EXPLANATORY MEMORANDUM TO

THE HOME ENERGY EFFICIENCY SCHEME (ENGLAND)(AMENDMENT) REGULATIONS 2009

2009 No. 1816

1. This explanatory memorandum has been prepared by the Department of Energy and Climate Change and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 This explanatory memorandum has been prepared for the Home Energy Efficiency Scheme (England)(Amendment) Regulations 2009 which amend the existing Home Energy Efficiency Scheme Regulations 2005 (SI 2005/1530).

2.2 On 23 April 2009, Joan Ruddock announced that the levels of grant available under the Warm Front Scheme would be increased. In addition, the scope of the Scheme is being expanded to include the installation of low carbon and renewable technologies which will help householders generate their own low cost energy. The amendment Regulations implement these policy objectives in England

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 The amendment Regulations-:

- Increase the grant maxima from its current levels of £2,700 and £4,000 (where oil central heating has been recommended) to £3,500 and £6,000 (where oil or low carbon or renewable technologies are recommended);
- Increase the "relevant income" threshold which applies to applicants applying for a grant on the basis of their eligibility for a child tax credit or a working tax credit;
- Make transitional arrangements to ensure a smooth transition from the old to the new grant levels. In particular, the transitional arrangements will prevent those who have already made applications but where no works have been carried out from having to withdraw their application and making a new application in order to benefit from the new grant maxima.

4. Legislative Context

4.1 The Home Energy Efficiency Scheme (England) Regulations 2000 (as amended) are made under Section 15 of the Social Security Act 1990 and provide for the payment of grants to improve the energy efficiency of eligible households.

5. Territorial Extent and Application

5.1 This instrument applies to England.

6. European Convention on Human Rights

The Secretary of State for Energy and Climate Change has made the following statement regarding Human Rights:

In my view the provisions of the Home Energy Efficiency Scheme (England)(Amendment) Regulations 2009 are compatible with the Convention rights.

7. Policy background

- ***What is being done and why***

7.1 Warm Front is the Government's main programme for tackling fuel poverty in the private sector in England. Originally launched as the Home Energy Efficiency Scheme, it was re-branded in February 2001 as Warm Front. This rebranding is relevant only in so far as it is the public name given to the Scheme as implemented by the Regulations.

7.2 Warm Front provides insulation and heating measures to eligible households in receipt of the benefits and credits specified in regulation 4 of the Home Energy Efficiency Scheme Regulations 2005 (SI 2005/1530). Following an application, an assessment is carried out to establish whether the applicant is eligible for assistance. If eligibility is confirmed, a survey is arranged to establish which insulation and/or heating measures are appropriate for the applicant's property. Thereafter, those measures are installed in the applicant's property.

7.3 The Warm Front grant maxima have remained unchanged at £2,700, or £4,000 where an oil fired heating system is recommended, since June 2005. During the same period, RPI has increased by 10% which has resulted in a significant number of Warm Front applicants having to make a contribution towards the cost of their measures, especially when the recommended work includes a heating measure. Whilst additional funding was identified for some applicants to meet the shortfall between the cost of the measures and the grant maxima, in many cases that was not possible, meaning work was unable to proceed.

There are a number of reasons why the grant maxima was being breached so often including:

- increases in labour and materials costs since 2005;
- changes to Part L of the Building Regulations, requiring more efficient but more expensive oil condensing boilers to be installed;
- significant numbers of Warm Front applicants who received insulation under a previous phase of the Scheme returning to the Scheme for either new or replacement heating systems. In such circumstances the cost of any prior works must be deducted from the grant maxima which leaves less money available for the new work;
- the cost of connecting a property to gas mains has increased.
- a range of additional enabling works required in certain circumstances to ensure that they comply with building or health and safety regulations. For example, scaffolding when working at height.

7.4 The Department undertook an internal review of the number of applicants having to pay a contribution to the cost of their works and the level of those costs. The review led to the conclusion that the levels of the new grant maxima would ensure that the majority of applicants would not have to make any additional contribution towards the cost of the measures being installed in their home.

7.5 The Government's decision to increase both grant maxima was announced on 23 April. To ensure a smooth transition from the old to the new grant levels, the announcement also confirmed that the new maxima would also apply to all applications already in the Warm Front system but where the installation work has not commenced. This will ensure that applications made since the Government's announcement on 23rd April will not have to be withdrawn and re-made in order to benefit from the new grant maxima. The transitional arrangements do not apply to applicants who have already received installation of their measures.

8. Consultation Outcome

8.1 There was no statutory requirement to consult [on the changes implemented by these Regulations] and therefore no public consultation took place.

9. Guidance

9.1 Following on from the date of the Government's announcement to increase the grant maxima, applications made to the Scheme will be able to benefit from the new higher grant maxima. Whilst an application made following the announcement may be approved for particular works, the work itself will not commence until after the amending Regulations are in force, i.e. on 1st August 2009.

9.2 Applicants who have not yet progressed with their application due to an outstanding financial contribution required towards the cost of the works to be installed, will also be eligible for the new grant maxima. Where the cost of the works is less than or equal to the new grant maxima, these works will be completed once the

amending Regulations are in force. Those applicants that fall into this category have been advised of this via a letter from the Scheme Manager.

9.3 Where an applicant has paid a financial contribution towards the cost of their work but the measures have not been installed, they will have been advised by the Scheme Manager that they can expect to receive a refund for the amount which they have paid which is now covered by the new higher grant maxima. Refunds can be expected once the amending Regulations are in force.

9.4 The Warm Front Scheme Manager has amended its publicity materials and application forms to reflect the changes to the Scheme. The changes will also be promulgated through meetings with stakeholder groups and the Scheme's front line staff.

10. Impact

10.1 The amending instrument has no impact on business, charities or voluntary bodies therefore impact assessments have not been prepared.

10.2 The increase to the grant maxima should ensure that the majority of applicants to the Warm Front Scheme will not have to make a contribution to the cost of the heating and insulation measures installed in their home

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The Government will continue to monitor the impact of the grant maxima to ensure that the revised level of grant maxima are sufficient to ensure that the need for applicants to make a contribution to the cost of their works is minimised.

13. Contact

13.1 **Sian Priest** at the Department of Energy and Climate Change; Tel: 0300 068 5146 or email: sian.priest@decc.gsi.gov.uk can answer any queries regarding the instrument.