



Cynulliad National
Cenedlaethol Assembly for
Cymru Wales

Audit Committee



Delivering the Home Energy Conservation Act in Wales

Committee Report AC(3) 07-08
September 2008

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THE NATIONAL ASSEMBLY FOR WALES

AUDIT COMMITTEE

Report presented to the National Assembly for Wales on 10 September 2008
in accordance with section 143(1) of the Government of Wales Act 2006

Delivering the Home Energy Conservation Act in Wales

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Summary

1. The Home Energy Conservation Act 1995 (the HECA) took effect in Wales from 1 April 1997. It was the first piece of legislation to place energy efficiency responsibility on councils, and reflected the concerns that were emerging at the time about high levels of fuel poverty and the need to reduce carbon emissions.
2. The HECA required each council in Wales to develop an energy efficiency plan covering a 10-year period from April 1997, which set out measures that councils considered practicable, cost-effective and likely to result in significant improvements in the energy efficiency of the residential housing stock in their areas. Significant improvement was subsequently defined as a 30 per cent improvement in domestic energy efficiency over the 10-year period of the plans. The HECA also required each council to measure and report annually on progress against its plan.
3. In 2004, all 22 councils in Wales entered into policy agreements with the Assembly Government, which included a series of improvement targets. The agreements included a target for improving domestic energy efficiency over the same 10 year period as the 30 per cent HECA target, but in all cases the policy agreement targets were far less ambitious.
4. On the basis of a report by the Auditor General¹ we examined whether, in the light of progress made since the introduction of the HECA, further reductions in energy use across the Welsh housing sector can be achieved, and what might be required in the future to make this happen. We took evidence from Mr Matthew Quinn, Director of the Department for Environment, Sustainability and Housing at the Assembly Government, and Mr Tim Peppin, Director of Regeneration and Sustainability at the Welsh Local Government Association.
5. Overall we concluded that, although the data are unreliable, significant improvements in the energy efficiency of the Welsh housing stock appear to have been made over the period covered by the HECA. The improvements are most apparent in the social housing sector. Despite this, we were not convinced that either the Assembly Government or local government had given the implementation of the HECA a high priority. To make further significant improvements in energy efficiency, and to meet ambitious climate change targets, councils need to give the energy efficiency agenda a higher priority and the Assembly Government needs to focus its strategy more on influencing consumer behaviour, particularly in the privately-owned sector.

¹ Auditor General for Wales report, *Delivering the Home Energy Conservation Act in Wales*, 13 September 2007

The HECA has helped to deliver some improvements in home energy efficiency in Wales but the extent of progress is difficult to measure

6. **The targets set in 1997 were over-ambitious, but there has been some improvement in the energy efficiency of Welsh housing.** Councils reported an average 9.6 per cent improvement in domestic energy efficiency between 1997 and the end of March 2006, although there were substantial variations between councils. Performance fell well short of the original HECA target, set in 2007, of a 30 per cent improvement, but it was clear when the Assembly Government introduced policy agreements in 2004 that this target had been too ambitious. We agree that it made sense, therefore, to review the target during negotiations on the policy agreements. However, we would expect any future council targets for domestic energy efficiency to be more specific and measurable than those set as part of the 2004 policy agreements.
7. **It is difficult to measure the true impact of energy efficiency improvements, because of inaccurate data and inconsistencies in the methods used to collect data.** The performance data on domestic energy efficiency, particularly in the privately-owned sector, are unreliable for a range of reasons. We welcome the witnesses acknowledgement of these significant shortcomings, but consider that the Assembly Government should be doing more to engage with the utility companies, in order to access the energy consumption data held by the companies. We expect to see far more robust performance measures in place as part of the new national energy efficiency and savings plan, and for measuring the domestic contribution to the Assembly Government's three per cent annual carbon reduction target.
8. **The Assembly Government failed to ensure that all councils fulfilled their statutory obligations to submit annual progress reports.** We were disappointed that the action taken by the Assembly Government to encourage councils to submit their statutory annual returns had not been effective in all cases. This raises the broader question of how the Assembly Government can implement policy effectively through councils if it does not have appropriate tools or sanctions at its disposal. We certainly expect the Assembly Government to have robust arrangements in place to ensure the cooperation of councils with any reporting requirements under new national energy efficiency and savings plan.
9. **If the domestic energy efficiency agenda is to be a priority for councils, they need to develop specific action plans and to allocate sufficient resources to it.** Only a few councils had developed specific action plans to support the delivery of

HECA objectives, and there was a wide variation in the extent to which councils dedicated staff to support the delivery of improvements in home energy efficiency. However, energy efficiency has a far higher profile now than it did when the HECA was passed 13 years ago, and we expect the new national energy efficiency and savings plan to be far more demanding of all partners in terms of its requirements on them.

10. An increase in collaborative working between councils may help to minimise the effect of resource constraints and help further to spread good practice.

There is scope for councils to work in closer collaboration on domestic energy matters, including the sharing of resources and good practice. Although we recognise the role of the HECA Forum in this regard, the Assembly Government should consider how the Forum's effectiveness could be improved, as part of the development of the new national energy efficiency and savings plan.

In taking forward its energy efficiency strategy, the Assembly Government and councils need to focus on the private sector and on securing changes to consumer behaviour

11. The Assembly Government is planning to implement the next phase of its energy efficiency strategy. The HECA is likely to be repealed or replaced, and the Assembly Government is committed to producing a new national energy efficiency and savings plan. It also has a three per cent annual carbon reduction target. We agree with the witnesses that there are lessons from the HECA, particularly with regard to performance measurement, that the Assembly Government can apply to the next phase of its domestic energy efficiency strategy.

12. Good progress appears to have been made in improving energy efficiency in the social housing sector over the period covered by the HECA, and the next phase of the Assembly Government's strategy needs to focus more on the privately-owned sector. Legislation, policy and funding have understandably focused improvements in energy efficiency on fuel poor households and public sector housing, rather than on the majority privately-owned sector. We welcome the good progress that is being made in improving energy efficiency in the social housing sector. However, it is clear to us that for further significant progress to be achieved, the Assembly Government needs to increase the overall focus of its strategy on the privately-owned sector. We look forward to this featuring prominently in the new national energy efficiency and savings plan.

13. **Clear information is needed to help secure changes in consumer behaviour.**

The HECA generally concentrated on the fabric of buildings, rather than on consumer behaviour in using energy. However, over the period of the HECA it is likely that energy consumption has grown through the increased use of electrical appliances and gadgets. We note that increasing energy bills should encourage people to review their behaviour, but consider that further action is needed. We therefore welcome the Assembly Government's proposals to provide more information to householders and consumers.

Recommendations

14. The HECA is likely to be repealed or replaced, and the Assembly Government is producing a new national energy efficiency and savings plan. We welcome the recognition that the lessons from the HECA can be applied to the next phase of the Assembly Government's strategy. Therefore, in developing its new national plan the Assembly Government should take full account of the recommendations set out below.

- i. The wording of the energy efficiency targets agreed between councils and the Assembly Government as part of the 2004 policy agreements was, in many cases, imprecise. This and the unreliability of the performance data made it impossible to assess objectively the performance of councils and the extent to which the targets had been achieved. **We therefore endorse and repeat the Auditor General's recommendations that the Assembly Government should:**
 - a. **set targets that are specific, measurable, achievable, realistic and time related;**
 - b. **establish a consistent and robust council-level baseline assessment of energy efficiency;**
 - c. **develop a reliable performance measurement framework to enable cross comparisons between councils, including full exploration of the feasibility of using household consumption data held by utility companies; and**
 - d. **effectively monitor and report performance against the targets.**
- ii. Many councils gave their obligations under the HECA a low priority, and it can be difficult for the Assembly Government to implement its policies effectively through councils if it does not have appropriate tools or sanctions at its disposal. **We**

recommend that as part of its new national energy efficiency and savings plan the Assembly Government, in collaboration with the Welsh Local Government Association, develops robust arrangements to ensure it receives the required level of cooperation from councils.

- iii. There is scope for councils to work in closer collaboration on domestic energy matters, including the sharing of resources and good practice. **We recommend that the Assembly Government, in collaboration with the Welsh Local Government Association, assesses the effectiveness of the HECA Forum, and develops proposals for how collaboration can be improved in the context of the new national energy efficiency and savings plan.**
- iv. For further significant progress in improving domestic energy efficiency to be achieved, the Assembly Government needs to increase the overall focus of its strategy on the privately-owned sector. **We recommend that measures to influence the behaviour of people living in privately-owned households, in respect of domestic energy use and efficiency, should feature prominently in the new national energy efficiency and savings plan.**
- v. The provision of reliable information is vital to raising the public's awareness of the need for, and means of achieving, improved domestic energy efficiency. We note the proposals being developed by the Assembly Government and the Welsh Local Government Association to provide more information to households and consumers. **We recommend that the Assembly Government evaluates the impact of its information and awareness-raising proposals and applies the lessons learnt in the development of future campaigns.**

The HECA has helped to deliver some improvements in home energy efficiency in Wales but the extent of progress is difficult to measure

The targets set in 1997 were over-ambitious, but there has been some improvement in the energy efficiency of Welsh housing

15. The HECA required councils to identify actions that were likely to lead to a significant improvement in domestic energy efficiency. The (then) Welsh Office defined 'significant improvement' as a 30 per cent reduction in domestic energy use by March 2007, from a 1997 baseline. At the time, the majority of councils agreed that the 30 per cent figure was potentially achievable.²
16. In 2004 all 22 councils in Wales signed policy agreements with the Assembly Government which included targets relating to improvements in domestic energy efficiency.³ Mr. Quinn explained that when the Assembly Government looked at the performance framework for the policy agreements it was clear that progress on the scale originally envisaged was not happening and that the original HECA target of 30 per cent would not be delivered. Councils took the opportunity to negotiate the wording of their domestic energy efficiency targets as part of the overall approach to the policy agreement. Mr Quinn said that the aim was to set realistic and achievable figures for each council⁴.
17. The Assembly Government agreed with the Welsh Local Government Association an overall baseline target of a 12 per cent improvement in energy efficiency between 1997 and 2007: some councils agreed a higher figure; others agreed to aim for the 12 per cent because they were in a weaker position.⁵ However, the wording of the policy agreement targets for some councils made it difficult to objectively assess the extent to which they have been achieved. For example, fourteen councils stated that they would 'work towards' achieving a 12 per cent improvement in domestic energy efficiency by March 2007. In this context, it is not clear what represents a good level of progress.⁶
18. Figures submitted to the Wales Audit Office by councils showed that, on average, they had achieved a 9.6 per cent reduction in domestic energy consumption between the 1997 baseline year and the end of March 2006. The reduction ranged from 6.3

² AGW report, paragraph 1.1 and Annex A, paragraph 14

³ AGW report, paragraph 1.2 and Appendix 1

⁴ Annex A, paragraph 15

⁵ Annex A, paragraph 15

⁶ AGW report, paragraph 1.6

per cent to 14.3 per cent.⁷ The annual rate of reduction in energy consumption reported by councils accelerated following the introduction of the policy agreements in 2004. This suggests that the policy agreement targets may have contributed to a renewed sense of focus and additional activity by councils, although there might also have been other contributory factors.⁸

19. We agree with the witnesses that, with the benefit of hindsight, the 30 per cent domestic energy efficiency target set in 1997 was too ambitious. It made sense, therefore, to review the target during negotiations on policy agreements. We welcome the overall improvements in domestic energy efficiency over the past 10 years that councils have reported, but expect any future council targets for domestic energy efficiency to be more specific and measurable than those set as part of the 2004 policy agreements.

It is difficult to measure the true impact of energy efficiency improvements, because of inaccurate data and inconsistencies in the methods used to collect data

20. There are inconsistencies in the methods used by councils to collate the performance data required for the annual HECA reports, a lack of accurate data to populate the reports and difficulties in obtaining reliable data, especially in respect of the energy efficiency improvements taking place in the private sector. Together, these factors make it impossible to draw reliable comparisons between the performance of different councils or to assess the true impact of the HECA and other energy saving initiatives, in terms of the energy efficiency improvements actually achieved.⁹
21. As the focus of the HECA was on the fabric and services of buildings, the measurement framework did not take into account changing consumer behaviour in the use of energy nor the energy used by domestic appliances.¹⁰ Furthermore, under the HECA any housing built or demolished since 1997 were excluded from the calculations. In Wales, between 1997 and March 2005, this meant that 68,821 new homes and 4,846 homes demolished or closed as unfit were not taken into account. In the case of new build properties, therefore, the impact of more stringent building regulations with regard to energy performance were not included in the calculations.¹¹

⁷ AGW report, paragraph 1.7 and Appendix 2

⁸ AGW report, paragraph 1.12

⁹ AGW report, paragraphs 1.13 to 1.20

¹⁰ AGW report, paragraphs 1.22 and 1.24

¹¹ AGW report, paragraph 1.25

22. Mr. Quinn acknowledged the lack of reliable data on domestic energy efficiency, particularly with regard to private sector housing. He agreed that more reliable performance information was required in the context of setting targets for the soon-to-be-developed national energy efficiency and savings plan, and for measuring performance for the domestic contribution to the Assembly Government's three per cent annual carbon reduction target. Mr Quinn explained that the UK Government Department for Environment, Food and Rural Affairs (DEFRA) has been working on several potential models for measuring domestic energy efficiency, but had reached no firm conclusion and there was not yet an agreed basis for measurement going forward.¹²
23. We therefore asked about the extent to which the Assembly Government had explored the possibility of utility companies providing consumption data, to give a more reliable basis for measuring energy efficiency performance at local authority level.¹³ Mr Quinn told us that if the utility companies could provide accurate data on domestic energy consumption, then that would be a very firm source of data. He said that DEFRA is looking at this possibility as part of its work on potential models for measuring domestic energy efficiency. He thought that the work had not got very far and noted that the sharing of data would rely on the cooperation of the utility companies.¹⁴
24. We welcome Mr Quinn's recognition of the shortcomings in the reliability of the data used to measure domestic energy efficiency, and look forward to seeing far more robust performance measures in place as part of the new national energy efficiency and savings plan, and for measuring the domestic contribution to the Assembly Government's three per cent annual carbon reduction target. To this end, we urge the Assembly Government to engage, with more enthusiasm than it appears to have done to date, directly with the utility companies to determine the feasibility of the companies providing domestic energy consumption data at a local authority level.

The Assembly Government failed to ensure that all councils fulfilled their statutory obligations to submit annual progress reports

25. Under the HECA councils were required to submit annual progress reports on their energy efficiency activity, initially to the Secretary of State for Wales and then subsequently to the Assembly Government.¹⁵ However, there has not been a single

¹² Annex A, paragraphs 10 and 31

¹³ Annex A, paragraph 32

¹⁴ Annex A, paragraphs 33 to 41

¹⁵ AGW report, paragraphs 1 and 2

year when all 22 councils in Wales have complied with the reporting requirements of the Act, and some councils failed to submit reports on progress for several years.¹⁶

26. Mr Quinn explained that the Assembly Government had written to all councils regularly to remind them of their obligations and to invite them to submit their reports. He added, however, that the HECA did not provide for any direct sanctions against councils that did not submit returns. Mr Peppin thought that, partly because of the unreliability of the data, some councils might have spent their resources on implementing the measures on the ground, rather than on collating data and putting them into reports that had relatively little meaning.¹⁷
27. Mr Quinn told us that the National Assembly's former Social Justice and Regeneration Committee had discussed the issue of non-reporting in 2007. Following on from those discussions, letters were sent to councils to chase their progress, particularly those that had not submitted reports for several years.
28. We note Mr Quinn's comment that the Assembly Government has now received all of the final reports (to March 2007, the end of the ten year process) and we understand that they will be made available to the relevant committees soon.¹⁸ However, we were surprised and disappointed that some councils failed to comply with their statutory reporting obligations under the HECA. Although the HECA did not provide for any direct sanctions against councils that failed to submit their annual returns, the Assembly Government could have devised its own.
29. If the effective implementation of Assembly Government policy requires councils to do certain things, then the Assembly Government should have the tools at its disposal to ensure that councils do as they are required. Therefore, we expect the Assembly Government to have robust arrangements in place to ensure the cooperation of councils with any reporting requirements under new national energy efficiency and savings plan.

If the domestic energy efficiency agenda is to be a priority for councils, they need to develop specific action plans and to allocate sufficient resources to it

30. Only a few councils had developed specific action plans to support the delivery of HECA objectives, and the extent of monitoring and reporting domestic energy activity within councils was variable and generally low level.¹⁹ There was also a wide

¹⁶ AGW report, paragraph 1.9 and Figure 1

¹⁷ Annex A, paragraphs 25 to 29

¹⁸ Annex A, paragraph 25

¹⁹ AGW report, paragraphs 1.3 to 1.5

variation in the extent to which councils dedicated staff to support the delivery of improvements in home energy efficiency.²⁰ It is difficult to conclude whether employing staff to work full-time on the delivery of HECA objectives produces better results. However, four of the eight councils that had met, or were on course to meet, their policy agreement targets by the end of March 2007 were the four that employed a full time HECA Officer.²¹ Also, the majority of lead HECA officers considered that they had insufficient time available to fulfil their HECA duties effectively.²²

31. In the light of this varying commitment and the wide-ranging performance of councils, we asked whether councils had focused sufficiently on the importance of the HECA and what it was trying achieve.²³ Mr Quinn told us that the Assembly Government had put in place a range of support for councils. He thought that the analysis in the Auditor General's report, of the relationship between a council's resources and action plans for HECA, on the one hand, and outcomes achieved, on the other, was quite persuasive. He added that this was a lesson that could be taken forward for future work.²⁴ Mr Peppin agreed, and acknowledged that there had been a variable commitment from councils to domestic energy efficiency work. However, he pointed out that it was important to recognise that councils were faced with different situations and would need to decide their own priorities.²⁵

32. Looking forward, Mr. Peppin pointed to the heightened interest in energy conservation, as a result of the significant increases in energy prices in recent years and the increasing priority being given to environmental issues. He said that climate change is now much higher up the agenda than it was 13 years ago, and that there is now much more awareness about the issues and what councils need to do. He added that councils are recognising the cross cutting nature of energy efficiency and placing more emphasis on encouraging better practice by all staff to reduce councils' own energy use, as well as becoming increasingly aware of the impact of rising energy prices on homeowners.²⁶

33. In response to a question about the role of the Welsh Local Government Association, Mr. Peppin said that the Association's framework on sustainable development provides practical advice and information on what councils can do to become more

²⁰ AGW report, paragraphs 2.14 to 2.17 and Figure 4

²¹ AGW report, paragraph 2.18

²² AGW report, paragraph 2.19

²³ Annex A, paragraph 21

²⁴ Annex A, paragraph 22

²⁵ Annex A, paragraphs 23 and 66

²⁶ Annex A, paragraph 63

sustainable. The Welsh Local Government Association is also introducing climate change and energy efficiency as a category for excellence in its annual Excellence Wales awards, which will send an important message about priorities and encouraging the sharing of good practice between councils.²⁷

34. We recognise that, for the reasons stated by the witnesses, energy efficiency has a far higher profile now than it did when the HECA was passed 13 years ago. In our view, the HECA had only a limited impact in terms of what it required councils to do to help improve domestic energy efficiency, and we expect the new national energy efficiency and savings plan to be far more demanding of all partners in terms of its requirements on them.

An increase in collaborative working between councils may help to minimise the effect of resource constraints and help further to spread good practice

35. The Auditor General's report recommended that councils should work in closer collaboration on domestic energy issues, including the sharing of resources and good practice.²⁸ Mr Peppin said that councils were making much more effort on the regional agenda since Beecham, and he told us of the developments in regional working that are providing opportunities for councils to share expert knowledge on a range of issues.²⁹
36. The witnesses said that the HECA Forum, of which all HECA Officers in Wales are members, encourages the exchange of good practice between councils on a range of issues. These include accessing and spending funds from external sources, sharing technical information and collaboration on procurement.³⁰
37. Given the tensions that councils face regarding prioritisation of resources and the often limited capacity of HECA Officers to carry out the full range of HECA duties, the area of domestic energy efficiency would seem to be one that would lend itself to collaborative working, both on a regional basis and between councils facing similar types of challenges.³¹ We recognise that the HECA Forum plays an important role in this regard, but the Assembly Government should consider how the Forum's effectiveness could be improved as part of the development of the new national energy efficiency and savings plan.

²⁷ Annex A, paragraphs 67 and 68

²⁸ AGW report, recommendation iii on pages 10 and 11

²⁹ Annex A, paragraph 70

³⁰ Annex A, paragraphs 47 and 52

³¹ Annex A, paragraph 70.

In taking forward its energy efficiency strategy, the Assembly Government and councils need to focus on the private sector and on securing changes to consumer behaviour

The Assembly Government is planning to implement the next phase of its energy efficiency strategy

38. Mr Quinn told us that as part of its strategy to deal with the effects of climate change the Assembly Government is committed to producing a national energy efficiency and savings plan. The Assembly Government also has a three per cent annual carbon reduction target, which will include both public sector and domestic plans and targets.
39. Mr Quinn explained that the HECA was unlikely to continue in its current form and needed to be repealed or replaced because it does not fit well with the current context, particularly the duty emerging from UK Government's Climate Change Bill that will subsume much of the domestic energy efficiency work instigated under the HECA. Mr Quinn acknowledged, however, that there were issues and lessons in the Auditor General's report on the HECA that need to be considered in developing the new arrangements.³² Mr Peppin mentioned that it was fundamental to improve the measurement of performance, particularly in relation to home energy efficiency improvements in the private sector.³³
40. We welcome Mr Quinn's recognition that the lessons from the HECA can be applied to the next phase of the Assembly Government's domestic energy efficiency strategy. In particular, we consider that the shortcomings with regard to performance measurement clearly need to be addressed as part of the new national energy efficiency and savings plan.

Good progress appears to have been made in improving energy efficiency in the social housing sector over the period covered by the HECA, and the next phase of the Assembly Government's strategy needs to focus more on the privately-owned sector

41. There is evidence that councils have made substantial investment in energy efficiency improvements in their own housing stock in recent years.³⁴ Also, legislation, policy and funding have focused improvements in energy efficiency on fuel poor

³² Annex A, paragraph 10

³³ Annex A, paragraphs 16, 74 and 75

³⁴ AGW report, paragraphs 3.1 and 3.2

households and public sector housing, rather than on the majority privately-owned sector.³⁵

42. The impetus for such work has come from a number of sources, including the need to meet the minimum standards of the Welsh Housing Quality Standard by 2012, and consultations with council tenants which has helped councils to prioritise energy efficiency improvements.³⁶ Because of the progress that is being made, remaining opportunities for improving energy efficiency in council owned properties are diminishing, and councils must now start to address the problems experienced by 'hard to heat' homes, such as those with solid walls. As a result, future significant energy efficiency gains must come from improving the energy efficiency of homes in the private sector. However, although councils can provide some incentives to private householders to install improvements, they are unable to exert as much influence over privately-owned housing as they do over council housing.³⁷
43. The Energy Saving Trust has recognised that focusing on fuel poor households has led to a limited uptake of energy efficiency measures by those outside the social housing sector who are not eligible for grant assistance. The Trust considers that unless demand for energy efficiency measures can be stimulated within the private housing sector, the UK will not meet its national target of reducing carbon emissions by 60 per cent by 2050.³⁸
44. Mr. Quinn told us that the Assembly Government would be looking to retain the home energy efficiency scheme, which focuses on need and fuel poverty. He considered that a lot of hard-to-heat homes may be occupied by people who could afford to have improvement work done, and that it should not be assumed that grants are the best way forward for them. He explained that, as part of the overall work on climate change, the Assembly Government is looking to influence people's behaviour and actions. It is considering a combination of targeted support for those who cannot act for themselves and encouraging action from those who can. As a result, the Assembly Government will review a number of existing schemes and, where appropriate, introduce changes to ensure that they are getting best value from them.³⁹
45. Mr. Quinn also told us about the carbon emissions reduction target programme, which requires energy companies to deliver energy efficiency measures. He said that the

³⁵ AGW report, paragraphs 3.4 to 3.13

³⁶ AGW report, paragraph 3.1

³⁷ AGW report, paragraphs 3.3 and 3.15

³⁸ AGW report, paragraph 3.13

³⁹ Annex A, paragraph 73

Assembly Government had looked at the experience in London, where a programme developed with a large utility company had resulted in quite significant investment in the installation of energy saving measures in private homes.⁴⁰

46. We welcome the good progress that seems to have been made in improving energy efficiency in the social housing sector, although we recognise that in some areas there is still some way to go if the Welsh Housing Quality Standard is to be met by 2012. It is clear that for further significant progress to be achieved, the Assembly Government needs to increase the overall focus of its strategy on the privately-owned sector, and we look forward to this featuring prominently in the new national energy efficiency and savings plan.

Clear information is needed to help secure changes in consumer behaviour

47. The HECA generally concentrated on the fabric of buildings, rather than on consumer behaviour in using energy. We therefore asked how the Assembly Government intends to address the issue of increasing energy consumption.⁴¹
48. Mr Peppin thought that this was a significant issue, because any efficiency gains from improving the fabric of buildings could be outweighed by increases in consumption, associated in particular with the increased use of electrical appliances and gadgets. He said that there was a big message to get across so that people think twice before using such gadgets, although increasing utility bills should encourage people to rethink their behaviour. He wondered whether it would be possible to harness the power of the private sector for its innovation in terms of developing more socially useful and more sustainable products.⁴²
49. Mr Quinn agreed with Mr Peppin's analysis and told us that the practical issue of appliances is likely to be a major focus of an initial publicity campaign because it is where people can, by practical action, make the biggest difference. He added that the Assembly Government might look at providing information on things such as simple inexpensive meters, which people can use to monitor the energy consumption of different appliances.
50. Mr Peppin told us that, to raise public awareness, the Welsh Local Government Association and the Assembly Government were working together on proposals to provide more information to households, particularly in relation to climate change and what households can do to reduce its impact. More broadly on climate change, Mr

⁴⁰ Annex A, paragraphs 80 and 81

⁴¹ Annex A, paragraph 90

⁴² Annex A, paragraphs 45, 91 and 92

Quinn explained that the Assembly Government has commissioned an agency to develop a significant publicity campaign, for launch later this year, which should help raise the profile of climate change with the public generally in Wales.⁴³

51. In terms of encouraging those who can afford it to invest in renewable energy, such as solar panels or micro-wind generation, the witnesses agreed that householders needed to have good, clear and accurate information. There was a need to demystify some of the information about renewables issues, so that when people are considering making what amounts to a significant investment, such as when they are replacing their central heating system, they do so on the basis of information that is comprehensive and reliable.⁴⁴
52. We welcome the recognition that people need to have good quality information to enable them to make informed choices, and note the proposals being developed to provide more information to households and consumers. We expect the Assembly Government to evaluate the impact of these measures to influence consumer behaviour and look forward to seeing the results in due course.

⁴³ Annex A, paragraphs 76 and 93

⁴⁴ Annex A, paragraphs 86 to 89

Annex A



Cynulliad Cenedlaethol Cymru
The National Assembly for Wales

Y Pwyllgor Archwilio
The Audit Committee

Dydd Iau, 15 Mai 2008
Thursday, 15 May 2008

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Procedural Motion

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

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

Aelodau Cynulliad yn bresennol
Assembly Members in attendance

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

Eraill yn bresennol
Others in attendance

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

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

John Grimes	Clerc Clerk
Abigail Phillips	Dirprwy Glerc Deputy Clerk

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

Datganiad gan y Cadeirydd
Statement by the Chair

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

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

9.57 a.m.

Ymddiheuriadau a Dirprwyon Apologies and Substitutions

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

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

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

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

9.59 a.m.

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

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

10.00 a.m.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10.10 a.m.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the stock to result in that.

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

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

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

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

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

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

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

10.20 a.m.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10.30 a.m.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10.40 a.m.

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

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

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

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

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

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

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

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

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

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

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

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

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

10.47 a.m.

**Cynnig Trefniadol
Procedural Motion**

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

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

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

*Derbyniwyd y cynnig.
Motion carried.*

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