase in fuel efficiency. Is that not a rather high failure rate?

Mr Eppel: As we have said earlier, we are trying to improve the targeting and the energy efficiency that is possible through the measures, but it is not possible to put all possible measures in every single home at this point.

Q60 Mr Rendel: Why are you giving grants at all if you are not going to increase energy efficiency?

Mr Eppel: Because they will nevertheless help vulnerable people who are the target of the scheme to improve their levels of comfort, notwithstanding that the overall energy efficiency of the home may not be permanently improved.

Q61 Mr Rendel: The aim of the scheme is to increase energy efficiency in those homes and you are not doing so in 10% of cases.

Mr Leek: The aim of the scheme is to try and help vulnerable households suffering from cold, rather than to raise energy efficiency. Where you have a household that has a high SAP rating, a high energy efficiency, we would not take out the measures creating that high energy efficiency in the household. The measures given to them would be things such as energy efficient light bulbs and energy advice. If we

have done a survey which has identified that it is a high energy efficiency household, it does make sense that while we are in the household we give energy efficiency advice and energy efficient light bulbs.

Q62 Mr Rendel: You have signed up to a Report on page seven which says, “Warm Front’s aim is to improve energy efficiency for . . .” and then it lists the people for whom energy efficiency is to be improved. You have just said that the point was not to increase energy efficiency but to help vulnerable households. I would put to you that the two are not compatible.

Mr Eppel: I think you were primarily referring to homes where there was already a reasonable level of energy efficiency and where the additional measures that the scheme can provide would not substantially further increase that energy efficiency.

Q63 Mr Rendel: I am referring to the 10% to which you gave grants and you failed to increase energy efficiency. The aim of your scheme, according to paragraph 1.1 of this Report, is to improve energy efficiency in various cases and you have failed in more than 10% of cases to do that. Why?

Mr Eppel: Because the eligibility for the scheme is such that people who are eligible and are living in a home that already has a reasonably high level of energy efficiency are still entitled to the benefit of additional measures which will provide benefit to them and increase their comfort and warmth.

Q64 Mr Rendel: The scheme is aimed at improving energy efficiency and you are giving grants for things which do not improve energy efficiency.

Mr Eppel: That is not the eligibility criterion.

Q65 Mr Rendel: Are you saying the Report is wrong?

Mr Eppel: No.

Q66 Mr Rendel: The Report says is that the aim is to improve energy efficiency.

Mr Eppel: The overall aim of the scheme is indeed to improve energy efficiency to the greatest possible extent. The specific eligibility criterion for individuals who may benefit from it is not directly related at this point and—

Q67 Mr Rendel: If you are not giving them the benefit for which the scheme is aimed, those cases in which you have given grants achieve other benefits for the same people but not the benefits for which this scheme is aimed. Those grants have been a failure. They have not done what this scheme was to do, which was to improve energy efficiency. I quite believe that the money you have spent may have improved many people’s lives in other ways but that was not the point for which this money was voted by government. Why have you given these grants to places where you are not going to improve energy efficiency? You have voted money for one thing and you seem to have used it for something else.

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Mr Leek: If we go into a house that is energy efficient they would not receive a measures grant as such. In other words, they would not receive a high value measures grant in terms of insulation of heating because to have that high level of energy efficiency in the household already they must have these measures fitted. Whilst we are in the house to establish that criterion, we will give them energy advice and a light bulb which will improve the quality of their lives.

Q68 Mr Rendel: I understand what you are doing and I have some sympathy with you wishing to improve the lives of vulnerable people. However, it seems to me you have gone beyond what the scheme says it is supposed to do. If the aim of the scheme is correctly identified in paragraph 1.1, it seems to me you have been paying out money for things that you were not given the money for.

Mr Eppel: One of the problems with energy efficient light bulbs is that even though they have come down in price substantially in recent years they are nevertheless more expensive than conventional tungsten light bulbs. The result is that people on low incomes would not be inclined to go out and buy them.

Q69 Chairman: They do not warm people up, do they?

Mr Eppel: No, but they reduce their total energy bills. Over a period of time, those light bulbs, provided they are used in a fitting where the light is on for a period of time, will reduce the energy bills compared with traditional light bulbs. That will reduce people's total energy costs. That will provide an element towards the potential movement out of the fuel poverty zone because their total bills in relation to their income will come down.

Q70 Mr Rendel: Will Warm Front close down at the end of 2010?

Sir Brian Bender: That is a long way away. That depends on the progress we are making and contribution it is making towards the government's fuel poverty strategy.

Q71 Mr Rendel: If all the vulnerable people have been helped by this time—and you assure us that, as far as you can see, you are on target to do that—Warm Front will close down.

Sir Brian Bender: We will be looking also at all households, not just the vulnerable, and therefore no doubt we will have criteria for that as well. I cannot answer that far down.

Q72 Mr Rendel: That is not the point of Warm Front, is it? Warm Front itself will close down as soon as the vulnerable homes are helped.

Sir Brian Bender: Warm Front as currently defined? The answer to that is probably yes but we may revise it.

Q73 Mr Rendel: Who revises it? Is that done by secondary or primary legislation or just you yourselves?

Mr Eppel: It is done by the Department promulgating the basis on which it will be done, through statutory instruments or secondary legislation.

Q74 Mr Rendel: As far as the current secondary legislation is concerned, this aim is only for vulnerable groups. The money may be available if Warm Front closes down and you may change Warm Front into something else?

Sir Brian Bender: That is what I was trying to say.

Mr Eppel: The government's overall approach to energy efficiency which the White Paper promulgated—and there will be further explanation in due course, including an energy efficiency implementation plan—will be designed to try and improve the energy efficiency of the housing stock of the country as a whole, which to the extent that that improves it will also help people who are non-vulnerable. The propensity for becoming fuel poor for the non-vulnerable, we hope, will tend over time to decrease.

Q75 Mr Rendel: What is the fastest way of increasing energy efficiency in domestic homes across the country?

Mr Eppel: Loft insulation, much of which has already taken place, cavity wall insulation and the installation of high efficiency condensing boilers, which is why the building regulations will require it from April 2005.

Q76 Mr Rendel: If you wanted to save the maximum amount of money, which of those three would you use, in terms of how much fuel is being wasted across our country in domestic houses?

Mr Eppel: Probably cavity wall insulation, followed by the boilers in terms of what still remains to be done.

Q77 Mr Rendel: Are there any cases in which you are not providing a full grant because the costs of either putting in cavity wall insulation or the new condensing boilers are above your maximum grant?

Mr Eppel: No. If it does creep above the maximum grant, there are opportunities for working with other schemes such as the Energy Efficiency Commitment to trade measures, to try our utmost to ensure that an individual household gets everything it needs.

Q78 Mr Rendel: Is there any loan scheme at present? We are talking about private home owners in some cases whose house values presumably will rise with the energy efficiency measures you can put in. Is there any value in introducing a loan scheme to pay for these costs when they are above the present maximum grant?

Sir Brian Bender: It is not something we have thought about at this stage.

Q79 Mr Rendel: Why not?

Mr Eppel: It is a possibility and it is certainly something that we could examine but it has not been one of the things on our array of possible policy options. There are interest free loan schemes for

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small businesses which have recently been introduced by the Carbon Trust but that does not address the fuel poverty issue.

Q80 Mr Rendel: Why have you not thought about it? Are you going to go away and think about it or do you think it is not worth it?

Mr Eppel: Because of a whole range of other measures including possible fiscal incentives. There is currently a consultation by DEFRA and the Treasury and the energy efficiency commitment in particular has been seen as more likely at this point to have an impact, but loans are a possibility and thank you for the suggestion. We could examine it further.

Q81 Chairman: You told us that if you give an energy efficient light bulb to a pensioner that will reduce their bills. If I want to give my 83 year old mother an energy efficient light bulb for Christmas, how much would it reduce her monthly electricity bill by per year?

Sir Brian Bender: £10 a year.

Mr Leek: That is based on an average consumption for the vulnerable households that we are looking at. I am not sure where that research came from.

Q82 Mr Jenkins: If you run a light bulb for three hours a day every day of the year and the unit price is 5p a unit, that would save you £4.03 a year.

Sir Brian Bender: We will provide a written answer.⁵

Mr Eppel: Generally, we provide two light bulbs.

Q83 Jon Cruddas: Can I come back to the mismatch between the scheme and the strategy in terms of combating fuel poverty which the Chairman and Mr Williams touched on earlier on? It seems to me your problem might be getting worse over the next couple of years. If you look at the figures here on page seven, it says since 1998 there has been a 1.6 million reduction in those in fuel poverty as a result of reductions in fuel costs and the like but, as stated earlier on, of those 1.7 million 35% do not qualify for the scheme, even though they are fuel poor. Therefore, if we assume that the 1.7 million will continue to decline, the proportion who could not qualify for the scheme who are fuel poor will rise proportionately. Would you accept that? Would you accept that, that your difficulties will increase over the next couple of years?

Mr Leek: Yes, absolutely they will.

Q84 Jon Cruddas: At present, as page 14 says, 60 to 70% of those who are helped by the scheme are not fuel poor, which we discussed earlier on. Therefore, presumably you must assume that proportion will rise over the next couple of years, ie those who are not fuel poor who benefit from the scheme, which is about 65%?

Sir Brian Bender: That depends on whether we improve the targeting.

Q85 Jon Cruddas: If everything else is equal.

Sir Brian Bender: Yes, if everything is unchanged then I think your logic must be right.

Q86 Jon Cruddas: As the ineligible proportion rises in terms of the targets you are aiming at, yes? On page 24 of the Report it states that your outcomes for 2001–02 were 303,000 households were helped and you assume that declines over the next couple of years to 230,000 in 2002–03 and 200,000 in 2003–04. Why are you assuming that is going to decline?

Mr Leek: If you look at the first year's figures that you quote, which is the 303,000 homes, that was in the second year of the scheme. In the first year of the scheme there were only nine months of the scheme by the time the scheme managers, etc., were appointed and there was a surplus of money left at the end of the first year which was transferred into the second year. That enabled more homes to be done because there was greater funding once this first year money had been added to the second year money. As we rolled over into the third year of the scheme then we came back down to the base level, but when we got to about Christmas time additional funding was found and, therefore, for the last three months we were able to increase the rate at which we were doing it and, therefore, we were able to do slightly more. What we are forecasting for this year is the base rate based on a nominal £150 million funding for the scheme.

Q87 Jon Cruddas: That is 230,000 helped and then it reduces further.

Mr Leek: That should be the base rate then.

Q88 Jon Cruddas: In the Report it talks about 200,000 helped between 2003–04.

Mr Leek: 200,000, yes. That is where we are at now on this base rate of 150 million.

Mr Eppel: It is not because the scheme is, as it were, being less effective in its own terms, it is because it is related to the funding.

Q89 Jon Cruddas: I am going to come to that in a moment.

Mr Eppel: It is in proportion to the funding that was available.

Q90 Jon Cruddas: You see where I am heading because, on the one hand, given, as we talked about earlier, 60 to 70% of those you helped are not fuel poor and you are going to have even more difficulty drilling down into those who are fuel poor as a proportion of those ineligible for Warm Front increases as the overall numbers of fuel poor decline, so you accept, therefore, the 60 to 70% will probably rise then as a proportion who are not fuel poor but who benefit from the system?

Sir Brian Bender: Unless we manage to target it better. It comes back to the earlier exchange.

Mr Leek: It comes back to an answer that I gave to Mr Jenkins which was that as we start to bring on the networks that we have gradually built that

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confidence with, we can target that area much easier. It has taken the two to three years to actually build that confidence.

Q91 Jon Cruddas: At present you are hit on both sides, on the one hand the numbers you help will decline and proportionately within that the numbers who are fuel poor who are eligible is also declining, so it is at a sort of standstill and you will have to move faster. Given the problems that you are dealing with that is a pretty tall order to actually stay at 60 to 70% in terms of helping those who are fuel poor in the system.

Mr Leek: It is, it becomes much more difficult.

Q92 Jon Cruddas: Initially you talked about the Warm Zones proposal, the pilot schemes, on page 16, and you said you had no initial assessment of their relative effectiveness, but then, Sir Brian, you talked about some evaluations you have and obviously given the increasing difficulties you are going to experience in terms of helping fuel poor people it would be useful for the Committee to find out what initial evaluations you have of that proposal.

Sir Brian Bender: Is that something we will be able to provide in a note? Yes, we will do that, the initial evaluation of Warm Zones.⁶

Q93 Jon Cruddas: I have just one other question which is about regional variations on page 19, 2.22. The regional variations in terms of those you help are quite significant, are they not? Do you just want to give us some comments about why that is?

Mr Leek: The targets that were in the original contract for 2000 were based upon a combination that Defra or, as it was at the time, DETR, used, a combination of English House Conditions Survey and an Index of Multiple Deprivation, a combination of those two which tried to forecast how many homes were likely to be in fuel poverty within those areas and those targets were then set proportionately. We have done some further research when we, as Eaga, have looked at what is the propensity of people within each of these areas who are likely to be eligible for the scheme as opposed to being in fuel poverty. When you compare the correlation between those who are applying and those who are likely to be eligible, which are those who apply, there is a much closer correlation and we are very close to that target.

Q94 Jon Cruddas: Why is that so varied regionally in terms of your relative effectiveness or ineffectiveness in London and the South East?

Mr Leek: Because if you look at the number of people who are eligible for the scheme, there is a greater propensity in the northern areas.

Q95 Jon Cruddas: That just reflects the distribution of fuel poverty, is that what you are saying?

Mr Leek: What it reflects is when those targets were set it was trying to get a proxy for fuel poverty based upon those two indices. What we have done is looked at what is the propensity in those areas of people who will be eligible for the scheme. When you look at those who would be eligible for the scheme and what we have actually achieved, there is a very close correlation.

Chairman: Thank you very much, Mr Cruddas, that was a very interesting line of questioning which shows the increasing problems for the future that you may face.

Mr Davidson: Can I just follow that point up. Are you saying then that on graph 13 basically the targets were wrong?

Q96 Chairman: Page 19.

Sir Brian Bender: They were a first approximation and with further work with Eaga and Powergen between us we have managed to get this better.

Q97 Mr Davidson: Was that a yes?

Sir Brian Bender: They were not all wrong. They were a first approximation.

Q98 Mr Davidson: I asked were your targets wrong basically and you gave us a long answer and I am not sure I understood it. Either you got your targets wrong and, therefore, your explanation to Mr Cruddas was basically justifying the outcomes or what? Were your targets just wrong?

Sir Brian Bender: They were not correct. They were a stab, they were an assessment, and—

Q99 Mr Davidson: That is wrong then. In the Civil Service that is two words. Wrong will do for me. Can I just clarify that the north-east and north-west overspent, as it were, the target that had been established. How was the money allocated? Did they have a budget or was there just a big central pot from which people drew as they spent?

Mr Eppel: The contracts with the scheme managers were based on an upper limit and then as the scheme managers drew down on demand for their areas the payments were made on a regular basis, monthly or quarterly. It was not, as it were, allocated and then unavailable elsewhere but it was available in the totality for the nation according to the areas that the scheme managers covered and they were able to draw it down. The exact distribution reflects where they actually spent the grants.

Q100 Mr Davidson: So if the two areas where Eaga underspent presumably and actually met their targets and the north-east and north-west spent as they did, then what would have happened? Would you have just run out of money?

Mr Eppel: The scheme managers would have readjusted the amount they were spending in the other areas. Yes, indeed, they would not have been able to spend more than the resources available in a given year because clearly that would not have been possible, but they would have had to balance it more between the different areas.

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Q101 Mr Davidson: So are you satisfied that in all of these areas that you were spending virtually as much as was available and, in fact, you had money left over, or did you just manage magically exactly to spend everything that was there with no surplus and no deficit?

Mr Leek: One of the requirements of us is to spend all of the money that is available to the scheme between 1 April and 31 March. We turn on and turn off the marketing and try and adjust the amount of referrals that we get in to match that, so that what we do is by 31 March we spend every penny.

Q102 Mr Davidson: Can you tell me why your estimates for those two areas were so under and the other one was so over? I would use the term “wrong” and you would use the term “not correct”. Is there a methodological reason why there was such a wide variation?

Mr Leek: As I tried to explain to Mr Cruddas, without trying to go through it in a lot of detail, looking at the research that we have done of what the eligibility is of people within each of the north and the south—

Q103 Mr Davidson: I am just trying to clarify whether or not there were any lessons here for us for other issues. Is there anything here in particular where you would now say you realise why you under-estimated one or you over-estimated another? Is it because of the greater propensity of claims or people are less fuel poor than you thought they were, or something else?

Mr Leek: I think there is a greater acceptance of the grant scheme within the north than there tends to be in the south. It is much easier through word of mouth in the north to get clients to refer. That is one reason why we do over-subscribe in the north.

Q104 Mr Davidson: There is a greater willingness to take up these schemes in the north and you under-estimated that. Is that a fair way of putting it?

Mr Leek: I think the original targets that were set in the year 2000 could have been better, yes.

Sir Brian Bender: It was underestimated.

Q105 Mr Davidson: I give up. Could I just turn to the question of rural areas where we are being told in paragraph 2.23 that they are under-represented in the number of grants being allocated. I can understand how it is easier to hit urban targets, and obviously in these circumstances there is a great tendency if there are targets to meet the numbers simply by going for the easy ones, but can you clarify for me whether or not effectively that is what has happened?

Sir Brian Bender: Again, Mr Leek may want to add what Eaga are doing. There has been a specific effort with marketing road shows, working with local authorities, libraries, care trusts and others to target rural areas, but at present around 11 or 12% of the households assisted are in rural areas. We have got the charity, National Energy Action, looking at what are the barriers to take-up of Warm Front in

rural areas and ways of tackling the problem. There has not been an effective enough hit rate in the rural areas.

Q106 Mr Davidson: How long have you had this reduced representation in rural areas? Is this a new problem that you have only just discovered?

Mr Eppel: I think the data has been coming through recently. This scheme has not been going that long so we would not have expected to have had a clear assessment of any problems in rural areas for very long.

Q107 Mr Davidson: Okay. This scheme has been going for a relatively short time. Can you remind me how long the previous scheme went on?

Mr Eppel: The previous scheme began in 1991.

Q108 Mr Davidson: That was a fair amount of time. That was able to be used in rural areas as well?

Mr Eppel: Yes.

Q109 Mr Davidson: Did you have difficulty with take-up in the rural areas under the previous scheme?

Mr Leek: One of the differences that you will notice between the previous scheme and this scheme is that the scheme managers are now responsible for the marketing. The reason for that was following an NAO Report on the previous scheme which was suggesting that those who were marketing the previous scheme, who were the installers, were going for the easy targets and, therefore, by giving the marketing responsibility to the scheme managers and setting them targets it was hoped that could be overcome.

Q110 Mr Davidson: That was a yes then?

Mr Leek: Yes.

Q111 Mr Davidson: If you previously had a difficulty with marketing to the rural areas then surely the defence that this new scheme is a new scheme should not really hold water because you ought to have anticipated that you were going to have a problem marketing it to rural areas and, therefore, we ought not to be reading that you still have under-representation in the rural areas. Surely you ought to have learned from the experience of the previous scheme. Surely if you have a new scheme you do not just start from scratch with an entirely blank sheet of paper and disregard any evidence you have from the past about whether or not it is geographical in terms of north/south or rural/urban. Surely you ought to be identifying that there are still rural take-up difficulties.

Sir Brian Bender: The first issue under the old scheme, as I understand it, was whether or not the scheme managers were picking the easy fruit and, therefore, if they were responsible for the marketing, that was a first attempt to see whether we could tackle the rural problem that way. We have now got data showing it is not good enough and we are trying to tackle it further. I do not really accept that this is something that was blindingly obvious 12 years ago.

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Q112 Mr Davidson: I am not saying that it was blindingly obvious 12 years ago. Are you saying that you only noticed that there was a low take-up in the rural areas just prior to the start of this new scheme?

Mr Leek: There was a criticism in the last NAO Report under the old scheme that the take-up in the rural areas was very poor. That is why the scheme managers got the marketing. There has been a significant improvement in that and we are still working towards improving it further. There has been a significant improvement in the number of homes reached in rural areas over what was in the previous scheme.

Q113 Mr Davidson: If one of your targets is the number of properties that you are dealing with, could you clarify for me how many properties only received light bulbs.

Mr Eppel: I think that is in the Report.

Q114 Mr Davidson: Can you just tell me?

Mr Eppel: 303,000 received light bulbs. The figures are in here.

Q115 Mr Davidson: What proportion is that of the total number of households you dealt with?

Mr Eppel: That was all the households dealt with. Effectively every household at the minimum gets a pair of light bulbs.

Q116 Mr Davidson: Maybe I phrased my question badly. How many households only received light bulbs?

Sir Brian Bender: I think we may need to come back to you on that.⁷

Q117 Mr Davidson: Let me be clear about this: you do not know?

Sir Brian Bender: I am sure we know, I do not have the information with me.

Q118 Mr Davidson: If one of the ways in which you have been assessed is the number of households you have dealt with and a substantial number of the households you have dealt with only received light bulbs, the take-up of free light bulbs could be increased much more easily than almost anything and, therefore, your figures could be manipulated no problem at all, you could rocket up the numbers with free light bulbs in rural areas and thereby increase the balance very easily. I am surprised that you have not considered something like that.

Mr Eppel: I found the point in the Report in answer to your question. "Grants which result only in the provision of energy efficiency light bulbs were about 8% of all the grants in 2001–02", so it is quite a small proportion.

Q119 Mr Davidson: What percentage in rural areas?

Mr Eppel: I could not tell you that, that we would have to come back to you on.⁸

Chairman: We have a couple of supplementary questions from people who want to come back to you.

Q120 Mr Rendel: Firstly, just a suggestion. Since you seem to be giving some help to people who are apparently not covered within the aims of the scheme I assume there need to be some early changes to the secondary legislation that covers the scheme at present. If that is right that you should be giving help to these people at all, and I understand your wish to do so, that needs to be covered by secondary legislation.

Sir Brian Bender: We will need to look at precisely what the secondary legislation says and, therefore, whether what is in the NAO Report, which plainly I approved, is strictly accurate or only partially accurate.⁹

Q121 Mr Rendel: Secondly, to come back to the rural areas, perhaps I could make a couple of suggestions to you, if I may. Paragraph 2.25 lists current efforts you are making to get special measures to ensure that more people in the rural areas do get to find out about the scheme. It seems to me you are potentially missing two important ways in which you might get the message across to people in rural areas. One is to talk to local postmasters and mistresses and village shopkeepers who are, I would have thought, a good contact point for the sort of people who might not know about it in the rural areas. They are quite likely to be people who do not have much transport and are likely to do a lot of their shopping at the local village shop and village shopkeepers are a good way to get news out to those people. The second thing is have you thought of getting it out on *The Archers*?

Sir Brian Bender: I would be surprised if we do not do the first. The second we should think about, they cover a lot else that concerns my department.

Mr Worthington: In our region we have Norfolk, Suffolk, Cambridgeshire, big rural areas, and we use all those activities, GPs' surgeries, the friendly postman. It is not just that the numbers are less in rural areas but the characteristics of the rural market are very different in that off gas networks predominate, solid wall cottages predominate, so the things the scheme can offer are very different and, therefore, the word of mouth activity, which in our case represents perhaps 50% of the times that the phone goes, is a very different situation.

Q122 Mr Steinberg: Just a final point following on from what Mr Davidson was saying. It does say in the Report that the success of the scheme is based on the number of homes you have actually visited. That does not really tell you very much about the scheme, does it, that just tells you that you have gone to a lot of houses. Surely the success should be based on whether you have reached the right people, whether you have achieved efficiency, etc., etc? It seems to me from the line of questioning that Mr Davidson went down, he was right that all you need to do is give a

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light bulb out and you can count that as a success. How can you actually measure real success, real success being what I have just said, efficiency, etc?

Sir Brian Bender: In my personal view, I agree that the target is an inappropriate one. We will be discussing with the Treasury through the winter into the next Spending Review what the department's relevant target should be in the next Public Service Agreement. It does need to be one that addresses fuel poverty more directly through some mixture and not simply the numbers of households assisted. I accept your point.

Q123 Mr Steinberg: There appears to be no incentive at all to accommodate that, does there? You must come up with a system where there is an incentive for Eaga and Powergen to actually achieve real success and show that they are achieving success, some sort of measure of success.

Sir Brian Bender: Yes. One of the ways we can do that is actually by incorporating the improvement to the house, the SAP measure, as part of the target. That may be one of the ways.

Q124 Chairman: On that point, the PSA target, if you look at page 29, paragraph 4.5, it reads there: "Although the PSA target refers directly to reducing fuel poverty, and improving energy efficiency, neither target requires the Department to measure the impact of Warm Front on fuel poverty". That is a bit of a shortcoming, is it not? You are in negotiations to change it, are you?

Sir Brian Bender: This is something that will last through the winter. I do not think it is the correct target and that is a discussion we will be pursuing with the Treasury.

Q125 Chairman: What do the Treasury say to that?

Mr Molan: We agree that we should work with Defra to get a better target and to make sure that resources are targeted more effectively. We will be looking at this over the winter, as Sir Brian says.

Q126 Mr Gibb: I just wanted to know how long these energy efficient light bulbs lasted? What is their life expectancy?

Mr Worthington: It depends on whether you put them in the best place. The best place to put them in a house is an area that is on more often: landings, security lights, etc. In that situation where you would normally replace a tungsten bulb every year, this would last eight or nine years.

Q127 Mr Davidson: Can I pick up one point about private landlords. Obviously some would say this could be seen as a subsidy to private landlords. Can I ask whether or not there is any evidence of abuse by private landlords either by raising rents after new central heating has been installed, moving tenants on in order to re-let at a higher rent, or anything similar?

Mr Leek: There is a contract once a private landlord agrees to the measures being installed which states that there cannot be a rent increase during the first year where insulation measures are installed and two

years where heating measures are installed. As part of the heating and insulation programme we actually go back and do an annual service visit on the boiler and as part of that we actually check with the householder whether there has been a rent increase. We do not find abuse of that.

Q128 Mr Davidson: There have been no examples of that at all?

Mr Leek: None that spring to mind that I have been aware of. We do not find an abuse of that. What we do find in some instances is that it is a barrier to the landlord giving permission for that to happen in that he will not give permission because he cannot put up the rent in two years if they have a heating system. It is a barrier in some cases.

Q129 Mr Davidson: How widespread is that?

Sir Brian Bender: My briefing says that about 3% of households would have had help if the landlords had actually granted permission, so it suggests there is a number around 3% where the permission was not granted, whether for that reason or some other.

Mr Leek: It is very difficult to get permission out of some landlords, it is very difficult to get a response from them.

Q130 Mr Jenkins: I have just one point of clarification. Mr Eppel pointed out at 3.16 on page 24 that grants that resulted in just two light bulbs or draught proofing made up 20% of all jobs. Of the 300,000 jobs that you undertook that meant 60,000 houses, 20%. It then says that these jobs cost around £14 million in grants, so I assume that 60,000 houses cost £14 million in grants. That works out at about £230 per house and since the cost of two light bulbs is £10 and draught proofing £80, and they either had light bulbs and draught proofing or just light bulbs and no draught proofing, if it was £90 per house how did it work out at £230?

Mr Worthington: In practice the background that goes into a house that at the end of the day only has two energy light bulbs and draught proofing is these come through the call centres and there is an administration cost, a call centre cost and a house survey cost. It is only when the surveyor is in the property and looks that he will decide that property is only going to have two low energy light bulbs and draught proofing because all the other measures are in the house or the customer, for some reason, says "I do not want anything else", but you do not know that before the survey. The £90 sounds a bit emotive when you are looking at two low energy light bulbs and a bit of draught proofing but the infrastructure behind it would be in administration.

Q131 Mr Jenkins: So it costs £230 to deliver two light bulbs?

Mr Worthington: And draught proofing, and the surveyor and the energy efficiency advice.

Mr Jenkins: We seem to be spending a lot. Would it not be easier to send them cash and take out the administration? It seems a very expensive delivery if two light bulbs is the end result.

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Q132 Chairman: You will recall, Sir Brian, that right at the beginning of this hearing I put it to you, and you did not disagree with this point, that 70% of Warm Front grants go to people who are not fuel poor. You have had a series of questions from my colleagues in relation to that and a series of suggestions. How much money will have gone to people who are not fuel poor by the time you manage to change the rules? Do you want to try and answer that now?

Sir Brian Bender: No, I will cover that in a note.¹⁰
Chairman: Thank you very much, Sir Brian, and to your colleagues for what has proved to be a very interesting inquiry. Clearly we are dealing with some of the most vulnerable people in society and I think that it would be an understatement to say that this scheme is not as well targeted as it might be and I think you can expect a robust report from us. Thank you very much.

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Memorandum submitted by National Energy Action (NEA)

WARM FRONT

VIEWSON THE DEVELOPMENT OF THE SCHEME

1. INTRODUCTION

The Warm Front scheme has come in for criticism recently on the basis that it is not well targeted on fuel-poor households and that the measures available are sufficient to lift only a minority of those fuel-poor households who do receive a grant out of fuel poverty. Whilst sympathetic to the case for improving the effectiveness and targeting of the scheme, National Energy Action (NEA) is of the view that this criticism is somewhat unjustified since the scheme was not specifically designed to address fuel poverty. The New Home Energy Efficiency Scheme as it was known at its introduction in June 2000, predated the UK Fuel Poverty Strategy and did not have the eradication of fuel poverty as an objective. The original primary objective of the scheme was to increase the take up of energy efficiency measures in the homes of vulnerable low-income households. Judged against this objective the scheme has been a considerable success and more than 600,000 households will have received assistance by April 2004.

Recent adverse comments on the adequacy and targeting of the scheme indicate a clear desire to make the scheme more effective in tackling fuel poverty, an objective which is supported by NEA. There is an economic imperative for Government in adopting this approach as failure to make the scheme more effective in addressing fuel poverty now will result in more resources being required to achieve their fuel poverty objectives in the future. NEA sees significant scope to make the scheme a more effective tool to address fuel poverty and would support changes designed to achieve this outcome. However, it is the view of NEA that the scheme should not be focused exclusively on fuel poverty status at the time of application to the scheme. Although only some 40% of those receiving Warm Front grants are fuel poor, many of the remainder are low-income households living close to fuel poverty. A further 20% of those receiving grants require to spend between 7.5% and 10% of their income to achieve an adequate heating standard. This, together with the significant amount of movement in and out of fuel poverty, suggests that to target the scheme too closely on those in fuel poverty at any given time, even if such targeting were achievable, would be a mistake.

The purpose of this paper is to identify the changes which, in the view of NEA, would improve the scheme's effectiveness in addressing fuel poverty.

2. SCHEME OBJECTIVE

As has been noted, addressing fuel poverty is not currently an objective of the scheme. NEA believes that if the scheme is to become more effective in addressing fuel poverty then this must be a principal objective of the scheme. For reasons which will be explored later, making fuel poverty the main objective of the scheme is a prerequisite of improving its effectiveness in addressing the issue. NEA does not believe, however, that the scheme should simply address those households currently in fuel poverty. To do so would produce too narrow a focus for the scheme. Such a narrow focus would be difficult to achieve operationally as, unless a perfect proxy for fuel poverty could be found, it would require an expensive and intrusive assessment of income, in addition to the energy efficiency standards, of the property before measures could be delivered. It would also imply significant numbers of abortive visits to properties with inevitable disappointment and frustration for many households.

NEA believes that the principal objective of the scheme should be:

["To address both current and potential fuel poverty"]

This approach would enable the scheme to be more focused on fuel poverty than at present while allowing sufficient flexibility to provide assistance to a wider range of low-income households than those currently in fuel poverty. It would recognise the fact that fuel poverty is not a static problem and that significant numbers of low-income households, while not currently in fuel poverty, are nevertheless at risk.

3. SCHEME TARGETS

There is a hierarchy of targets associated with the scheme. These targets relate to the UK Fuel Poverty Strategy as well as the scheme itself. It is vital to ensure these targets are expressed in ways that are consistent and contribute to the delivery of the overall objectives of the strategy and the scheme.

At the Departmental level, the Public Service Agreement target associated with the fuel poverty strategy should be expressed as a target number of households to be removed from fuel poverty over the relevant time period or, alternatively, the number of households in fuel poverty at the end of the relevant period. This would provide an incentive for Defra to ensure that Warm Front, and the other schemes for which they have responsibility, operate in ways that maximise their impact in reducing fuel poverty.

NEA believes that the targets for Warm Front should be expressed in terms of an average SAP improvement target for the households treated. Therefore, rather than the current targets which relate to the number of homes treated, scheme managers should be required to achieve a given average SAP improvement for each property treated. Incentives to the scheme managers should ensure that these targets are achieved. For example, increased management fees could be paid for scheme managers who exceeded the SAP improvement targets and penalties imposed if the targets were not met.

Such targets would incentivise scheme managers to identify and promote grants to those households living in properties with the lowest SAP ratings as this would maintain a high average SAP improvement across all properties treated. It would also provide an incentive to undertake the maximum possible work in each property. The targeting methods are unlikely to be perfect which will mean that scheme managers will have to maximise SAP improvements wherever possible to balance out those properties which would produce low SAP improvements. This is in contrast to the current target of the number of homes treated which provides incentives to scheme managers to simply identify eligible clients irrespective of the energy efficiency standard of their homes or their fuel poverty status. The current targets actually provide incentives to market grants to properties with the highest energy efficiency standards and undertake the least amount of work in each property (not that it is suggested that the current scheme managers operate the scheme in this way).

Some work will be required to establish average SAP targets which are realistic but challenging and which will produce the desired results.

It may also be necessary to have secondary targets relating to the number of homes treated to ensure a balance between the amount of work undertaken and the number of homes treated is achieved. The requirement to spend the budget allocations may be sufficient to achieve this balance, in which case specific targets for homes treated may not be required.

If Warm Front and Warm Front Plus are retained, it may be necessary to have different targets for the two components of the scheme.

4. ELIGIBILITY AND TARGETING

There has been some confusion recently around the issues of eligibility and targeting. The recent debate about the effectiveness of Warm Front, and the desire to increase the proportion of fuel-poor households receiving grants, has tended to focus on eligibility and attempts to find a proxy for fuel poverty which is more accurate than receipt of means-tested benefits. Even if such a proxy could be found, ways to target the scheme on fuel-poor households would still be required. Targeting is a delivery issue.

It has been suggested that better targeting of the scheme could be achieved by reducing the number of qualifying benefits for the scheme. In this respect particular attention has been paid to the disability benefits, some of which are not means tested. It has been suggested that a significant proportion of the non-fuel-poor households accessing the scheme do so on the basis of these non-means-tested disability benefits. Reducing the number of qualifying benefits may, however, create additional problems. Tightening the eligibility criteria will exclude more fuel-poor households from the scheme. Also, as was noted above, there is a case for including more low-income households in the scheme.

Unless it can be shown that any of the current benefits give access to the scheme only to comparatively affluent, non-fuel-poor households, NEA favours retaining the current eligibility criteria for Warm Front. The issue of targeting should, in NEA's view, be addressed by providing incentives for scheme managers to identify fuel-poor households and those occupying the least energy efficient properties.

The issue of those fuel-poor households who are not eligible for the scheme under the current rules must be addressed. The proposals for benefit health checks as part of the scheme may go some way to addressing this issue by ensuring that those households who are not claiming the benefits to which they are entitled are included in the scheme. Further work is required to ascertain the reasons why those fuel-poor households not eligible for the scheme do not qualify before this issue can be fully addressed.

NEA does not consider that adding an upper SAP limit to the current eligibility criteria, as has been suggested, would be an effective way to target the scheme on the fuel poor. As the correlation between fuel poverty and SAP rating is not particularly strong, the limit would either have to be set at such a high level that it would not be an effective filter; if it were set at a low level significant numbers of fuel-poor households would be excluded from the scheme. Such a limit would also be difficult to use operationally. It would require a survey of the property before eligibility could be determined. This could lead to a significant amount of abortive survey work. It would also be very difficult to explain eligibility and might make the operation of the scheme appear arbitrary to potential beneficiaries and their advisors.

5. SCHEME STRUCTURE

5.1 *Grant maximum*

NEA considers that the current grant maximum inhibits flexibility within the scheme. It imposes a limit on the work that can be carried out in a property where the cost of the relevant measures is greater than the grant maximum and where the householder cannot meet the additional cost. The maximum may also distort the delivery of the scheme in, for example, rural areas or London where delivery costs are high. Increases will be required to the grant maximum if higher cost measures such as solid wall insulation are to be introduced into the scheme.

Some of these issues could be resolved by introducing a range of different grant maxima for different circumstances: property types, geographical locations etc. This could become cumbersome, however and may lead to administrative complexities with attendant increases in the cost of administering the scheme.

An alternative would be to replace the grant maximum with an average grant such as that in the central heating scheme in Scotland. An average grant would introduce more flexibility and help to address instances where the required work exceeds the grant maximum or where delivery is expensive such as in rural areas. An average grant is unlikely to address the introduction of more expensive measures in all cases. For measures significantly more expensive than those currently available, other arrangements will be required.

Another approach would be to remove the grant maximum altogether. This would provide sufficient flexibility to respond to the requirements of different areas and individual properties, and to ensure that all available measures could be delivered in each property.

NEA recommends that the grant maximum is removed from the scheme. The competitive bidding process for installers should ensure that prices for work remain realistic. However, Defra and scheme managers should monitor the situation and introduce mechanisms to prevent excess profits if there is any evidence of this.

5.2 *Measures provided by the scheme*

It is vital that sufficient measures are delivered in each property to address both existing and potential fuel poverty. To achieve this it will be necessary to ensure that the scheme has the flexibility to provide all the cost-effective measures in each property treated. It will also be necessary to extend the current range of measures to provide assistance to “difficult to heat” properties particularly those with solid walls, no loft space and properties off the mains gas network. This latter point is particularly important as some 1.4 million fuel-poor households live in properties with solid walls and a similar number live in properties not connected to the mains gas network.

To address fuel poverty in these properties consideration should be given to the inclusion of solid wall insulation, both internal and external as appropriate, and to a wider range of heating options, including renewable and other sustainable heating systems. It may be necessary, in some cases, to consider communal solutions as some renewable or sustainable energy sources may only be viable when applied to groups of properties.

If oil heating is introduced into the scheme, in spite of environmental concerns, then the supply issues must be addressed. Oil suppliers, unlike gas and electricity suppliers are currently unregulated. There is no obligation on them to provide a range of different payment methods. Suppliers offer discounts for oil which favour those households who can afford to pay for bulk supplies, however many low-income households will not be able to purchase fuel on this basis.

There is also an issue where some households opt for a new heating system only and refuse to have any insulation installed. NEA believes that this approach is short-sighted and that provision of a heating system should be conditional on the installation of all relevant insulation measures.

The scheme should also provide heating systems to all eligible households and not just those over 60 years of age. It is clear that an efficient heating system is a prerequisite for affordable warmth. Without extending the provision of heating systems in this way, the proportion of non-elderly grant recipients lifted out of fuel poverty will be limited.

Whilst insulation and heating measures are appropriately seen as the key basic measures of the Warm Front scheme, it should be noted that there is growing concern on the part of building and housing professionals that, unless ventilation is also tackled, current measures may lead to future problems. As the

support and participation of health professionals is increasingly gained, consideration should also be given to the extent to which they may also share these concerns. Where small amounts of mould growth and condensation exist in homes, insulation and heating improvements will change the way the building behaves and will usually resolve the problem. However when severe mould growth and condensation exist, improvements to the ventilation of the property will be necessary to eradicate the problem. The danger that cold damp homes will become warm damp homes is one that must be properly addressed through a ventilation component in Warm Front. Recent research indicates a strong link between mould growth and respiratory problems such as asthma. Ventilation measures can be as simple as extraction fans with humidistat controls, or may be more complex; for example, heat recovery systems. Warm Front is likely to be best served by user-friendly devices that are simple to install and maintain, such as extractors or whole-house positive pressure ventilation systems, installed in lofts or kitchens. Consideration should be given to the extension of the scheme in this way.

Extending the range of measures in this way will clearly have implications for the resources required in the scheme. Measures such as solid wall insulation and alternative heating systems will be more expensive than the current measures. The addition of ventilation measures into the scheme will also increase the costs per property. This will require additional resources if the current rate of progress is to be maintained. However, NEA feels that additional resources are already needed for the scheme if the Government's fuel poverty objectives are to be achieved. This view is also supported by recent work on resource requirements undertaken on behalf of the Government's Fuel Poverty Advisory Group.

5.3 *Role of Scheme Managers*

NEA considers that the current split in responsibility between the scheme manager and installers, where scheme managers are responsible for marketing and promotion, surveying and the delivery of energy advice, should be maintained. The increased complexity of the scheme with more measures and, potentially, a wider range of heating systems, highlights the importance of the independent surveying role. There is also a role for a more proactive approach by scheme manager surveyors in terms of specifying the location of heating controls, pipe runs etc. NEA also believes that the scheme manager should specify the type of boiler used where replacement boilers are installed. Such boilers are currently specified by installers.

5.4 *Repeat grants*

The current scheme regulations mean that an eligible household can receive only one grant, although currently there is scope for a second grant if circumstances change and an additional grant is required in the same financial year as the first. This leads to a situation where an eligible household with an old but functioning heating system, may get a grant for some minor insulation work. If the heating system breaks down outside the financial year in which the original grant was given, the household will not be able to have a replacement heating system under the scheme. NEA believes that this requirement should be removed, and that eligible households should be able to receive additional and subsequent help from the scheme. If the grant maximum is retained then it could be used as a kind of account that could be drawn on until exhausted. Alternatively, if the grant maximum is removed, then eligible households should be permitted to receive grants for any available measures.

If such an arrangement is introduced, it may be necessary to introduce quotas on scheme managers to restrict the number or proportion of repeat grants. This will ensure that first time applicants can access the scheme and prevent scheme managers from "mining" their data bases of previous grant recipients to the exclusion of new applicants.

5.5 *Energy advice*

NEA supports the provision of energy advice in the scheme. The scheme offers an ideal opportunity to provide advice in the most effective way ie face-to-face in the client's home while energy efficiency improvements are being carried out. Recent research suggests that this is the most effective method and occasion to deliver advice. Good quality energy advice can have a major impact on the comfort and the fuel bills of the household, and will be vital if vulnerable households are to use any new heating systems and controls effectively.

Improvements to the current delivery could be made by providing advice after insulation measures have been installed rather than at the survey stage. This would either require an extra visit by the scheme manager advisor or for the advice to be delivered by the contractor. The former would increase the cost of administering the scheme. Improvements could also be made in the material left after the advice has been given, particularly following the installation of a new heating system and controls.

As a minimum, all agencies delivering advice in the scheme should operate to the Energy Efficiency Partnership for Homes Energy Advice Code of Practice.

5.6 *The public sector*

Since its introduction in 2000, the scheme has provided grants to private sector households only. The government has argued that public sector tenants should be provided with affordable warmth via the capital investment programmes of their landlords. This position is only tenable if public sector landlords devote sufficient investment to eradicate fuel poverty in their properties. It is also clear that the current Decent Homes Standard will not guarantee affordable warmth. Unless the energy efficiency requirements of the Standard are set at a level that can guarantee affordable warmth, and public sector landlords devote sufficient resources to ensure that all social rented properties meet the standard, then NEA would support the extension of the Warm Front scheme to the public sector.

5.7 *Benefit health checks*

NEA supports the recent introduction of benefit health checks on a trial basis. NEA supports the inclusion of benefit health checks as a permanent feature of the scheme. In addition to increased eligibility and take-up, such checks can result in increased income which in itself has a major impact on fuel poverty. NEA would be keen to see a proactive approach to benefit health checks, which should be combined with the more general promotion of the Warm Front scheme, rather than the current approach which reacts to enquiries. Arrangements should also be made for adequate follow-up action. Lack of knowledge of benefits is often only part of the reason for non-take-up. The bureaucratic nature of the process and application forms can often put people off and it will be necessary to ensure assistance is available. Formal links with the Department for Work and Pensions and local welfare rights services would be helpful.

5.8 *Scheme monitoring*

It is vital that the impact of the scheme in terms of the numbers and proportion of fuel-poor households, assisted and the impact that the improvements have, is monitored to assess its effectiveness in addressing fuel poverty and progress towards meeting the Government's fuel poverty objectives. NEA would propose that, to do this, a sample of grant recipients be monitored each year. The monitoring should include:

- The fuel poverty status of each household before and after the measures.
- The SAP rating of the property before and after the measures.
- Details of the technically feasible work that was not done and the reasons.
- Assessment of comfort and client understanding of how to get the best out of their heating system and the health risks of low temperatures.
- Satisfaction with work and the resolution of any problems.

It has proven difficult to obtain detailed statistical information on the scheme. Figures that are published by the scheme managers and Defra are aggregated to a point where they are of little use, and there are often significant time delays in publication which make informed discussion on the current situation difficult. NEA's view is that, as the scheme is funded with public money, the widest possible information about the scheme, consistent with maintaining any necessary commercial confidentiality, should be published. The publication of information on the scheme should be expedited. Recently the flow of information on the scheme has improved, however more still could and should be done. Early publication of detailed information on the scheme should be a mandatory requirement of scheme managers and this will require a reporting specification to be part of the administration contracts.

5.9 *Interface with other schemes*

NEA's view is that there should be a single publicly-funded scheme which addresses the energy efficiency needs of low-income households and makes a significant and sustainable contribution to the Government's fuel poverty targets. The scheme would be easily understood by both households and the professionals advising them, and would avoid the regressive nature of schemes funded through energy consumers' fuel bills, such as the fuel supply companies' Energy Efficiency Commitment (EEC). A single comprehensive scheme would also ensure consistent national coverage and avoid the complexities of scheme integration. However, pragmatically, NEA recognises that such a comprehensive single scheme is unlikely to come about in the short term. It is therefore necessary to ensure that the maximum impact is achieved from current schemes. To do this it will be necessary to encourage effective integration of existing schemes, particularly Warm Front, EEC and local authority capital programmes.

Before such integration can take place it is necessary to determine how the schemes will integrate and to design them so as to encourage integration. For example, if it is decided that, in order to provide a comprehensive package of measures in all properties, Warm Front should provide some of the measure and EEC provide the remainder, then the eligibility criteria of the two schemes should be the same and the measures complementary. Incentives may also be required to scheme managers to encourage such integration. Alternatively if the intention is for EEC to fill some of the gaps left by Warm Front, for example by providing measures to fuel-poor households who are not eligible for Warm Front, then the eligibility criteria for the two schemes will have to be complementary and their range of measures similar.

Integration could also be achieved by permitting and/or encouraging measures trading between the different schemes. This could eventually lead to carbon trading. NEA's view is that any arrangements for measures or carbon trading between schemes should be transparent and should avoid duplication.

14 October 2003

Supplementary memorandum submitted by the Department for Environment, Food and Rural Affairs (DEFRA)

Questions 82 and 116 (Mr Jenkins and Mr Davidson): The use of energy efficient light bulbs

Paragraph 3.16 of the NAO Report makes reference to expenditure of £14 million on light bulbs and draughtproofing. This figure represents the approximate costs of all such measures installed under the Scheme in 2001–02, ie two energy efficient light bulbs for 303,000 households, and draughtproofing for 142,000 households. The approximate unit cost of these measures is, as outlined in the report, £10 for the two light bulbs and £80 for draughtproofing.

The Committee asked how many households received only lightbulbs. In 2001–02, 8% of all grants (24,240 households) resulted in the only measure provided being energy efficient light bulbs. The cost of measures for those jobs where only energy efficient light bulbs and/or draughtproofing are provided is estimated at £3.5 million, with an average saving of £58 per household.

The Committee also asked about the potential savings arising from the installation of energy efficient light bulbs. Work by the Energy Saving Trust estimated that savings from an energy efficient light bulb would be around £10, based on 1,700 hours use per year. This has recently been updated to reflect reduced use of 1,275 hours per year, with savings of around £7 per year. These show a positive benefit to the expenditure of the household during the expected 8–10 year lifespan of the bulbs of between £56–80. There will in addition be a reduction in overall emissions of carbon dioxide.

The Committee may also wish to note that in the Energy White Paper, looking at the overall potential for energy efficiency savings to 2010, it was stated that the provision of an additional 100 million energy efficient light bulbs could lead to savings of around 0.5 million tonnes of carbon.

Question 92 (Jon Cruddas): Warm Zones

The Committee asked for information on the initial evaluation of Warm Zones.

As explained in the NAO Report, Warm Zones are a Government supported three-year pilot to systematically address fuel poverty within specified localised geographical areas across England. Five zones have been established since April 2001, in Stockton on Tees, Newham, Sandwell, Northumberland and Kingston upon Hull. Each of the Zones is supported by an energy supplier and local authorities.

The Zones have adopted different approaches to tackling fuel poverty, to identify and develop best practice principles and processes. The overall aim is to facilitate the efficient, integrated and appropriate delivery of practical measures to alleviate fuel poverty and improve household energy efficiency within the Zone.

This is achieved by providing a comprehensive package of energy efficiency measures, drawing on funding from existing programmes (eg Warm Front, Energy Efficiency Commitment and local schemes) and negotiating funds from new sources to maximise support. The scheme aims to maximise the benefits from the resources applied by concentrating and co-ordinating activity in areas where fuel poverty is believed to be particularly prevalent.

An independent evaluation of the Zones, managed by the Energy Saving Trust, is currently underway. Initial findings indicate varying experience across the five Zones. Key issues are:

- Challenge in achieving targets set, due to a number of issues, including a slow start in three Zones.
- A lack of robust data makes it difficult to make a full assessment of the effectiveness of this style of approach.
- A significant number of those receiving help were not necessarily living in fuel poverty, while many fuel poor households have not proved eligible to receive assistance.
- Partnership building and engagement of community is essential, but time consuming.

The evaluation of the Warm Zones is continuing throughout the trial. More time is needed to analyse and understand the findings from the Warm Zones and their impact. We will be considering as the evaluation continues and the findings will feed into our ongoing consideration of the development and delivery of Warm Front and other fuel poverty programmes.

Question 119 (Mr Davidson): Grants resulting only in the provision of energy efficiency light bulbs in rural areas

In 2001–02, 24,240 households received only energy efficient lightbulbs under the Warm Front Scheme. We estimate that between 11–12% of grants awarded by Warm Front are to households in rural areas, which would mean between 2,600 and 2,900 of these grants were in rural areas.

Question 120 (Mr Rendel): The legislative basis for the Warm Front Scheme

The Committee noted that some help was being given to people who (by not being in fuel poverty) were not apparently covered within the aims of the scheme; and asked whether there needed to be changes to the secondary legislation that covers the scheme to permit this.

As stated in the NAO Report, Warm Front is a scheme which aims to reduce fuel poverty in vulnerable households in England by improving the energy efficiency of their homes. This is done through the installation of heating or insulation measures and the provision of energy efficiency advice.

The scheme is delivered under the powers contained in section 15 of the Social Security Act 1990 and subsequent Regulation. This legislation enables the making of grants to improve the thermal insulation of dwellings and the provision of energy efficiency advice. It does not limit these measures to people who are in fuel poverty; and, as all measures offered under Warm Front fall into one or more of the categories described above, there is no need for any changes in the secondary legislation to ensure that the money is being used for the purposes set out.

The question of improving the targeting so as to ensure that a higher proportion of people assisted by Warm Front are in fuel poverty is a separate and important issue, which was discussed at some length at the Committee's evidence session on 22 October.

Question 132 (Chairman): Distribution of funds to the non-fuel poor

All households assisted by Warm Front are considered to be vulnerable. However, we acknowledge that not all of them will necessarily be fuel poor. The Committee asked how much money will have gone to people who are not fuel poor before the scheme rules (currently under review) are changed.

On current estimates, between the start of the scheme in June 2000 and the end of March 2004, it is expected that £585 million will have been spent through Warm Front. As noted in the NAO's Report, estimates of the proportion of funding reaching households which are not fuel poor range between 40% and 70%, which would lead to figures between £234 million and £410 million since the start of the Scheme.

During the Committee's hearing we referred to the work improve targeting of Warm Front. This is a key part of our development work, but we also acknowledge the real challenges that exist in establishing a cost effective and accurate way of identifying all fuel poor households.

21 November 2003

Correspondence between a constituent of Siobhain McDonagh MP to the Committee and to the Department for Environment, Food and Rural Affairs (DEFRA)

LETTER FROM CONSTITUENT OF SIOBHAIN McDONAGH MP

I am writing further to your letter letting me know that the meeting of the Committee of Public Accounts at which the NAO Report will be considered is to be held on 22 October, and asking me to let you know what I would like you to do.

I apologise for the delay in getting back to you, but the situation has changed since I first approached you on this matter, at least insofar as it affects us. Firstly, a combination of budget cuts and changes in policy earlier this year mean that our chances of obtaining a grant from Merton were reduced, in effect, to zero. Secondly, when our boiler underwent its annual service last month, it was condemned as unsafe because of a defective flue. This left us in the same position that was highlighted as being unsatisfactory in the NAO Report, namely that our alternatives were either to spend the winter without proper heating or hot water while awaiting help from the Warm Front Scheme, or to find the money for the necessary work ourselves—which of course we did.

In the event, British Gas took only slightly longer to quote for, deliver and install a new boiler and flue than Merton had done to respond to our request for an update on their grants policy. Having said that, I don't want to be too critical of the Council—they should not really have to fund this kind of work any more, and have only got involved on this occasion because of the shortcomings of the Warm Front Scheme, which is what motivated me to contact you in the first place.

Although we now no longer have any personal stake in the outcome of the Committee's deliberation on the NAO Report, I am still of the view that the Warm Front Scheme's many shortcomings have been clearly identified by the NAO, and that the recommendations contained in the report should be implemented.

In common with the other issues that I have raised with you over the years (Special Educational Needs, Working Families' Tax Credits/Passported Benefited/Disabled Child Premiums—all of which have related directly or indirectly to our son's disability), there is nothing wrong in principle with the Warm Front Scheme, and the government deserves credit for its commitment to helping families such as ourselves. Unfortunately, such credit has been largely dissipated by the wholly unsatisfactory way in which these initiatives have been administered by the NGO or the local or central government department charged with their implementation.

As regards next week's meeting, may I urge you to submit a response to the Committee supporting the NAO's recommendations on the basis that at least one family in your constituency has experienced the kind of problems that those recommendations are intended to resolve.

13 October 2003

LETTER FROM SIOBHAIN McDONAGH MP TO THE CHAIRMAN OF THE COMMITTEE

Further to my letter concerning my constituent and the problems he has identified in the operation of the Warm Front Scheme, I understand that you will be considering the National Audit Office Report on 22 October.

I would be very grateful if you could consider the points raised by my constituent in his letter of 13 October which identifies the problem created by grants not being provided until such time as the central heating boiler has actually broken down. As you will see from my constituent's case, the family quite rightly felt unable to operate without a central heating boiler for the nine months it would take for it to be replaced through the Warm Front Scheme and therefore found their own funds to do this work.

I would be very grateful if you might inform the Committee of this case and the problems it identifies. Thank you in advance for your assistance.

Siobhain McDonagh MP

17 October 2003

REPLY FROM THE DEPARTMENT FOR ENVIRONMENT, FOOD AND RURAL AFFAIRS TO THE CHAIRMAN OF THE COMMITTEE

Thank you for forwarding to me, via the Committee Assistant's letter of 28 October, correspondence from Siobhain McDonagh MP enclosing correspondence from one of her constituents, relating to Warm Front. We briefly discussed her constituent's complaint during the PAC hearing on 22 October and I have now had the opportunity to consider the correspondence (which raises a number of significant issues).

At the risk of repeating what you know from the NAO Report and the PAC hearing, Warm Front provides a range of specified insulation and heating measures depending upon the needs of the eligible householders and measures already installed in the property. Scheme Managers appoint surveyors who then recommend which measures should be installed. Some householders will be eligible for a range of measures, for example cavity wall insulation, draught proofing, loft insulation, central heating, energy efficiency advice or energy efficient light bulbs. Others may receive just one of these measures as others are already installed or there are technical reasons that further work cannot be carried out. Following this route helps to ensure that the most appropriate measures are installed—subject to the grant maximum.

Warm Front grants are not paid directly to households. Payments are made by the scheme managers to installers. We place stringent requirements on the Warm Front scheme managers to ensure that payments are only made when they have satisfactory evidence of the work having been completed.

According to the current scheme rules, in order for a boiler or radiators to be repaired, the boiler has to be non-operational at the time of survey. Where central heating systems have broken down, they can be either repaired or, if that is not economically viable, replaced on a like for like basis. Warm Front does not currently provide additional heating. During the PAC hearing you and other committee members raised concerns about the constraints imposed by these requirements, and you mentioned the correspondence from Siobhain McDonagh MP. As I explained, these rules are under urgent review. Discussions with stakeholders are already underway.

If her constituent wishes to apply for a grant under Warm Front for other measures, such as insulation measures, may I suggest he contacts Eaga on 0800 316 6011.

Her constituent also raised the issue of the timescale for the installation of heating measures (this too was discussed during the PAC hearing). Eaga have advised that the waiting times for the installation of heating measures within her constituent's area is presently between three to six months. (These are average timescales and can vary depending on seasonal demand). As I explained at the PAC Hearing, over the past year there has been a 17% reduction in the average waiting time for work undertaken as part of the Warm Front Scheme. The scheme managers are doing everything they can to improve the waiting times. For

example, they are encouraging installers to transfer resources from areas of low to high demand, and are continuing to identify additional firms that are able to carry out the work. We are also working with the Energy Saving Trust, the Learning and Skills Council, Corgi, OFTEC and the heating industry to launch a major new programme to train 70,000 heating installers to help address the problem of delays.

As Mr Leek (Operations Director, Eaga Partnership Limited) explained at the PAC hearing, Scheme Managers have exceeded the target that has been set for them in installing heating systems into clients' homes every year that the scheme has been running. Over 700,000 households have now received assistance, improving the comfort of their homes. We are continually working with the Scheme Managers to identify ways to improve performance and delivery of the scheme.

I am copying this letter, as you requested, to Siobhain McDonagh MP, and to the Comptroller and Auditor General.

Sir Brian Bender KCB
Permanent Secretary

20 November 2003