



Public Accounts Committee

Oral evidence: Green homes grant voucher programme, HC 635

Monday 20 September 2021

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[Watch the meeting](#)

Members present: Meg Hillier (Chair); Shaun Bailey; Dan Carden; Sir Geoffrey Clifton-Brown; Mark Francois; Antony Higginbotham; Mr Richard Holden; Sarah Olney; Nick Smith; James Wild.

Gareth Davies, Comptroller and Auditor General; and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

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Witnesses

[I](#): Sarah Munby, Permanent Secretary, Department for Business, Energy and Industrial Strategy; Ben Golding, Director of Strategy, Vaccines Taskforce, and Acting Director General, Net Zero and Buildings, Department for Business, Energy and Industrial Strategy; and Selvin Brown, Director, Net Zero and Buildings, Department for Business, Energy and Industrial Strategy.



Report by the Comptroller and Auditor General Green Homes Grant Voucher Scheme (HC 302)

Examination of witnesses

Witnesses: Sarah Munby, Ben Golding and Selvin Brown.

Q1 Chair: Welcome to the Public Accounts Committee on Monday 20 September 2021. Today, we are examining the very short-lived green homes grant voucher scheme introduced by the Department for Business in autumn last year. It ended in March 2021. It was originally planned to spend £1.5 billion to support the creation of just over 82,000 jobs and enable up to 600,000 households to save money on their energy bills up to £600. The voucher that was awarded was between £5,000 and £10,000. It was £5,000 for most households and £10,000 for the lowest income households. When it closed in March, it had spent just £314 million, of which £50 million was on administration.

On a generous estimate, I would say, it created 5,000 jobs, but they have not been counted. That was a modelling exercise. We might delve into that. We want to know what went wrong and crucially, in this vital area of work to achieve net zero targets and greening our homes, what lessons the Department and Government more widely have learned from this about tackling carbon emissions and reaching net zero.

I welcome our witnesses today. We have them in the room, and it is great to see you all and welcome you back. Sarah Munby is the permanent secretary at the Department for Business, Energy and Industrial Strategy, taking time out of a very busy day. We will touch on the issues that you have been dealing with over the weekend in a moment.

We are pleased to welcome Selvin Brown, who is the director for net zero and buildings and the senior responsible owner for this particular grant scheme since September last year, also at the Department for Business.

Ben Golding is the director of strategy, vaccines task force, and was SRO for the green homes grant voucher scheme from June to September last year, so we have two SROs who had responsibility for this project. Mr Golding, that is quite an interesting mix—vaccines and the green homes grant. How did you manage to balance the two?

Ben Golding: They were not at the same time.

Q2 Chair: Maybe the description needs updating. That is a relief because the two do not go very well together. Before we go into the main business today, Ms Munby, you have obviously been busy, along with your Secretary of State, trying to tackle the challenging issue of what is happening with our energy crisis.

We have a number of quick questions for you about that. I know that a statement is being made by the Secretary of State in the House, but I hope that does not stop you telling us what is going on. Obviously, a lot of



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consumers are very concerned. Our concern is about taxpayers' money as well, so is there any prospect that the Government are going to put money into the energy market to make sure that they support consumers whose bills risk going up considerably otherwise?

Sarah Munby: In the short term—this goes to what is happening right now—the immediate concern is making sure that we have continuous energy supply into people's homes. We are well assured on that front. Ofgem has very well-established processes that work when a supplier has to exit the market, which of course happens quite frequently. As you can imagine, given everything that has been going on, we have been revisiting those plans and ensuring that everything is in good shape.

Q3 **Chair:** No one is going to see their energy cut off?

Sarah Munby: We are not expecting that at all. The separate question is, as these prices potentially feed through into consumer prices, that of course we have the price cap in place, and that is not going anywhere. We will, of course, keep everything that we do on fuel poverty under review. We have a strong set of programmes already, including the £140 grant and extra help for pensioners. We have extra help that kicks in if there is particularly cold weather, and so on. There is a strong package already in place.

Q4 **Chair:** And that is not changing?

Sarah Munby: That is not changing. None of that is going anywhere. Of course, as you can imagine, we will be having lots of conversations about whether anything else is needed, but there is certainly nothing to say now beyond saying that we think supplies are absolutely secure. We think we have totally robust processes for handling any market exits. We think we have a strong programme in place around fuel poverty. Of course, as ever, that remains under review.

Q5 **Chair:** There is a risk to taxpayers. If we are losing suppliers from the market at the retail end, and they are going down like flies—certainly we have already seen some failures and others are predicted by all commentators—I think you would agree there is a risk of that.

Sarah Munby: Absolutely.

Q6 **Chair:** Then we will end up with a shrunken energy market and less competition, but also stranded consumers the big energy companies will not take on board because they do not have the supplies to supply them with the electricity at the cap level that they have already signed up to with a failing supplier. What are you going to do for those trapped consumers?

Sarah Munby: We do not think there is any danger of consumers not being taken on. There are what Ofgem would have called the supplier of last resort processes, which are exactly designed to make sure that it is not up to the individual consumer to find a safe haven if a supplier exits the market. Ofgem will—



Q7 Chair: But who is going to be the supplier of last resort if the big companies are saying, “We can’t take on some of these smaller companies’ customers because of the price cap. They bought it cheap and we can’t honour that”?

Sarah Munby: Ultimately, we think there absolutely still is room for big companies to take on further small companies. At the end of the day, there is a second line of defence, which is the special administration regime that is specifically designed for the challenge. For example—we are not expecting this, but it is just to say that we have multiple layers of assurance—if a large energy supplier goes down, and you cannot use the supplier of last resort techniques to package up the customers and get them out to other suppliers, the special administration regime allows the Government, effectively, to step in through an administrator and organise for the supply to continue until such time as you are able to organise an orderly exit.

We are not concerned that there will ever be a situation where we are not able to provide continuity of supply. Of course, after consumers find themselves in the arms of a new supplier, they then have the opportunity to shop around and get the best price. That is what we would expect to happen.

We are aware of the potential longer-term risk around concentration in the market increasing. It is fair to say that, if you look at the energy market over the last five or 10 years, entry and exit are both frequent. The fact that you have exits does not necessarily mean that you are headed to a long-term, more concentrated market. We would expect more people to come in as well. Yes, it is a watching brief, but there is no evidence of a near-term problem right now.

Q8 Chair: You sound remarkably calm, but I think you also laid down a marker there for the large energy companies who have been all over the media, and anywhere else they can get their voice heard, saying, “We won’t take on these customers.” You seem to suggest that you expect them to step in and take on customers from any failed smaller companies.

Sarah Munby: That is the negotiation that is going on now. The Secretary of State has been at a roundtable with most of the major energy suppliers today, talking about exactly those topics. At the end of the day, the backstop special administration regime means that we are not concerned.

There is definitely a lot of work to do in making the matches and really understanding where the risks are, and which suppliers can take people on. This is a matter of very serious attention in the Department with lots to do, but it is not something where we are ultimately concerned that we are not going to be able to work through to a solution.

Q9 Chair: In those conversations, I am sure there is some discussion about whether the Government will provide a sweetener to take on any of those customers, notwithstanding the supplier of last resort. If money is on the table, is it Business money or from the Treasury? Are you having



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discussions with the Treasury about that, and is there any indication you can give us about the likely exposure to the taxpayer?

Sarah Munby: Ultimately, the supplier of last resort regime already contains provision for companies to be compensated for costs that they take on as part of that regime. The current process for how that extra cost is dealt with, just so that you know, is that it is fed out across the market over time. Ultimately, very small amounts appear on people's bills down the line. We are talking pence. It is not typically a serious cost.

Q10 **Chair:** To be clear, it is the bill payer that pays and not the Treasury. It is not the taxpayer through the Treasury.

Sarah Munby: That is exactly right. Of course, if over the next period we decided to do something different, you cannot rule anything out. Currently, as the Secretary of State has made clear, the focus is on making sure that consumers are in a good position. That is how we are looking at the problem—making sure that all of the regimes and processes that I talked about are in really good shape. We are not currently intending to put any taxpayers' money at risk.

Chair: You either come to calm troubled waters with those remarks, or you are remarkably laid back about it. I will leave Mr Smith to come in and see if we can divine which of those is the situation.

Q11 **Nick Smith:** Ms Munby, I am interested in the supplier of last resort machinery that you talk about. Do you have a shadow organisation in the wings ready to step in, should that be necessary?

Sarah Munby: Do you mean the special administration regime?

Nick Smith: Yes.

Sarah Munby: That is an administrator. It would not be a Government official, as it were. The supplier of last resort piece is run by Ofgem. To give you a picture of why I am confident in that machinery, we have run that process 28 times since January 2018. From Ofgem's point of view, it is serious and important that it is done carefully, but it is part of the course of doing business. It is not a shocking or unique activity.

Q12 **Nick Smith:** You do not need to set in place any database protocols, or a set of people who can step in should none of the energy companies want to take over these customers. There is no parallel administrative organisation that needs to be established in the meantime.

Sarah Munby: No, because ultimately, as I said, the backstop would be the administration regime. To slightly oversimplify but to answer your point exactly about whether you need databases and so on, you would be using the databases of the company. You would be acting as an administrator, using the company's assets. It is not that we would stand up a fresh operator. We would hold the existing operator operating until the point at which we could get the customers into a new solution.

Q13 **Nick Smith:** I am thinking on my feet, Chair. Would that mean that you



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would put in new governance? Would you put in new executives to take responsibility for the new organisation that is stepping in for the energy company that had failed? Give us a bit more detail about the process, governance and operation of it.

Sarah Munby: It is much parallel to a standard administration regime, in which a company is run during administration. There are some particular statutory provisions to make sure that the customer is protected, but the regime that we are talking about is built on the standard administration regime. I guess this comes to your question about why I am not more anxious. I am focused, but I am not worried. We have the tools available. We are going to deploy the tools. It will take energy and work from across the Department and Ofgem, and all the suppliers, but the processes are well warmed up and well resourced.

Q14 **Chair:** Well resourced by whom? Is it your Department that would pay for this? Is it the bill payer or would you have to seek money from the Treasury if you had to go in and basically become the administrator for a large company?

Sarah Munby: That then becomes a little bit more specific to the individual case. It is conceivable that at some point you could have a situation where you would need taxpayer funding. It really depends on what the situation is with the company when you get there.

Q15 **Chair:** Will there be a point at which you might make an assessment about whether it is cheaper to provide a sweetener or a bail-out than it is to become the administrator? Would those be part of your considerations as accounting officer?

Sarah Munby: Yes, although the only circumstance in which you would be looking at an administration regime in the first place would be one in which your other techniques had failed. It is a last choice, not a first choice.

Chair: We recognise that we are looking at a series of hypotheticals. I do not usually try to go down that route, but thank you. It is helpful for bill payers and customers to know. Over to Sir Geoffrey Clifton-Brown.

Sir Geoffrey Clifton-Brown: Good morning, Ms Munby.

Chair: Or afternoon even.

Sir Geoffrey Clifton-Brown: Or even afternoon, yes. I have been working so hard I've forgotten.

Chair: It's been a long day already.

Q16 **Sir Geoffrey Clifton-Brown:** Given that a spike in energy prices, whatever causes it, is highly undesirable, we in this country have been running down our gas storage for years because we assumed there was surplus in the world, and we would be able to buy it on a world market cheaply. What are your plans now to build up our gas storage?

Sarah Munby: First of all, it is worth saying that much of this gets taken care of by the market. Ultimately, the question of gas storage—



Q17 **Sir Geoffrey Clifton-Brown:** That takes a short-term view.

Sarah Munby: Yes, although those views are undoubtedly taken with an eye towards future volatility. In a world where you have a more volatile commodity, you can expect more storage. I do not think it is so much a question that I am going to plan out the pathway for storage inside the Department. Much of that is a role for the market.

Of course, it is something that Ofgem thinks about as it thinks about the future path of the network. It is also fair to say that the circumstances we are experiencing right now are pretty exceptional. That is why the results have been exceptional. As ever, when you get to the very edges of the distribution of probability of what you thought was going to happen, you see some challenges to the system. I think that is where we are now. We are in a really quite exceptional circumstance.

Q18 **Sir Geoffrey Clifton-Brown:** Let me stop you there. I am not sure that these circumstances are wholly exceptional or wholly unforeseen. Russia was one of the largest, if not the largest, suppliers of gas in the world. Mr Putin has very cleverly decided that, instead of supplying surplus summer gas, he is going to restrict it. That is what has caused this situation. I am not sure that it was unforeseen.

Sarah Munby: As ever, it is not one factor that causes something like this. It is the confluence of multiple factors. It is worth saying for everyone's information, and for anyone watching, that only a very tiny fraction—I think it is less than 3%—of our domestic gas comes from Russia. Although, obviously, what you are talking about affects the global market, we are not especially exposed to Russian gas supply. Indeed, the majority of our gas is produced domestically.

It is the layering on of some post-Covid stories. There is some maintenance going on with some of the upstream assets. There has been delay because of Covid, so you have more than you usually have. At the same time, you have a series of things happening in the LNG market in Asia which are pulling resource. On top of that, you have the electricity market changing with a lack of wind at certain periods. It is a layering on of multiple things. All of those things are individually predictable. What gets you an extreme outcome is when they all hit you in parallel.

Q19 **Sir Geoffrey Clifton-Brown:** Given that 30% to 40% of our electricity generation is by gas, can we take it that Ofgem will be looking at the issue of national storage very carefully?

Sarah Munby: Yes.

Q20 **Sir Geoffrey Clifton-Brown:** One of the factors you have not mentioned in terms of the spike in prices at the moment is the fire at the interconnector. Is that being dealt with as a matter of urgency? Given that 10% to 15% of our supplies come through the interconnector, when is that going to come back on stream?



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Sarah Munby: Yes; it is absolutely being looked at as a matter of urgency. We have been speaking to National Grid about it only recently. I cannot give you a firm answer now other than ASAP. I am happy to provide some more detail when we have it. We have other interconnector capacity coming online shortly. That helps, but it is undoubtedly another one of the factors that has led us to this situation.

Q21 **Sir Geoffrey Clifton-Brown:** Presumably, it will not be only us affected by all of this. We have an interconnector with Ireland, do we not?

Sarah Munby: Correct.

Q22 **Sir Geoffrey Clifton-Brown:** They will be suffering the same problems as us.

Sarah Munby: Correct. Indeed, many of the problems that we are talking about are global.

Q23 **Sir Geoffrey Clifton-Brown:** I will move us on, because I know the Committee is interested in the knock-on effects of this. My farmers on Friday were desperately concerned that fertiliser production has stopped in this country. If they do not get supplies of fertiliser before next spring, they will be in deep trouble. Obviously, this is a Government policy with DEFRA, but what discussions are taking place about the knock-on of not producing CO₂?

Sarah Munby: If I might, I will do one second of background. The situation right now is that the UK's largest fertiliser/carbon dioxide producer has shut its plant. Carbon dioxide is effectively an off-take from the production of fertiliser.

The fertiliser shortage is one question. Fertiliser, though, has the advantage that it is a relatively global market. That is not to say it is not a challenge, but probably the more acute challenge is carbon dioxide, which is harder to store and transport. Carbon dioxide was very close to a free good because it was produced as an offshoot of another process.

We are in very live work on exactly that issue. When I say that I have had a busy day and a busy weekend, that is top of my postbag. The Secretary of State met the global CEO of the fertiliser company, who is in the UK now, just yesterday. We are working on a cross-Whitehall basis, including DEFRA, with the users of carbon dioxide, for example, who have a big part to play in any solution. I cannot tell you right now what the answer is, but we are very much aware of the situation and we are working very hard with all of the market participants to see what can be done.

Q24 **Sir Geoffrey Clifton-Brown:** One of the biggest users of CO₂ is the food industry. Again, with the shortage of lorry drivers, this could have an important combined effect. What are the Government really thinking on this whole CO₂ issue? Other members of the Committee will ask other questions in a minute, I am sure, but if we do not get the supplies of CO₂ we need, it will have significant knock-ons all around the place.



Sarah Munby: That is right. As you can imagine, the technique at the moment is to look at a full range of possible solutions. We have asked ourselves the question, "Can we get CO₂ from elsewhere?" We are asking ourselves the question, "What would it take to get the plant back online? What role can Government play in that? What role can the people who use carbon dioxide play in that?" It is being discussed as we speak. I cannot tell you right now what the solution will be. I would say that we have a strong range of options. The question is, which is going to be the best? To be clear with the Committee, we fully appreciate the urgency.

Chair: Thank you, Sir Geoffrey. We turn to Antony Higginbotham.

Q25 **Antony Higginbotham:** To follow on from those questions and look at food production, fertiliser is absolutely essential for growing crops. The other thing that farmers do is grow animals, and lots of us have abattoirs in our constituencies. There are two means of stunning animals for slaughter. One is to use carbon dioxide. We know that is in short supply. The other is to use electric, which we know is shooting through the roof in price because of the knock-on impact.

Is the Department working with abattoirs and others in that sector to understand the knock-on impacts, both whether you secure the supply—because CO₂ is now in very short supply—and, even if we get some, that it is probably going to have to be rationed between different end uses, and if they cannot do that, moving to electric, which is more expensive and the capacity is not there? There is about a 30% reduction in capacity per abattoir if they move to that.

Sarah Munby: Ultimately, the question you raise is exactly right and, yes, it is being looked at. I would not try to run away from the question, but ultimately those details are a matter for DEFRA rather than for us. What we are trying to do is make sure across the whole market for carbon dioxide, in which, as you say, abattoirs are one, and low-temperature transportation is another. It is, of course, also used, for example, in a sector that we own, which is nuclear.

It is worth saying, I think, that while we have lost one major supplier, we absolutely still have carbon dioxide production in the country. While the challenges right now are significant, particularly for the food sector, and we fully recognise that, we are not in a case of not having anything. Therefore, the really critical applications are of course at the front of the queue for the supply that we have.

Q26 **Chair:** What are the critical applications?

Sarah Munby: Nuclear is one and hospitals are another.

Q27 **Antony Higginbotham:** Looking at what are deemed non-critical, I do not know whether abattoirs fall into critical or not, though I think most of us would see them as critical given our food supply issues. If we look at another—drinks—we are not just talking about sparkling water but all of our breweries. It is not just the very large ones. We all probably have



microbreweries and things like that.

Are you making sure that, as you engage in those discussions, you are working with not just the very large companies and trade groups that might use it but also with the very small suppliers, who probably now do not know where to turn to get their supplies?

Sarah Munby: Yes. Ultimately, the answer is that the ideal solution is a solution that will work for the whole market. You can imagine that if you are able to secure a substantial addition to supply, whether that is the plant reopening or something else, you effectively reignite the market for carbon dioxide, if I can put it that way. That is the ideal solution, so that all of the different users, as they could for any other product, can access it. That is where we would like to be. We need to work out the detail of the steps to get there. We know that the solution has to be a solution not just for the big users but for the small users as well.

Q28 Antony Higginbotham: If you got that ideal scenario—plant comes back online and fertiliser starts being produced—what is the timeline from the global CEO sitting in London saying, “Yes, I can restart production,” to that filtering through to those very small businesses?

Sarah Munby: A very small number of days.

Chair: Thank you, Mr Higginbotham. We will move on to the main session. Thank you very much indeed for taking those questions, Ms Munby. We look forward to the statement by your Secretary of State in due course. We recognise that you have a lot to do, so we can probably canter through the challenges of this project reasonably fast so that you can get back to the Department. Short answers acknowledging the challenges would be helpful. I am sure that you will be candid.

As I said, we are looking at the green homes grant voucher scheme, which ran from September last year through to March this year. I am going to ask Sarah Olney to kick off on this.

Q29 Sarah Olney: Thank you, Chair. I think it is fair to say that this was an unsuccessful scheme. Why do you think it went wrong?

Sarah Munby: You will forgive me if this answer is not incredibly short, because there are a few things worth exploring. It will probably give a good view of the terrain, as it were, for the session. We have thought really quite carefully about the problem, as you can imagine.

The first question is: was the fundamental design and conception of the scheme a problem? We think that there was one really big challenge in the fundamental conception of the scheme, which was its short duration. There were good reasons why the scheme was so short. If you take your mind back, we were looking at 10% unemployment. The majority of construction workers were on furlough. This was an urgent problem, but the fact that there was a cut after six months was a real issue in getting the thing right. That was why, in November, it was made longer. The piece around the



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challenges of running a scheme with a short duration was the biggest challenge to me in the fundamental conception.

You then had a series of questions about the detail of the scheme design. Some of these are explored in quite some detail in the NAO Report. We think there are some—I do not mean to sound dismissive—marginal improvements that could be made. We have some reflections on the scheme design—to give an example, a simplification of the way pricing worked. Ultimately, we think that the scheme could have been delivered and could have been successful. Part of the reason we think that is that we had schemes like it in the past that had been delivered and were successful.

The third area is the procurement and the external supplier. The supplier did not deliver. I think a lot of the problems associated with this scheme ultimately come back to problems of customer service. I know that many of your constituents have had some really difficult customer service experiences. The same is true of installers and suppliers.

We were not able to get the supplier to deliver the automated solution that we were promised. We worked extremely hard at that problem. I think, ultimately, that it was not that they did not want to do it, but that they were not able to. What were the causes of that? To me, that is the critical question.

The final thing that I have thought a lot about is how we make sure that we have all the right capability in place to manage these programmes. I have asked myself a lot the question, if we had had more, or different, people on our team would it have made a difference? My honest assessment is probably not. It would certainly have led to people working a lot less hard. There is something about making sure that we have enough delivery, commercial and qualified people in the Department. We are on a very good journey on that. We have more than doubled the number of those types of staff that we have since 2019, but there is more to go after.

I think there were challenges of a short window and everything that that led to, and some small but meaningful scheme design challenges. At the heart was the difficulty of having a supplier who was not able to deliver what any of us would consider a reasonable standard of customer service.

Q30 Sarah Olney: Thank you. Why were you in such a rush to put the scheme in place? It was announced and then launched 12 weeks later. It seems a very short period of time.

Sarah Munby: Yes. The first thing to say, of course, is that it is short but perhaps less short than it might initially seem. We have had schemes in the past—the green deal home improvement fund being one—that had been set up with a similar timescale. We were building on schemes that we had done previously. This was not from nothing right through to launch. We were starting with the core of an idea and refining the parameters, but 12 weeks was certainly rapid and ambitious.



The reason for that goes back to what I said in my opening remarks. At that point, we were just about to come to what was expected to be the end of the furlough scheme. We had 60% of the construction industry on furlough. At that point, the OBR was forecasting 10% unemployment. Just as a lot of other Government schemes were introduced rapidly—be that vaccines or the British Business Bank loans, both of which you have had me in front of you talking about, or something like the furlough scheme—this, although not on the same scale, was going after an immediate problem, which was, frankly, the fear of large-scale unemployment in the construction industry. That is what we were trying to address. That was what led to the pace.

Q31 **Sarah Olney:** But what was it that convinced you that this particular scheme would be the answer to that issue?

Sarah Munby: First of all, it is important to say that it was not just this scheme. The scheme was part of a portfolio. There was the public sector decarbonisation scheme, the local authority delivery arm of the green homes grant and the social housing decarbonisation fund, and the demonstrator arm of that. We had a portfolio of programmes, all essentially designed to do the same thing: decarbonise buildings while, at the same time, supporting rapid employment. All of the other three—I hesitate ever to claim that anything is entirely successful—have delivered to time and to budget and have achieved their aims. They have gone well and are things that we would seek to expand in the future.

The reason we thought this was an important part of the portfolio is that it goes fast. Experience of doing these programmes is that you can get them through quickly. Something like the public sector decarbonisation scheme was really good, but it requires the public sector organisation to make a plan, to bid for a grant, for the grant to come back in and for the public sector organisation to then hire the people to do it. The voucher programmes have a very rapid ramp-up and can ramp up to a big scale quickly. We knew that because of our experience in the past. The green deal home improvement fund more or less sold out in 24 hours when it was launched in 2014, so these are speedy programmes. That was why it was in our portfolio.

Q32 **Sarah Olney:** Thank you. Mr Golding, to what extent did you question whether it was realistic to launch a scheme of this complexity in such a short space of time?

Ben Golding: It was very much on our minds. As Sarah said, we were looking very much at the experience of past schemes, so the green deal home improvement fund was the archetype for that. It had clearly been done before. We were confident that it could be done, but, absolutely, the timescale was very challenging.

The only other thing I would add about the timescale consideration is that, from experience of working with the industry, had we taken a bit longer over it and had a regime that launched in November or December, we



would have been going into the winter, which is not the best time to start an energy efficiency scheme just because of the practical considerations.

Q33 Sarah Olney: The report highlights that the scheme was assessed as having a high level of risk. Ms Munby, given that you had received warnings, how much weight did you give them? Were you concerned about that?

Sarah Munby: A great deal of weight. We should note that we probably would not have launched this scheme if it had come along at a different time. This was not an accounting officer in a moment of peace looking over a potential strategic plan for the next six months; it was trying to deal with an acute problem affecting people out there in the world now, so on the question of getting it up and running and spending all of the money, we had a high-risk appetite. I am sure we will come back to this, but it is worth saying at this point that we had a very low-risk appetite in terms of fraud and poor-quality work. Those are problems that have dogged insulation and energy efficiency schemes in the past that we were very clear that we needed to avoid.

The critical question that I asked myself in launching the scheme was, "I know there is a very real risk, something approaching a likelihood, that we will not be able to spend all the money." It was an extremely ambitious ask in terms of the amount we were seeking to spend, so the question I asked myself—I can draw myself back into how I thought about it at the time—was, "If things don't go as planned and we don't deliver the full amount, will the scheme still have been a good choice?" Our analysis showed that, even if the scheme turned out to be very much smaller than originally planned, even if it was a tenth of the size that we hoped it would be, it would still be value for money, create employment, decarbonise homes and something we were glad to do.

While I was very cognisant of the risk, I also knew that a scheme like this is obviously better if it is bigger but could still be good if it was small. My assessment of the fall-back was that, if things did not go well, the likelihood was that I would be sitting in front of you saying, "This scheme was much smaller than we hoped it would be, but I can still absolutely show you that it was a good thing."

As it transpired, the combination of poor customer service and inflated administrative costs, which I am sure we will talk about, means that we cannot quite say that, but it is nevertheless true that, despite the challenges of the scheme, we installed rather a lot of heat pumps and helped thousands of homes improve their energy efficiency. I am not claiming that the scheme was a success, but we made some good things happen, and if we had done that without the customer service challenges and at somewhat lower administration costs, I would have been sad not to have done more but happy with what we had done. That was where I thought I would be.

Q34 Sarah Olney: Don't you think there are some downsides in the way the



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scheme was rolled out? We have heard evidence from suppliers, for example, who invested in apprenticeships and took people on training schemes only now to find that the rug has been pulled from under them. What confidence will they have in any future schemes that the Department might bring forward? Do you not think there has been some damage there?

Sarah Munby: Yes. I would caveat it with the fact that it was part of a portfolio of schemes, and we were able to pivot a proportion—I fully recognise not all—of the funding into the local authority and housing schemes, which means that that problem, though real, is not as widespread as it might have been. That is one thing to bear in mind.

The second thing comes back to what I said about short-termism. It is undoubtedly true that the right way to do the work is with an eye to the long term, as part of a long-term strategy—a short plug for the heat and building strategy coming out soon. That is exactly how we should be doing this work. It is obviously not ideal to find yourself in a pandemic needing to make short-term policy without the long-term direction, regulation, path of future funding and so on to back it up.

Q35 **Sarah Olney:** One of the scheme's goals was to create jobs. You have explained very clearly the end of furlough and concerns about employment in the construction sector, but what you are proposing is to create jobs in quite an innovative part of the sector. Installing heat pumps is quite new technology. I submitted a written question to your Department to ask how long it takes to train somebody to install heat pumps. The answer I received was 48 months. How feasible is it that you could have created skilled jobs with that kind of training in a six-month scheme?

Sarah Munby: It is worth saying that what we anticipated would happen, and did indeed happen, was that companies that already carry out whatever particular measure you are discussing would take on more staff to work alongside experienced people. It is not the case that you have to train up fully in proportion, as it were, to the number of measures you want to put in place; you do not need a new person for each measure. You pare, expand and subcontract, so that helps. It does not change the fundamental problem that for some of these skills it takes a long time to get people over the line. That is why to my mind the biggest challenge was that the scheme was designed to be a short-term stimulus.

We are not embarrassed about the fact that when we started the scheme some of the people we needed were not in place, because that is part of the point of the scheme. You want people to be trained up into skills they do not already have. We want that to happen. In many cases, there is absolutely enough time within the runway of the scheme to get them trained up and to deliver. I do not know whether Ben can add anything on heat pumps in particular.

Ben Golding: Not on heat pumps specifically, but you are right that additional skills are required. Heat pumps are more complex to install than some of the other measures in the scheme. That is precisely why the



scheme was very much demand-led. We did not assume that a certain proportion of it would be heat pumps. We allowed customers to decide whether to have heat pumps or other measures such as insulation, which are much more the sorts of things you would expect to be skills that would come through the general construction trade. Again, that was why we were targeting that sector and the people on furlough there.

Q36 Sarah Olney: Ms Munby, are you saying that the goal was to support companies and practitioners already in the sector, rather than encourage new entrants into the sector, or school leavers, or whoever, to train up? It was very much about bolstering existing providers.

Sarah Munby: Ultimately, it was about employment, wherever that might come, so it was a mixture. You would expect it to be a mixture of companies expanding the number of people they had doing those measures, some new companies coming up, and some companies taking on subcontractors. You would also expect that to change over time. We always anticipated that in the initial months of the scheme it would be more about existing companies using their existing furloughed staff. An important point is that 60% of people were on furlough, so you can job create from the people they already have, plus taking on people to work alongside them, and then you would expect more companies to flow in over time, so it is a mixture.

Q37 Sarah Olney: You said it was the early months of the scheme. At what point in a six-month scheme do you expect to see more people coming in?

Sarah Munby: It varies by measure. You cannot get a scheme off the ground overnight, so you would expect in the early couple of months for it to be very much existing companies. By the time you are getting into, say, month three of the scheme—it is worth remembering that the scheme had been announced at the beginning of July and was then launched at the end of September—three months in—

Q38 Chair: Twelve weeks.

Sarah Munby: —it is October, November, December. You have from the announcement in July right through to December. That is a decent period to do some market expansion, have new people trained up and so on, especially when you remember that people will be working in teams, so not everybody has to have the full set of capabilities.

Selvin Brown: In total, £1.75 billion was invested in all of those schemes. Those schemes delivered about 30,000 heat pumps; 12,700 of those were under the voucher scheme alone. As Sarah says, there were a number of other measures, for example, solid-wall installations, where there were 11,000. They are easier to train people for, and they will roll on quicker. We invested £7 million in training, and some of the companies who wrote to you in relation to the training and apprenticeships they had been supporting continue to work on the other schemes. For example, as we pivoted from vouchers to the local authority aspect of the green homes grant, that supply chain has picked up the work.



Q39 **Sarah Olney:** Thank you. That is good to hear, but obviously we are here to talk about the voucher scheme today.

Ms Munby, you were trying to combine two objectives: to create jobs, and I fully understand about the timing; and to achieve carbon reductions. Do you think it would have been easier, given how much time you had and the speed at which you had to work, to focus on just one objective or the other?

Sarah Munby: Undoubtedly, it would have been easier. Would it have been better? I am not sure. Really good public policy involves trying to achieve both of those things at the same time. We were balancing a scheme that would do good carbon reduction work and at the same time create jobs. In a sense, pure job creation is quite straightforward if you have moneybags behind you. What we were trying to do was make sure that, at the same time as we were paying for people to work, they were doing something that was valuable for our long-term strategic position. I do not think we are embarrassed about the fact that we were trying to balance both of those needs and find something that did a good job on both.

Q40 **Sarah Olney:** What the report is suggesting is that, in order to have the greatest impact on the carbon reduction measures, you were focusing on primary measures, like insulation and low carbon heat insulation—the heat pumps—and because you were trying to focus on both of those, which are the more skilled elements, you could not focus on the greater carbon reduction measures and a quick fix, if I may say so, on job creation at the same time. Those are two separate objectives.

Sarah Munby: To drive greater job creation, you could simply have broadened the constraints on the measures—for example, glazing and doors, with supply chains that could have moved up more quickly. If you were interested only in job creation, that would have been the decision you would have taken.

The challenge with that decision is that you end up potentially with a scheme that is poor value for money. You do not get enough carbon reduction because those measures are not as effective per pound spent. You also have a second value for money challenge, which is that you get less additionality. People are less likely to do the bigger measures without support, whereas people will do some of the smaller measures anyway. We could have had a bigger scheme that drove more job creation. That is undoubtedly true. We would, however, have been veering the car into the other risk, which was a scheme that spent an awful lot of public money and did good work on job creation, but was poor value for money in carbon and additionality.

Q41 **Chair:** This did not really do either.

Ben Golding: May I add two other points to the permanent secretary's response? First, the measures we were looking at, as well as being more complex in some ways, were also relatively labour intensive, so from a job creation point of view, the person hours and number of people required per



installation were typically at the higher end, so there was some logic behind that in job creation.

The other thing is that we saw quite a lot of demand coming through, especially at the start of the scheme, for measures like heat pumps and wall insulation. Where we saw that fall away was around the practicalities of delivery and the customer service experience, which, we have said already, was not what we would have hoped.

Q42 **Sarah Olney:** Thank you. The original budget for the scheme was £1.5 billion. How realistic do you think it was to think you might spend that on these measures in six months?

Sarah Munby: We thought it was extremely ambitious.

Q43 **Chair:** There is honesty there, Ms Munby.

Sarah Munby: And we believed, correctly, that the likely flow of events was that the funding would be extended, as indeed it was.

Q44 **Sarah Olney:** You thought it was extremely ambitious, but you also knew that it was very high risk, and you were introducing a scheme that was only six months long, at a time when a good deal of the focus of your Department was on helping people to get through the pandemic and the associated lockdown. Did that not give you pause?

Sarah Munby: It comes back to what I said about what I thought the real risk was. It is not like a nuclear power station where, if I think it is not buildable, I shouldn't start because half a nuclear power station is no good to you. Half a green homes grant scheme is almost half as good as a whole green homes grant scheme, so it is pretty scalable.

I was concerned that we would not deliver the full amount. I argued successfully and strongly with HMT to extend the funding, which it did, but I did not think that the fact we might not spend the money was a reason not to enter in a best efforts way to try to put out as much as we could to generate jobs and carbon improvements at a time when those things were needed. It is a mixture. On the one hand, we thought it was really risky and ambitious; on the other hand, when we looked in a cold-headed way at what the downside scenarios were, they felt okay. We have ended up in a downside on the downside, which is not okay, but that was how it looked when we launched.

Q45 **Sarah Olney:** It is not half, is it? You were hoping for 82,500 jobs and you got 5,600.

Sarah Munby: Yes. I was speaking as looking at it beforehand.

Q46 **Sarah Olney:** I appreciate that was an illustration, but what I am saying is that you did not just undershoot; it is very much less than you hoped.

Sarah Munby: Yes, that is right, but if we had delivered a scheme of this size with the expected IT process, customer service, administrative cost ratio and so on, all the analysis that we did at the time of launch said that



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even a scheme of this size would have been okay. Of course, it is disappointing that the scheme was not bigger, but the real problem comes down to the fact that the scheme was poorly delivered and too expensive in administrative terms, both of which are 100% fair criticisms and attacks on what we did. I totally agree. The fact that the scheme turned out small is not good but is not in and of itself a problem that would have made me make a different decision at the beginning, as accounting officer.

Q47 **Chair:** The admin costs were £50 million.

Sarah Munby: Yes.

Q48 **Chair:** On £260 million?

Sarah Munby: Yes.

Q49 **Chair:** So there is a cost in having a small scheme.

Sarah Munby: If I can take exactly your point, the admin costs were too high, but that was not inherent in the structure of how the thing was set up; it was what happened as a consequence of the various events. To give you an example, our costs inside the Department were significantly higher than we anticipated because we had a lot of people working on recovery. When things started to go wrong with the supplier, we did not say, "We will keep the same resourcing that we expected." We said, "Right, Selvin, what do you need? Get in there. Help. Support."

Similarly, on legal resources we were going through complicated discussions with the contractor, working it through and ultimately reaching a settlement. That adds cost. At the same time, the supplier was not able to deliver the IT solution and, therefore, accrued additional cost. A small portion of the reason the administrative costs were high is that the scheme was smaller scale than we hoped, but ultimately this was a low fixed cost, high variable cost set-up.

Q50 **Chair:** The rest was because it failed. That is what you are saying

Sarah Munby: It was mostly because it went wrong and that inflated the costs.

Selvin Brown: On top of the £265 million is a contribution from the customer, which is £56 million. I accept that the admin costs are £50 million for the reasons Sarah has given. Therefore, the overhead is about £13.6 million. It is higher than you would expect it to be or want it to be, but I think the contribution from the customer has been lost in the conversation.

On the jobs point, the NAO modelled the jobs on a 12-month basis. For a fair comparison, we modelled our jobs, the 82,000, on a six-month basis. I am talking about all the schemes—I am SRO for all the schemes—because they come as a package and they are involved in the supply chain, as we have pivoted from one to the other. Across all of the schemes, the NAO says we have 42,000 jobs; we think it is about 49,000, and in quarter four



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we will bring forward an additional £600 million for the schemes that are working. The next phase of the local authority scheme will add three; there will be the first phase of the home upgrade scheme; and then the first wave of the main scheme for the social housing scheme. That will bring an additional 15,000 to 20,000 jobs.

- Q51 **Sarah Olney:** Ms Munby, to return to what you said at the very top of the session when we started talking about this, you thought three main things had gone wrong: the short timescales, under-delivery by the supplier, and not quite working together with suppliers. Which of those three do you think was the most relevant for why a £1.5 billion scheme only delivered £260 million?

Sarah Munby: If that is really the question—why was it small?— probably the single biggest factor is that it was over-ambitious. We would probably, in almost any circumstances, have been coming back with a small scheme.

- Q52 **Sarah Olney:** Perhaps I could rephrase it slightly. When you decided to sign off and proceed with a £1.5 billion scheme but ended up with a £260 million scheme, what did you overestimate to get to £1.5 billion? Do you see what I mean? Why did you think you could deliver £1.5 billion? Which of your assumptions failed?

Sarah Munby: The biggest way in which reality turned out to be different from expectation, if I can take it that way, was ultimately supplier performance. Supplier performance then made some of the other challenges worse. If I could bring that to life, there is some questioning in the report about the complexity of the scheme, and the distinction between primary and secondary measures, for example. I am very happy to answer questions on that specifically, but I think that any level of complexity in the scheme became more of a problem than it would otherwise have been because the whole process of interacting with the scheme was undoubtedly far too complex. There was too much, “Can you give me your document again?” There were too many delays and no ability to see where you were in the process. I think those sorts of challenges made the complexity issue worse.

Similarly, the supply chain point you were talking about was very real. When we started the scheme, we knew that getting the supply chain up was a big challenge. That was made worse by the fact that suppliers were not moved on to the scheme fast enough; suppliers found that the people who were supposed to be booking with them had got their vouchers late, so the timing of the work did not work through and so on. I would say that all these problems are interrelated. I fully acknowledge the role of the decisions that the Department made, as I have talked about, but at heart the thing that was most different from my expectations was the operational delivery of the scheme.

Sarah Olney: Thank you.

- Q53 **Sir Geoffrey Clifton-Brown:** Ms Munby, did you do any form of risk analysis versus benefits before you set out on this scheme? If so, were the



risks exceeded in that analysis, and could we see that analysis?

Sarah Munby: We have two things. I am not sure whether either exactly meets what you are asking, but I think they are in the right territory. The first is that as part of my original accounting officer advice, and we could absolutely share this, we did an analysis of 16 scenarios. Things go a little bit better than you hope on one dimension; things go a bit worse on another dimension. I remember those 16 on a four by four grid which showed that only one of the 16 scenarios delivered a scheme that was not value for money. It goes back to my point that the scheme being smaller, which was the big risk, did not make it not value for money; it had to be both a lot smaller and the costs had to be elevated. To be clear, that is the scenario in which we found ourselves. It was much smaller than we hoped and the costs were much higher than we hoped. That was what our analysis said. It was just that we then found ourselves in exactly that one out of the 16 scenarios put in front of me at the time.

We also have our risk assessment of what the risks were in words. That goes through supply chain scalability, the possibility of price inflation, the possibility of not reaching the spending target, how we would manage fraud, risks from Covid and risk of operational failure. As we have discussed, some of those risks very much came to pass.

Q54 **Sir Geoffrey Clifton-Brown:** You were used to pressure from the Treasury to produce schemes in very short order to deal with the effects of the pandemic.

Sarah Munby: Yes.

Q55 **Sir Geoffrey Clifton-Brown:** You sought a ministerial direction on CBILs. Why didn't you seek a ministerial direction on this scheme, bearing in mind the risk you had already identified?

Sarah Munby: Because I thought that the primary risk was that the scheme would fail to deliver its full amount. I was satisfied that, even if that risk came to pass dramatically—for example, that the scheme was 10% of what the Treasury was asking us to deliver—it would still be value for money. I was happy to launch the scheme on that basis. I absolutely thought there was a very real possibility that the scheme could turn out to be much smaller, but I also thought, wrongly as it turns out, that even a smaller scheme would deliver value for money. That was the test. If the question had been, "Accounting officer, are you confident you can spend £1.5 billion?", I would have asked for a direction. In my view, the correct question was, "Accounting officer, are you satisfied that launching this scheme represents a good use of public money?" Yes, I was satisfied.

Q56 **Sir Geoffrey Clifton-Brown:** Wasn't the real test that it was impossibly optimistic and, therefore, your personal reputation was at risk, the Department's reputation was at risk, and the Government's reputation was at risk? Surely, was that not something sufficiently serious that you should have asked for a ministerial direction?



Sarah Munby: I think the question is, do you start from an assumption that attempting to deliver £1.5 billion is—

Q57 **Sir Geoffrey Clifton-Brown:** The aim was laudable, and we all accept that. The reality was that it was not deliverable. Therefore, wasn't that something on which you should have sought a ministerial direction?

Sarah Munby: I think that fundamentally as accounting officer the question is whether or not this is a good idea. If you really boil down to the test—

Q58 **Sir Geoffrey Clifton-Brown:** Surely, the real question is, is it deliverable or not?

Sarah Munby: Yes, but the question as I confronted it at the time was, "Do I believe that launching this scheme is a good use of public money?" The answer was yes. You can take a different view and say, "Because you thought there was a real risk you might not get to the full target, you should have asked for a direction." I did not think that was a sufficiently substantial issue. As you say, at the margin it has reputational damage, but ultimately, in terms of the accounting officer test, I was satisfied.

Q59 **Sir Geoffrey Clifton-Brown:** It was a complicated scheme. You had supplier problems. Surely, it was a scheme fraught with risk, and the timetable was impossibly tight. Even if you had just said to yourselves, "All of these things are a problem. Let's give it a little bit longer to go out and consult with the industry and do some pilots," would that not have been a cleverer way to proceed, rather than launching the thing and then having to stop it in rather unfortunate circumstances?

Sarah Munby: Clearly, with hindsight, that would have been preferable, but, as we looked at the problem then, don't forget we had run similar schemes and they had worked well. We had run similar schemes and set them up on a similar timeline and they had worked well. While we knew that scaling up the supply chain would be a challenge, we did not think that it was impossible. Indeed, despite all of the difficulties we had, the supply chain did come through. It took time.

We anticipated a scheme that would be effectively, not perfectly, run. If the scheme had been effectively run, you would certainly have seen challenges, and you would rightly have been asking me questions about complexity. We would definitely have faced challenges with the supplier. I am sure you would have asked me difficult questions about fraud, which I would be happy to discuss. I think that ultimately we would have looked back on it and said, "Risk worth taking."

Q60 **Sir Geoffrey Clifton-Brown:** Despite what you and Mr Brown have said, there is a history of green deals being incredibly troublesome. Indeed, one of them was so troublesome that it ended direct government in Northern Ireland. Did that not give you cause for alarm before you launched this scheme?



Sarah Munby: Very much so. I think it is worth talking about what have been the big challenges in schemes in the past. While I realise that this is a very unattractive story from a listener's point of view, the reality is that these schemes have had real problems in the past. We had some different problems this time rather than it being that we repeated the problems of the past.

The biggest problems with these kinds of schemes in the past have been twofold. The first is poor-quality work, and the second is fraud. The Australian scheme is a good example. We can talk about it in more detail, but, essentially, the scheme was a significant failure, partly because lots of fires were caused by poor-quality work and partly because of fraud. The same things have affected our schemes in the past, even the one I talked about as a success—the green deal home improvement fund—which was one element of a larger green deal package in which some of the other things were even more problematic. That faced challenges with fraud and poor-quality work.

In this scheme, we had strong preventions for both of those things. The NAO, fairly, asked us whether that had generated too much complexity. For example, were the standards for suppliers participating in the scheme too high? One of the things we could have done to deal with the supplier scale-up question was to say, "You don't need to be certified or approved; we don't need any particular standard." We did not do that because we were acutely aware of those previous experiences. We found a different problem this time, which was primarily, although far from solely, an execution challenge.

Sir Geoffrey Clifton-Brown: I have some other ideas. I will leave it there for now, Chair, but I will be coming back with more questions.

Chair: Maybe they will be answered before that. We live in hope, Sir Geoffrey.

Q61 **James Wild:** To pick up Sir Geoffrey's point about the accounting officer test, feasibility is one of the four standards that has to be met for you to make a judgment on the scheme. Are you telling the Committee that it was feasible to deliver this scheme?

Sarah Munby: Yes.

Q62 **James Wild:** Despite the issues, concerns and risks that had been raised by your own investment committee.

Sarah Munby: Yes. Would you like me to talk through the specific points raised by the investment committee? As you can imagine, given that I disagreed with its conclusions, I thought about them very carefully. I did not take this decision in any way lightly.

The first was a question about whether all of the money could be spent. I have probably bored you enough on that topic but, to be clear, I had a different view of what the correct question was for me to answer as



accounting officer in terms of failing to launch a scheme and not taking the opportunity to create jobs and carve out carbon in a world in which the money does not have to be committed unless it is spent. We should be clear that this was that kind of scheme. You do not give out all of the money and then discover that you have only a portion of the benefit; the money goes out only when the benefits accrue. It is fundamentally a scalable scheme. My view was that we should look at the problem as, should we launch a scheme with up to £1.5 billion on the table? You can take a different view, but that was where I was, and I still stand by that, although, as you can imagine, I wish I had taken a different view because, as things turned out, a different decision would have been better.

The second concern the committee raised was about the deliverability of the IT solution. It was not able to sign off that the IT solution the contractor was going to provide would work, not because of any particular concern that it would not work but simply because it did not exist, so the committee was not able to tick, "This will function." By the time I came to make the decision, two things were the case. One was that we had negotiated with the supplier, effectively, a contingency—a manual processing contingency—to take us through to the point at which the IT solution would be in place. I was satisfied that that manual contingency could run on if we faced delays.

Clearly, the length of the delay that we in fact faced meant that the manual processing got pushed far beyond an acceptable level, but it was not the case that, if the thing had been a week late, we would have been okay because we had a contingency plan. We also had the Government Digital Service assessment of the launch solution, with some comments about where we could improve it, that effectively okayed it for launch. I could see that the starting solution was in place. However things may have turned out, at the time we had a supplier with a strong track record of having used the same IT solution in well over 100 schemes around the world, doing very similar sorts of things. I do not think it was unreasonable to have a high level of confidence that the same solution could be brought to bear.

Q63 James Wild: Listening to the failure of the scheme is a bit of *déjà vu* all over again for this Committee. You only have to look at annexe 3 where there is a litany of previous reports and recommendations about similar schemes in the energy efficiency space that have gone wrong—for example schemes not being adequately tested, schemes being overly complex and schemes being too difficult for people to access. Did you look at any of those reports? What work did you do before you launched the scheme to learn the lessons in all of those reports going back over many years?

Sarah Munby: I will pass that on to Ben, who I believe did a lot of that work.

Ben Golding: We both looked at previous reports and indeed had lived through the experience of some of those schemes and their aftermath. We looked at a number of things. We learned from things that went wrong with some of those schemes in the design of this one. The critical one, as Sarah



has said, was about the experience of fraud, the experience of gaming and the experience of poor quality and delivery to customers. Those were the things where there was a recurring theme across a number of failed energy efficiency schemes, not just in the UK but internationally. That was where our risk appetite was extremely low. One of the things I was acutely aware of, and was still on my desk as we launched the scheme, were past complaints and cases where we were dealing with very difficult customer situations and people had experienced harm. We did not want that to be repeated.

Another thing was around minimising complexity wherever possible. That is something we tried to do in the scheme. We have talked about the fact that customer experience, as it happened, was more complex and not good. Some of that was about what had gone wrong in delivery. To take some of the things we tried to do to prevent fraud, we built in identity checks and credit checks. Those are the sorts of things we need to do to make sure that the scheme is being done properly. Those should have been in the wiring. The customer should never have been near those things. They should have filled out a single simple form and the checks would have been done at the back end. That was where simplicity was built in.

As it happened, because all of this was done manually and because of some poor performance in delivery, customers were asked to submit that information again, which added complexity and steps to the experience. We learned a great deal from the design of previous schemes and some very good reports on those schemes. Not all of it survived contact with delivery, which was unfortunate.

Q64 James Wild: For example, a number of constituents contacted me, and, I am sure, other members of the Committee, because they were confused about the split between the primary and secondary measures. A lot of the traders who were meant to deliver the scheme delivered only one element, and subcontractors were reluctant to contract when they were not dealing with the main client. Why didn't you change that as the scheme went along to make it simpler for people?

Ben Golding: We looked at whether that would help significantly. It was always a tricky question. Sarah has already said that the reason for the primary/secondary distinction in the first place was a judgment that we needed to make sure that value for money was there, and some of the measures in the secondary category, while potentially attractive to consumers, were things that, first, were likely to be done in any case; and, secondly, value for money in the cost per tonne of carbon saved was relatively poor.

If we look at what we might do differently in future, the learning is that there was a lot of demand for what were classified as the primary measures, so we got more customers willing to take on insulation, solid wall insulation and heat pumps than we expected. We had seen the secondary measures almost as a hook to get people to do those better value for money things. With hindsight, having had the experience of the



scheme, we were pleasantly surprised by how attractive people found some of the primary measures. I don't think we would have needed those. Doing the same thing again, we would have a more constrained list of very good value for money measures, and just asked consumers whether they would like those.

Q65 James Wild: Given the level of interest in the scheme and that applications were ramping up towards the end, why did you just junk it and reject the conclusions of the Environmental Audit Committee, for example, not to do that and not have another stop-go scheme?

Sarah Munby: Ultimately, although things got a lot better towards the end of the scheme and delivery was improving, we did not have sufficient confidence that we could deliver at the standard we would consider acceptable, and which I fully acknowledge was not met during this scheme. We were not confident enough that that could be turned around.

We had in our portfolio a scheme we had launched at the same time—the local authority delivery version. If you are a homeowner, it has a very similar offer. That was working a lot better. It was up and running, and we could scale it fast; it was delivering what we needed to deliver and was getting the benefits.

Ultimately, there is the money that there is. Much as we would like to have the money to do both, that was not the situation in which we found ourselves. Would we rather put it into a scheme that, as we have all discussed, has not delivered what we needed and that had begun to turn around but was not where it should be? We had just had the failure of the rectification plan by the contractor, so things were not solid, shall we say. The risks had come to pass. Would we rather take that same money and put it into a scheme that we knew was delivering for people, where we could funnel the money with a great deal of confidence? The upside of that decision is obvious, but to talk you through the balance, the downside is exactly the point you were making earlier about the consequences for suppliers.

Q66 Chair: For the record, Ms Olney was making that point earlier. Our colleagues at *Hansard* are very able, but it gets quite difficult.

Sarah Munby: Apologies. It was a question about the consequences of taking the scheme away from suppliers. At the end of the day, for a lot of suppliers it is the same work happening in the same homes for the local authority delivery method, so the benefit flows to the same population. We thought that, although on the downside I understand people would have preferred to keep going through the same channel, on balance, and given the delivery/confidence trade-off, that was an acceptable situation because the same companies would ultimately receive the money through the local authority channel.

Selvin Brown: The contractor failed to deliver the IT, so the system was being delivered manually. The number of days required to process the



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voucher had more than halved, but the customer experience was still very poor, and there was a finite amount of funding: £320 million. The reality is that, if we had not closed it at the end of March, we would have had to close it as early as May or June. What we did by closing it at the end of March was to—

Q67 **Chair:** I am sorry. Are you saying that the remaining money would have been spent?

Selvin Brown: It would have been committed, yes.

Q68 **Chair:** That is quite a ramp-up.

Selvin Brown: Not the £1.5 billion, but the £320 million we announced in the 10-point plan. It was the extension to the green homes grant. It was not the full £1.5 billion; it was only £320 million. That money would have been committed and we would have had to close the scheme, probably in 10 weeks, from the end of March.

In addition to closing the scheme to new applicants, running off the existing applicant cadre, we announced an additional £300 million to be delivered via the local authority and social housing schemes. As I mentioned earlier, we will be announcing about £600 million of that funding going out in quarter four. We increased confidence about the delivery through LAD; we were certain because it had already begun to deliver the exact number of houses we said it would. We also increased the funding.

Q69 **James Wild:** You said, Ms Munby, that one of the consequences was that this was work people would pick up and they would get it through the local authority rather than the scheme. We have received some strong evidence from the Federation of Master Builders about the impact of cancelling the scheme on small businesses: loss of investment, time and money; redundancies; losing capacity in the industry; and damaged reputation with customers. They did not have time, within the three days of the announcement that the scheme was closing, to get back to people with quotes. Those were all significant impacts for very many small businesses. Do you think those people, who have invested time, energy and money in the scheme, are owed an apology for its cancellation?

Sarah Munby: At the time we made that decision we faced a choice. Both choices had disadvantages. I fully understand that a lot of people experienced something that was less than ideal. There was mitigation of that, in that many of them were able to access the work through the local authority delivery scheme, but I totally appreciate those challenges.

At the same time, the alternative would have been to carry on running a scheme in which the customer service was not good. The very same suppliers were not getting the quality of service they needed, and we could not be confident that we would have value for money, given that we had not solved the problem of an enormous amount of departmental resource going in to correct challenges. Ultimately, there were challenges on either path, and I think we took the safer course.



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Q70 **James Wild:** Are the companies that stepped up, responded to this call and went through the accreditation owed an apology for the cancellation of the scheme at very short notice?

Sarah Munby: We would be very keen to talk to them about how we can make sure they get opportunities from all of the other schemes that are running out there, including the social housing decarbonisation fund and the local authority delivery scheme, the HUG scheme—

Q71 **Chair:** Mr Wild has asked you a very direct question about apologising to the businesses that stepped up.

Sarah Munby: It is important to say that we are still running an enormous amount of public funding for exactly schemes that serve that population, so I think the conversation I would like to have—

Q72 **Chair:** You are saying they have alternative routes.

Sarah Munby: If there are people who, for whatever reason, are not able to access those new streams of funding, which are substantial and, by the way, have long-term manifesto commitments underpinning them, that is a conversation I would be really keen to have.

Q73 **Chair:** It looks like you are going to have a roundtable of small businesses from Norfolk, Burnley, the Cotswolds and—

Sarah Munby: It is not the case that we pulled the rug from under the industry, because we have some very positive stories for all of those contractors going out into the future.

Chair: I am sure that some of those businesses would love to hear those positive stories.

Q74 **James Wild:** Looking forward, we will obviously do another report explaining where flaws have been put into these schemes, but how will you draw the lessons from how this has worked out for future schemes? Are you looking at future direct consumer schemes, or will you do them via local authorities, for example?

Sarah Munby: That is a good question. First, this gets laid out in full in the heat and buildings strategy.

Q75 **James Wild:** Which you said is coming very soon.

Sarah Munby: It is coming very soon.

Q76 **James Wild:** Is that this month?

Sarah Munby: It is coming before COP.

Q77 **Chair:** Everything is coming before COP. I am sorry for your Department.

Sarah Munby: It is a busy time of year. As you can imagine, the heat and buildings strategy is also a necessary component of the net-zero strategy overall, which we said we will deliver before COP. Part of the reason the



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heat and buildings strategy is not in front of us now is that there are some quite big spending numbers that we are discussing today. The manifesto commitments on these schemes are multibillion pound commitments, so in the context of the spending review that is why we are where we are.

What does the heat and buildings strategy do? If you will allow me just one minute, I will then bring it back to how it relates to the lessons from this scheme. First, it describes the mix of solutions required, and includes things like how we handle the hydrogen versus heat pump question. Secondly, what is the journey for improving insulation in homes? Much of the scheme was directed to that. Fundamentally, what it will allow us to do is set the long-term regulatory pathways within which these funding streams sit.

We already have regulations for rented homes—for example, essentially, energy efficiency standards for rented homes. There is a question about what you do over time on owner-occupied homes. On new homes, we already have the future homes standard coming in. Currently, there is ongoing work on the decent home standard, which is the equivalent for social housing. Essentially, you can imagine that, across the stock of homes, you have a story about when and how they all need to reach the right insulation standard. That is underpinned by Government funding of the local authority scheme and the social housing scheme. We have not mentioned ECO, the scheme run by energy suppliers. That is another very important component. All of those are designed to help those who may struggle to pay for changes themselves.

You start to build up, in the context of the heat and buildings strategy, a long-term regulatory story underpinned by public funding and directed at those who will struggle to pay and directed at building up a supply chain to hit over the long term. It also handles the question of new heat sources, boiler phase-out and growth of the heat pump market.

The reason I emphasised that is that, as I said at the beginning, to my mind the biggest lesson, which goes beyond the operational challenges, real and important as those were, is about the scheme acting as part of a long-term strategic view of the problem. What the heat and buildings strategy will do, in combination with these schemes—extending ECO, extending the local authority delivery scheme and extending the social housing decarbonisation scheme—is provide the kind of stable, long-term policy landscape that makes it much easier for the supply chain to know what to do.

As part of that, it has proven much more successful, looking at both local authority delivery and ECO, when we can do schemes that buy at scale. It is partly about working through a partner, be that the local authority or the energy company, but the biggest difference is that you buy at scale. Just to make it real, if you are an energy company working on your ECO obligation, you can go out and hire somebody to do you 100 or 1,000 heat pumps. That means you have a market at work setting the price, and



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quality assessment is much more straightforward to manage. In schemes where you are working on an individual consumer basis, the consumer has a lot of choice; they choose the measure and the supplier. From a consumer point of view, if the experience of the green homes grant had been better, the scheme would have been favourable, but it is inherently difficult. It is difficult to make sure that there is a fair price; it is difficult to manage fraud and quality.

Looking at the future landscape, the reason why we will be putting a lot of emphasis on public sector decarbonisation work and LAD, including bringing in the home upgrade grant already mentioned by Selvin, which has the same basic set-up, and extending the social housing decarbonisation fund and ECO, is that all of them have at their heart a fundamentally different way of doing it. I think we rightly have a lot to regret about the voucher scheme, but we now also have some really functioning schemes in this space. Given all that you have said about the historical lessons and how challenging it has been, this is, "Okay, we've got some stuff that works. Let's back it."

Chair: Okay, but today we are talking about one that definitely did not work.

Q78 **James Wild:** That was an interesting answer. I detect from it that we may not be expecting a new scheme but will go with what works currently. Can you give a commitment to the Committee that, if you bring in a new scheme, you will pilot it before launching it in the way that you did with this scheme?

Sarah Munby: We definitely believe pilots are a good idea.

Q79 **James Wild:** I am sure we all do, but would you seek a ministerial direction if you were asked to launch a scheme without piloting it?

Sarah Munby: I am not going to make that commitment on an abstract level. The reality is the circumstances—

Q80 **Chair:** Would you strongly encourage your Minister that it would be wise to pilot?

Sarah Munby: I strongly believe that piloting schemes is a good idea, and it is undoubtedly true that, had we been able to pilot this scheme, it would have been more effective.

Q81 **Chair:** You could have piloted it.

Sarah Munby: Not given the pace that we were asked to operate it.

Selvin Brown: We have piloted the social housing decarbonisation fund. It is a demonstrator currently in operation, and we last week closed the—

Q82 **Chair:** You normally do, but on this one you did not; is that what you are saying?



Selvin Brown: It depends on the scheme and what factors are in play. I was responsible for the 30% uplift on automatic enrolment; 53% said they would stay, and we got up to 83% of people staying. We did not give people a choice. The choice conversation and the choice issue is quite interesting in this particular space. We need to continue to explore how we inform consumers to make the right choices. In the local authority scheme, they have an independent assessment. That determines what is the “Happy meal” for that particular home to bring it up to the right standard. We will set out our plans in the heat and buildings strategy and related funding in the spending review.

Q83 **James Wild:** In one of the previous Public Accounts Committee reports on home energy efficiency measures, the first recommendation is, “The Department must ensure that policy decisions are thoroughly tested and based on accurate evidence that includes a robust evaluation of stakeholders’ views.” That did not happen at all here, did it?

Sarah Munby: There was discussion with the industry before launch, before the original announcement on 8 July. We were really limited in what we could do before 8 July. We spoke to people, but, ultimately, this was a fiscal measure so you cannot lay out the full plan before it is announced. In that period, before 8 July, we were pretty limited in what we could do.

As you can imagine, we did our trusted soundings to the greatest extent possible, and it is an absolutely fair challenge, but before then we were pretty limited. During the period between the launch on the 8th and the actual start of the scheme, over the summer, which Ben can talk about in some detail, we did really extensive supplier engagement. Of course, the challenge is that it is all in an accelerated timescale. I am not suggesting that that supplier engagement was sufficient to deal with the challenges you have put to us today. I think what we would probably say is that—

Q84 **Chair:** You tried to do everything, but you tried to do it in a very short time.

Sarah Munby: We did the best we could, given the timescale that we faced.

Q85 **James Wild:** Government Departments talk to industry all the time about things that may or may not happen, so I am not sure I accept your point about a fiscal event ruling out any discussion of theoretical schemes. In those soft discussions, surely they pointed out the complexity issues, the issues of scaling up and the fact that it is a six-month programme, so who would want to invest to bring in more people to train to deliver measures. Surely all of those things were raised.

Ben Golding: They were, absolutely, and there we come to some of the constraints. The six months was the funding envelope that we had at the time, and I think it is very clear that it would have been better to have been able to announce that the scheme would have a greater duration at the outset, absolutely, and that was very clear from discussions with industry. They understood why we could not do that. We encouraged them



as far as possible to look to longer-term things like the manifesto commitment of £9.2 billion, like the commitment we had made that the energy company obligation would be increased to £1 billion—from next year now. We were trying to give that sense of longevity, and, yes, that was there.

There was a general warning against complexity. From the discussions we had with a lot of the industry, the view was that the fundamentals of the scheme and its design were strong. It is fair to say that there were no universally held views on any given element of what was the right or wrong solution. They had very different views, for instance, on how high a bar you set on quality, and additional standards and training beyond what some parts of the industry had. Those varied. We did not have a universal, “You must do it this way.” We had some very different views, but the basic issues that you raise of longevity and complexity, and getting all those things right, were in those discussions and, indeed, were exactly what I would have expected to be in those discussions.

Q86 James Wild: Coming back to the point I was making about the feasibility of the scheme before it was launched, the Environmental Audit Committee found that 75% of people using the scheme found it difficult to find a registered contractor. Figure 7 shows the demand on certain types of installer, including a number of the primary measures. Looking at that chart, how did you expect those installers to be able to deliver that level of demand?

Sarah Munby: First, it is worth saying that we think in lots of places there were not enough installers. That was partly because we could not get the installers on because there was a six-month end point in the first part of the scheme. That was corrected by November. Partly it was because, frankly, there were various processing and experience problems for both installers and customers that made it hard to get all of the people who might otherwise have signed up for the scheme to sign up. That is just to start by absolutely accepting the challenge.

I would though finesse that picture, which very coolly compares the number of installers with the number of vouchers, with just one remark, and that is to bear in mind that some of these installers are really big. If someone comes up as a 1 installer on that chart, a really significant proportion of the people registered for the scheme would be companies that employ well over 100 staff. That does not make your problem go away, but I think it is easy to look at that chart and say, “Wow, a 100 ratio is completely bonkers.” A 100 ratio is not good enough, but it is not as bad as it looks because some of those companies are really quite substantial.

Chair: You are doing very well at making a good fist of very difficult facts, but I will leave it to Mr Wild to continue.

Q87 James Wild: Your expectation, presumably, in your feasibility study was that there would be more suppliers coming in to meet the demand. You were expecting to do 600,000 homes, so, presumably, you thought you



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would get a bigger pool of installers—or not?

Sarah Munby: Ben, do you want to take that? We did some modelling around it, which Ben can talk through.

Ben Golding: We did some modelling around it and looked at what we expected to need in terms of suppliers in the system to get to the 600,000. It is worth saying that we did not get to the 600,000 in terms of demand either. We would have expected, if there had been a greater response, that the suppliers would have ramped up.

There is one thing I would add on capacity in the system. There is the number of suppliers that would come on that would get accredited and registered. We had assumed that they would subcontract, as indeed they often do in this sector. There are the suppliers themselves and the absolute numbers of those registered on the scheme, but they would in turn be able to subcontract. A number of the larger players in this area can and do subcontract to local installers. A number of them have a national presence and they work with local installers who would not themselves need to be registered on the scheme.

Q88 **James Wild:** Why was the failure rate of applications so high for contractors who wanted to sign up to the scheme? I think it was around 50%. Does that suggest there was a problem with the design of the scheme?

Selvin Brown: To be an installer on the scheme, you have to overcome two gates. The first is that you have to be registered with TrustMark, and in that space we started out with 1,141 in October who were in that bag. That moved up to about 1,500 by June. The second is that you have to be accredited with the relevant cert body, either PAS or MCS. The numbers that applied were about 1,800. Of those, 1,000 made it through both those gates.

Q89 **James Wild:** But 46% did not.

Selvin Brown: Correct.

Q90 **James Wild:** Why was that so high? Did they not understand the criteria?

Selvin Brown: There were issues with how quickly some of those companies could be accredited on particular measures. Some of them could not pass other criteria, such as being a fit and proper person, or there were issues in relation to their banking situation, and they were knocked out of the process, as you would expect us to have done.

Q91 **James Wild:** On the actual voucher applications, again there was a 50% fail rate. Was the scheme overly complex, as suggested, or did people perhaps not understand it?

Selvin Brown: The modelled assessment on attrition assumed a 40% attrition number. That was based on previous schemes. We experienced 53% attrition, so it was 13% above; 3% pulled out, withdrew their



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applications, and that was certainly due to the customer experience. We are 10% above the model.

Q92 **Chair:** Is that 3% of the 53%?

Selvin Brown: Absolutely. We are 10% above normal. It is probably important to say that there are two types of attrition. There is the attrition that you get in the issuing of the vouchers. We know that the centrality of the IT system that was not delivered is very relevant there. At the point at which we closed the scheme, 90,000 vouchers remained in the backlog. As we sit here today, it is 41, and they are all appeals, and about £20 million has been paid out.

The second lens on attrition is those who do not complete work or do not seek the redemption and payment of the voucher for the work that has been done. The NAO assessed the combined impact of that to be about 26% on top of the modelled assessment, which is where they get to their £263 million.

Q93 **James Wild:** When the Government bring forward a future scheme, if they do, how much confidence do you think the contractor industry will have in signing up to it and investing again the time and the effort in getting qualified to participate?

Sarah Munby: I feel you are going to really hate this answer, but in the context of the heat and buildings strategy they are going to be able to see a really clear long-term trajectory for both regulation and spend, and in that context it is going to be a lot easier. I also think they are going to see that the schemes we are extending are ones that we have already committed to multiple times. The local authority scheme has gone through 1A, 1B, 2 and 3, and is ready to start to build the legs. ECO has been around since 2013.

Ben Golding: Twenty years or so in some form or other.

Sarah Munby: ECO is a very long-running scheme as well. Undoubtedly, this will have harmed us in that regard and that is a bad thing, but I think there is a lot of other long-term commitment, both current and future, that will make it a manageable issue.

Selvin Brown: There are manifesto commitments that go with those schemes; £3.8 billion for the social housing scheme—

Chair: Even some of us who are not in the party read the Conservative manifesto. We have that one logged.

Q94 **James Wild:** This is the final one from me. Obviously, you learned the lessons from some of the schemes in terms of the poor quality of work and the risk of fraud, but do you think, in hindsight, you got that balance a bit wrong? If you look at some of the other judgments that were made in some of the grant schemes and the bounce-back loan schemes, a decision was taken to have a slightly higher risk appetite than perhaps in normal



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circumstances, recognising the need. You said that the urgency was jobs and everyone was on furlough, but you were putting quite a lot of friction into the system, which ultimately led to a scheme that has not delivered, the contractors failed, people who wanted to get energy efficiency measures have not had them, and businesses have wasted a lot of time and effort.

Sarah Munby: It is a good question. One thing I would point to, though, is that the biggest thing you could have done to help with that problem is change the requirements that Selvin talked about on contractors—the MCS, PAS, and TrustMark requirements. Had we done that, I think you would have had a very legitimate line of questioning, which would have gone as follows: “Permanent Secretary, in 2016, the Each Home Counts review laid out a very clear set of recommendations about the standards you should put in place for any future scheme. Why on earth didn’t you follow them?”

It was not just our departmental view of what the standard should be. It was a pretty substantial piece of independent work that really laid out the depth of the challenge in this sector and a very specific set of measures and recommendations that should be taken by Government, which we have been following. To have not followed them through in the scheme would have been a really big choice. You are right; it would also have had some benefits in rolling out spend fast. Would that have been justified? I am not quite sure it would have been.

Ben Golding: I think it is important to say that this was not the only scheme in which we followed the advice.

James Wild: No, I appreciate that.

Ben Golding: There are similar requirements. We brought in TrustMark as a requirement for the energy company obligation. MCS accreditation has been a requirement of the renewable heat incentive. We have seen those deployed successfully in other schemes and it has not put people off.

James Wild: Thank you.

Q95 **Chair:** All of you have talked a lot about other schemes being successful. Let’s not mention them all and this is not an invitation to list them all. Ms Munby, what is really coming through quite clearly is a lot of mention, especially in the earlier part of your evidence, of blaming the supplier for the problems: the supplier not delivering on time, the supplier having failures and having to go to manual. Why was it that the Department was uniquely unable to vet the supplier for this scheme if we take it as read, for now, that other schemes are successful? We know that some of them have been running for a while. What went wrong in your due diligence with the supplier?

Sarah Munby: That is a good question and one we have thought about a lot.

Q96 **Chair:** And the answer is?



Sarah Munby: The answer is that it is quite a difficult question. At the point at which we signed with the supplier, we were looking at a multibillion dollar international company. It was really experienced in exactly this kind of work, running over 150 energy efficiency schemes in the US and Canada. We also had at that time six contracts with them ourselves, inside BEIS, all of which were delivering well. The question is, what didn't we spot?

Q97 **Chair:** Were they customer-facing contracts in your Department?

Sarah Munby: They were a range of different—

Selvin Brown: They were, broadly speaking, market intelligence support functions.

Q98 **Chair:** You weren't actually engaging with the consumer.

Selvin Brown: But they were in 100 other places around the world where their online system was interacting with customers, both on energy efficiency and other grant processes.

Sarah Munby: To look back to your question about what we should have done differently, if I could replay the movie, what I would have done differently would be greater technical examination of their technical solution. We saw that their technical solution was operating successfully in a lot of other schemes, and our assessment of their bid documentation was that it was all high quality and sensible. If I could go back in time, I wish we had examined in more practical technical depth their solution. There is always a balance about how much you do that versus not. That is the thing that might have stopped the challenges that we then saw.

Q99 **Chair:** That has given some openers to my colleagues who I know want to probe that area. You have all talked a lot about previous schemes, in your case, Mr Golding, with enthusiasm, but you have used old, failed schemes to deliver. Do you think the 40% attrition that you spoke about, Mr Brown, is a good base standard to work from? There have been schemes set up by the Department and its predecessor Departments over time, as Mr Wild highlighted from appendix 3 of the report, very handily for us all, but we have seen too many repeated failures in these schemes.

Selvin Brown: It is important to be very specific when we talk about the attrition; 32% of the attrition relates to installers not being qualified for the specific measure that they are seeking to install. You can be qualified to install loft insulation. That is probably relatively simple to get qualified for.

Q100 **Chair:** You are saying be specific, but in the end it stopped the voucher being spent, didn't it?

Selvin Brown: It did, but you could look at it another way: we prevented poor workmanship going into that home and therefore prevented the home from being—

Q101 **Chair:** Surely, somewhere before that, downstream, you make sure that



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the right contractor is in the right home to do the right job. Surely, if you have a 40% attrition rate where that is about a third of the reason, so 32% of that 40% is because the contractor was not qualified to do the job—

Sarah Munby: The nature of these schemes is that you are putting pretty big amounts of free money on the table—

Chair: Yes.

Sarah Munby: So you get lots of applicants who for various reasons are not right. You get fraudulent applicants. You get applicants where—

Q102 **Chair:** My point is not that. We know this.

Sarah Munby: But that generates the attrition because you have to stop applicants who should not be paid being paid. Even if the scheme is working well—

Q103 **Chair:** We were mulling over, before you came into the room, where there has been a scheme that has been relatively simple and successful in consumer terms. There is the boiler scheme, where the boiler installer, the heating engineer, would know which types of boiler attracted the money—the discount—and would apply for it for the homeowner, if the homeowner chose to buy that model. They would have a discussion about whether it was the right model for the home, so there was minimal impact and decision for the consumer, but they were driven towards the greener boiler, and so the admin was a lot lighter. I do not know what the attrition rate was on that, but I bet you it was a lot lower than the attrition rate when you open it all, cavity wall insulation, for six months—

Sarah Munby: Agreed.

Q104 **Chair:** All the stop-go things that Mr Wild referred to. The stop-go encourages the cowboys in, doesn't it?

Sarah Munby: Yes, although the second thing underpinning your question was about narrowness versus breadth of measure. Boiler replacement is definitely easier. Insulation, unfortunately, is really home specific. It is quite hard to say how much loft insulation should cost. It is not like a boiler where there is a price tag on the boiler. Loft insulation depends on how big your loft is and how much insulation it needs. If you want to do a scheme that drives loft insulation, you have to accept a bit more complexity.

I really agree though that of course the best and cleanest schemes have a narrow focus and go after it cleanly, but those schemes will not get us the big changes that we need.

Q105 **Chair:** We have a regime for the energy performance certificate. It now only applies to private landlords and only every 10 years, so it is very watered down from the original home information pack. That gives a very small percentage of property owners—landlords in other words—information about what can be done to their property, yet every scheme that is introduced, apart from a very few specific ones, seems to have this



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broad brush approach where it is, "The green deal is this"; you have to get an assessor in and then you have to determine which of the measures could be installed, and then you have to get them installed. There are layers of complexity, let alone the hassle factor for the consumer, and yet repeatedly the Department does not learn from that.

Ben Golding: On the energy performance certificate, I do not want to disagree with the general point that simplicity for the consumer is absolutely what we should be aiming for, and we can do better on that. I would not disagree with that for a moment. I would caution on the energy performance certificate though, because it gives some recommendations to the consumer about what measures might be appropriate in that space, but it does not go into the sort of technical depth of—

Q106 **Chair:** Absolutely not. It is very much a watered-down measure, but at least it gives some flavour. I do not know if anyone ever looks at those in the Department and sees what the issues are across different types of property. That is rather a digression.

The key thing is that you have come here to make a good fist of what is, frankly, a failed project. Oh good, you're nodding. For the record, Ms Munby is nodding, so let's not pretend it was all perfect.

I want to pick up on a point before I go back to Sir Geoffrey. You talked earlier about vouchers versus longer schemes, and you talked about the rapid roll-out being a reason to go for the voucher option. We understand that is there. You have also talked a lot today about other schemes that are longer term that you say have worked or are working. Were you never tempted to go back to Ministers or the Treasury and say, "No, don't do this. Put more money into the ongoing local government scheme," where you know there is a track record for spending money and creating longer-term jobs because they were longer-term schemes?

Sarah Munby: Absolutely. It comes back to what I said at the very start to Ms Olney: these schemes, when they work, are the fastest.

Q107 **Chair:** Which voucher scheme has worked?

Sarah Munby: The green deal home improvement fund was part of the green deal. It had some bits that were really rather challenging, which we can go into—

Q108 **Chair:** We looked at the green deal in 2016 and I remember when it was first implemented. I have seen that through from beginning to its failed end. It was not a success.

Sarah Munby: The voucher component of that, with some issues that we corrected around fraud, in terms of what you could take and lift, was pretty successful. We did not see these kinds of issues with it.

Q109 **Chair:** That was a hugely expensive scheme that did not deliver. I think there were eight properties in my constituency, which I have to say is very green-minded, that benefited from the green deal scheme, so I am



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surprised you are raising that. It would be interesting to go back to look at our 2016 work and the NAO's work, which was 2015 from memory. I will leave that for now. You have said, Ms Munby, that you are not embarrassed by the scheme. Would you like to revisit that comment?

Sarah Munby: I might like to ask exactly what I said.

Chair: I just noted down—

Sarah Munby: I am not embarrassed about the decision I made to launch the scheme. May I briefly come back on your point about the scheme being a failure and not being a success?

Q110 **Chair:** Be my guest.

Sarah Munby: We are totally clear on that. The reason why we have come today in the manner that we have is that we are worried about potentially drawing the wrong conclusions from the failure of the scheme. It did not go well, and there is a risk that the conclusion from that is that the whole idea of Government working in this way, to try to set up schemes that put funding into home improvements of this kind, is a bad idea. That is why we want to emphasise the picture there.

Chair: We have got the message that BEIS wants to carry on with this sort of approach. On that point, I turn to Sir Geoffrey Clifton-Brown, our registered local chartered surveyor, among many other things.

Q111 **Sir Geoffrey Clifton-Brown:** I have to say to our witnesses that I emerge from this hearing with a deep sense of frustration. I want to see the Government meet their carbon neutral targets. Buildings emit 19% of all our carbon emissions. There are 26 million homes in this country of which 60% are owner-occupied, so some 13 million to 16 million are owner-occupied, and which this scheme was primarily designed to get at, and you reached 47,500 out of 600,000. Even 600,000 was only a drop in the ocean. By any stretch of the imagination, this scheme was a failure. May I first ask you, Mr Golding, was it your decision that you were removed as SRO at just about the time in October when the scheme was about to come into operation, or was it the Department's?

Ben Golding: Was it my decision to?

Q112 **Sir Geoffrey Clifton-Brown:** Move from being SRO of this scheme.

Ben Golding: It was a decision between me and the Department. The reason I moved as SRO was that Selvin was brought in as additional capacity because we recognised we had just launched, or were about to launch, a number of very large schemes. I remained responsible for the rest of the policy I already had, including the energy company obligation and other measures at the time. We brought in additional support at director level and Selvin became SRO rather than putting it all on one person.

Q113 **Sir Geoffrey Clifton-Brown:** Ms Munby, would you admit—we have come



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across this in this Committee on many schemes that failed—that you should have one SRO right from inception to actual finalisation of the scheme?

Sarah Munby: Yes.

Q114 **Sir Geoffrey Clifton-Brown:** And whoever you appoint should be encouraged to do that.

Sarah Munby: Yes, but Ben had more than one scheme, and he had too much. At the point when this scheme started going off the rails, we needed more senior capacity so, one way or another, you have to make a break. Yes, I completely agree. I think it is a huge challenge across Government. It is absolutely important to have a single, consistent SRO. Clearly, with hindsight, if we had known what was going to happen, it would have been better to bring in extra capacity earlier, but I stand by the decision to bring in the extra capacity when we did, rather than leave it all on Ben becoming increasingly overloaded.

Q115 **Sir Geoffrey Clifton-Brown:** Of all the Government's carbon neutral schemes, my constituents are most confused about heat source boilers. They do not see how that is going to be achieved, partly because the technology is not there at the moment—you mentioned the difficulties between heat pump boilers and hydrogen—and partly because they are very expensive, and really are only applicable to a fairly small number of houses in this country that have big enough gardens to do them. Does your Department have sufficient skills to be able to deliver what is necessary to deal with the domestic sector and carbon emissions?

Sarah Munby: Yes. It is difficult. It is difficult partly because we do not actually know what the fundamental long-term solution is. The question of the balance between hydrogen and heat pumps and associated technology is yet to be answered. We have laid out a pathway for when and how we are going to answer it. That is an irreducible core of uncertainty that I cannot make go away right now. We will, but right now we do not know.

Q116 **Sir Geoffrey Clifton-Brown:** Let me just stop you there. You have just admitted that the technology is not really there, which has to be right, so wasn't the whole of this scheme premature until we got a little further down the line as to what the technology should be, let alone who was going to produce it?

Sarah Munby: Two things. It is a really important point. First, much of the work we are talking about is things like loft insulation and cavity wall insulation. That work, regardless of where we end up on heat source, getting our homes around the country up to a better level of insulation is, first, important for enabling future low carbon heat; and, secondly, it reduces bills and improves comfort, and so on. Insulating your home is a no-regret action: take it today. That is a really important point.

Q117 **Sir Geoffrey Clifton-Brown:** May I just stop you there? Two years ago, I introduced a 10-minute rule Bill to say that all new homes must meet



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proper insulation standards, and it still hasn't happened. That is on new homes. To retrofit insulation—cavity wall insulation and insulated boilers and so on—is much more expensive when dealing with old homes. We are not even dealing with new homes yet, let alone old homes. I entirely agree with you that insulation is good in every respect. It cuts everybody's energy bills. It is particularly good for the section who are the poorest in society, yet it still is not happening with any great speed. Why is that?

Sarah Munby: Sorry, there are a few different things packed in there. I just want to come back on the new homes point. We agree that we have to fix new homes. The future homes standard and the steps we are taking up to the future homes standard before it comes into play are the answer to that question—

Q118 **Sir Geoffrey Clifton-Brown:** But it is very slow and it is still taking too long to happen. Every new home that is built is built without it.

Sarah Munby: I think it is worth talking to MHCLG about the balance between the speed of introducing the future homes standard and the pace of housebuilding, which is the other factor.

Q119 **Sir Geoffrey Clifton-Brown:** It is their responsibility, is it? Nevertheless, it is mixed up with energy.

Sarah Munby: Agreed. I am not trying to dodge it. I am just saying that from a BEIS point of view we always want to say, "Yes, please, go faster," but they have to balance their housing construction goals, which is perfectly right.

Q120 **Sir Geoffrey Clifton-Brown:** There is a fundamental question relating to this scheme. Perhaps I will ask Mr Golding this. When you were divining this new scheme, why did you concentrate so much on heat source energy, which is very expensive, rather than going for some of the simpler things like loft insulation, boiler insulation, cavity wall insulation and that sort of stuff? It would be simple. There are a number of qualified people out there who could do it. You could have delivered much more in a shorter time.

Ben Golding: First, on, "Why not concentrate on those other measures?", I would argue that we did. We included solid wall insulation, loft insulation and cavity wall insulation. Those were all measures consumers could do under the scheme. There was no requirement for them to have a heat pump or other heat source installed at the same time, so that was there.

To come back to the question of why we had heat pumps as a technology within the scheme, you rightly point out that, for some people and some types of homes, the technology is not appropriate. In particular, unless you have a sizeable garden, a ground source heat pump, for instance, is not going to be appropriate. An air source heat pump might be in some cases. I would say that, while the technology has some way to go, costs can come down quite a bit. As with anything, when you see larger deployment, you expect costs to come down as people invest and innovate.



It is a relatively mature technology. There are millions of heat pumps installed worldwide every year. One of the challenges we face is that it is still quite small in the UK and installers are not necessarily vastly experienced. That in itself drives up cost. A significant chunk of the cost is the installation and the labour associated with it. Part of the reason for having it in the scheme was to start to build, and continue to build, the supply chain, which is going to be important as we get further along. The permanent secretary quite rightly said that we do not know exactly the choice between hydrogen and heat pumps for every home. We know that there will be a proportion of homes where heat pumps are not the right choice—for instance, those off the gas grid where hydrogen is never going to be the solution.

Q121 Sir Geoffrey Clifton-Brown: I must put two questions that have been raised by people. You have partly answered both, but I think it is worth putting them to you. The written evidence submitted by the Federation of Master Builders says in their conclusion, “The scrapping of the Green Homes Grant scheme sent the wrong message to consumers and builders alike and will harm the UK’s desire to be seen as a global leader in tackling climate change.” How do you answer that, Ms Munby?

Sarah Munby: I do not have a lot to add to what I said before, which is that we totally recognise that factor, but our answer is really all of the other things we are doing to set out a very clear long-term horizon. To have kept the scheme open just for that reason probably would not have been a good use of money.

Q122 Sir Geoffrey Clifton-Brown: Is the real answer that you are coming up with a different scheme in the spending review that will cover this area?

Sarah Munby: We have a whole series of different schemes and a whole strategy and set of regulations and so on that are laid out. That is an important gloss because it covers some of the questions that other people have been asking, too. The design of this scheme was not the scheme that we would have launched had we not been in the Covid crisis. The public sector decarbonisation scheme, for example, was part of the same package, and I think we would have launched it in more or less the exact same form if Covid had never happened. This scheme came to be because we needed something fast, broad, labour preserving, and so on, not because it was always viewed as completely on the money for the long-term strategy.

Q123 Sir Geoffrey Clifton-Brown: So the conclusion from today is really that, Covid or no Covid, one should never launch a scheme that had sufficient uncertainty and complexity in it that it was never likely to be delivered to anywhere near its original aims. Is that a fair conclusion?

Sarah Munby: As you can imagine, I would prefer—

Q124 Sir Geoffrey Clifton-Brown: We are looking forward to your 16 metrics on the risk analysis that you are going to send us, but is that a fair conclusion?



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Sarah Munby: The one thing I would add is that we did, probably rightly, have a pretty high risk appetite. I have sat in front of you on a whole load of schemes that we launched that carried a lot of risk. Some like vaccines landed really, really well. This one did not. That is a bit why I think the portfolio point is relevant.

Q125 **Chair:** This was different, wasn't it? We can talk about the risk in supporting small businesses, and that was a particular risk, but in putting vaccines out and getting vaccines done, there was a very, very direct benefit, as a result, in the economic and health impacts of the pandemic. This was a different thing all together. It was about generating jobs and doing green things, which was important, but nothing directly to do with the pandemic.

Sarah Munby: It is much more parallel to the furlough scheme. It is fundamentally about trying to take people who otherwise would not have work and would be unemployed, and give them—

Q126 **Chair:** It was the Roosevelt alphabet Acts approach, but it didn't quite deliver, did it?

Sarah Munby: No, it didn't, but that is the sense in which it was Covid related. I agree it clearly is not as direct as the vaccines. That is why I say that furlough is a close parallel, clearly at much bigger scale.

Q127 **Sir Geoffrey Clifton-Brown:** Ms Munby, this is the last question from me. I am trying to get something positive out of this hearing. I would like to refer to the written evidence submitted by Kevin McCann of Solar Energy UK. It covers part of the point that my colleague, Mr Wild, was raising about what is going to come in replacement of this scheme. To quote paragraph 17: "First, any future retrofit scheme should be extended until at least 2030. The scale of the domestic decarbonisation challenge is huge"—which is self-evident from the figures that I gave—"and a long-term timeframe is needed for consumer education and interest in green home upgrades to be converted into action, and for industry to scale in a sustainable manner."

Can we take it that your Department will look at a long-term scheme? Whatever the reasons for cancelling this scheme, you need a longer term, with assurance for suppliers to come forward, people to be trained, consumers to understand it, all of that, and it is not going to happen in six months or even a year. It really needs a scheme lasting years to try to meet the scale of the challenge to get consumers to come forward, because if we do not get consumers to come forward, it will never happen. Do you agree with that?

Sarah Munby: I agree 100%. I have one minor remark, which is that it is jolly hard to get firms' spending commitments that far out, but we do our absolute best because we completely agree with everything you say.

Q128 **Sir Geoffrey Clifton-Brown:** Surely the converse of that is true. If suppliers know that a scheme is going to last for five years, people will—



Sarah Munby: I mean public spending commitments, to be clear.

Q129 **Sir Geoffrey Clifton-Brown:** I get that, but, that aside, if we really are serious about meeting our carbon aims in domestic buildings and dwellings, we have to have longer-term schemes.

Sarah Munby: I completely agree, and I think you will see that philosophy played out in the heat and buildings strategy. I utterly, utterly agree.

Chair: That is clearly a document we look forward to reading, but we are still focusing today on the green homes grant voucher scheme.

Q130 **Sarah Olney:** You have alluded already throughout this session to the failings of the supplier, and that is the bit we are going to talk about now. ICF provided the software, the grant maintenance system. The report tells us that you chose to proceed to your timetable “even though no bidder”—for this contract—“thought it was possible to fully implement the required digital voucher application system by the Scheme’s launch.” Notwithstanding the fact that there were problems with ICF, do you think it was ever possible for any supplier to have delivered this?

Sarah Munby: The evidence shows very clearly that it was not possible for anybody to have the IT up and running for launch. It was not inconceivable and, indeed, ICF promised in its bid to have the IT up and running after what you might have thought was a reasonable period for the manual processing contingency that I talked about earlier. It was tough, it was demanding, but I don’t think it was out there impossible, and that was reflected by the fact that we had a bid that said it could be done.

Q131 **Sarah Olney:** But you were not put off by the fact that nobody thought it could be done in that timescale.

Sarah Munby: We adjusted it so that we were not asking for the thing that nobody said they could do, which was to have the IT system up for launch. We went with the person who said, “I can have the IT system up and running in six and a half weeks.” We went with them. They said they could do it. For the reasons I described earlier, we thought they probably had a pretty good idea of whether they could do it or not, because they had done it lots of times before. We agreed it was an ambitious timescale, but we did not think there was any reason to think it was impossible, as it turned out to be.

The slightly more worrying thing is that it turned out to be impossible not just on that timeline, but the IT system never came up. As it turned out, the problem was not just a “We can’t do it fast enough” problem. The problem was a bit deeper; it was a “We can’t do it” problem.

Q132 **Sarah Olney:** You thought it was just a timescale problem at the point when you were procuring it.

Sarah Munby: We went with the timescale that we were offered by the contractor.



Sarah Olney: Thank you.

Q133 **Shaun Bailey:** Further to Ms Olney's point, Ms Munby, throughout the course of your submissions today you have made the point around ICF's systems that, when the technical capability clearly was not there, it came as a bit of an annoyance, yet we can see in the NAO Report that your Department was advised to have a granular review of their capabilities, and you took the decision not to because you said, effectively, and I am quoting the report: "The Department did not undertake this further analysis, as it regarded that the proposed speed of ICF's implementation, and the lack of manual processing, explained its lower cost."

How on earth could you make that decision? Given what you have said previously, how on earth were you able to make that decision in such a definitive way? It sounds as if you were slightly blindsided by the lack of technical capability. I am curious to understand your decision-making process and how you came to that. Effectively, you chose not to ignore but not to follow that advice. How were you able to do that?

Sarah Munby: Absolutely. I think I said earlier, and I will say it again very happily, that if I go back in time and think, "What's the decision that I think I made a misjudgment on?", it is that one. We should have carried out a deeper and more thorough technical assessment. There were reasons why we did not, which I will come on to, but I am not defending that as having been a good decision.

Q134 **Shaun Bailey:** Would you acknowledge that you probably did not have the grasp of their technical processes that you probably should have? What representations were they making to you? There must have been some sort of discourse for you to come to that decision.

Sarah Munby: Absolutely. Perhaps I could come back to your previous question, which was, why did I make the decision. That is a different point from defending the decision. What was actually going on at the time? I think it is important to say that this was actually in the context of a low-cost bid review. The question we were really being pushed on, including by the very people who were recommending what you are talking about, was, "Surely, there is something strange going on here because this supplier is cheaper than other suppliers, and you should be suspicious of this bid because they are cheap."

It was our view, and my view, that, given the particular circumstances we faced, that was not really a good reason to be suspicious. They were not cheaper because they were saying it was much easier, or that they did not want the margin, or that they had a much cheaper method. It was very straightforwardly that they were cheaper because there were large parts of the system they already had, and they had literally done schemes of this exact type overseas, so it was no surprise that they had a faster and a cheaper solution than the other bidders.

The reason we were asked to do that technical assessment, which I now wish we had done because it would have been really useful, and the reason



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that we were pushed to do it, was that we were being asked the question, “Are you confident you are not being led down an excessively cheap supplier?”, and I felt we had a very good understanding of why they were cheap.

Q135 Shaun Bailey: Surely, it could be argued that that is exactly what has come to fruition because your suppliers have not delivered in the way they said. Is that not the risk with taking on this cheap bid? The world has been promised to you and it has just not come through. Surely, that has come to fruition.

Sarah Munby: I don’t think the problem we encountered with the supplier was a cheapness problem, in the sense that ICF committed very substantial additional resources to the contract—not that we have paid for, just to be clear—in order to try to rectify the situation. I don’t think the problem is that ICF did not have enough money from us to deliver. The problem was that they were not able to deliver. Despite a big increase in the resources they put in, they did not have the capability that I think they and we thought they had at the beginning of the process.

Q136 Shaun Bailey: You talked about the failed rectification plan. Obviously, that had to be triggered contractually by the Department. What is your assessment as to the cost of the failure to rectify the system? Ultimately, we have a figure of £50 million. I have done a little bit of maths. That is 18% of the overall spend on this, so what was the Department’s assessment as to how much these system failures fed into that £50 million figure?

Selvin Brown: As I mentioned before, and I think it is fair to say, there was a contribution from customers of £56 million. If I may, what I think the permanent secretary is alluding to is the fact that the contractor had an on-the-shelf product that they were using in other countries, and they needed to configure it for the green homes grant voucher scheme. They said they could do it in six weeks.

Q137 Chair: To be clear, it was only in Canada and America. They have never worked in a UK or even a European market, just to be absolutely clear.

Selvin Brown: Correct. They said they could do it in six weeks and we introduced a manual process system to give ourselves a contingency if they overran. In November, they failed to deliver both the minimum viable product and the full developed model, both due on 8 November. We triggered, correctly, delayed payments, and the cap of the contract immediately. We also instituted the rectification process, which is for them to investigate the causes of the problem.

Chair: I think we are asking about the brass tack numbers here. Mr Bailey’s question was about the money.

Q138 Shaun Bailey: I just want to know the failure cost. Obviously, they failed on that rectification process. I have read through the notes. I get the back story. I just want to know, as a result of them effectively failing to deliver



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that baseline product, what has been the cost on this scheme for the failure. There is clearly going to be a cost. I am just wondering what the raw figure is and where that fits in with the £50 million administrative cost that has been accrued as part of the costs.

Q139 **Chair:** Which included civil servants' time. What Mr Bailey is very clearly asking is not the civil servants' time that cost taxpayers' money, but the contract failure and what that cost.

Sarah Munby: Understood, but I think the civil servants' time is relevant.

Q140 **Chair:** I am not saying it is not relevant, but Mr Bailey's question was not that.

Sarah Munby: I think it is relevant to answer your question, which is the failure cost. There are two components to the failure cost. There is the failure cost that came on us—

Q141 **Shaun Bailey:** Ms Munby, before you proceed, can you just start with a number and then explain it to me? Can you give me a raw number and talk me through how that works?

Sarah Munby: No, I cannot do it that way.

Q142 **Shaun Bailey:** That's fine. Carry on. It is just so that we can establish that.

Sarah Munby: There are two components to the failure cost. Picking out what was the failure cost versus the cost is actually quite difficult. We can come back with the written underpinnings of the calculations, but I do not have that number for you right now. I can give you a sense of it by talking about it.

The first thing is the cost to the Department. Inside that £50 million you have, to talk in round numbers, £20 million-ish, which is a departmental cost. Again, to talk in round numbers, and I will come back in writing with a proper breakdown, let's say half of that 20 is probably costs we had to put in. We have a detailed breakdown. I just cannot recall it right in this meeting. About half of that cost is additional cost that had to be put in. Selvin needed twice as many people. That gives you a bit of a picture there. As I say, I will come back in writing with more detail.

Then, inside the costs paid to ICF, how much of that is failure cost versus how much is legitimate cost for the scheme run? That is quite a hard question to answer. Again, it is a proportion. I am not sure I can do better than half, as a calculation off the top of my head. We can think about it further and come back with a better answer. Some of what we paid there you would have had to pay anyway to run the scheme at this size. Some of what we paid was because the scheme went wrong. It is a split.

Q143 **Shaun Bailey:** I think, Chair, it would be very useful to get those figures in writing for the Committee.

Sarah Munby: We have everything we need to be able to do them.



Chair: You are the accounting officer; we need some numbers.

Q144 **Shaun Bailey:** A final one from me, Chair, if that is okay. Hindsight being what it is, do you think the procurement process was adequate? I have looked at some of your timescales. You had four days to review bids. I appreciate that you tried to bolt this on to the CCS framework contracts as well. Are you confident in hindsight that that procurement process was actually adequate? From what we are hearing and seeing, would it not be fair to see it as a bit of a failure?

Sarah Munby: The part of the procurement process that I do not think was adequate is the bit I have mentioned before. The thing that you look back on is the detailed technical investment. If you are asking for a diagnosis of what was really the problem, I do not think using the framework was a big part of problem, to be totally straightforward about it. I am happy to talk about that in more detail if you want to.

Shaun Bailey: I will leave it there, thank you.

Q145 **Sarah Olney:** We have already talked about how the technical spec was not there, was not up and running at the start of the scheme. You expected it to be put in place later. What specifically was it that ICF were unable to deliver? How early did you know about it, and what did you do?

Selvin Brown: They were due to deliver, as I said before, by 8 November both the minimum viable product and the full development model. We knew in November that they were having difficulties. We had doubled the size of the team facing off to them. We had procured additional contractors such as Slalom, who were able to look at the data they had for applications and installers to try to diagnose what some of the blockages were, and how those applications faced off to third parties.

From about the middle of November, we had a daily meeting with the Secretary of State, the chief executive of ICF, John Wasson, the relevant Minister and the permanent secretary. Those meetings continued up to and through Christmas to try to get to the bottom of what was the failure inside the black box, and indeed, how to unblock, through the manual process, the vouchers.

On 22 December, we were given the first rectification plan. I rejected that in January. It was not sufficient, in my view, to solve the problem. We had a technical assessment of that undertaken by our colleagues in BEIS Digital—GDS. They issued a second plan in January. Again, I rejected that. It was not sufficient. In February, they delivered a third plan, which we accepted. They were due then to deliver both the minimum viable product and the fully developed model by 24 March. They failed to deliver that product.

Q146 **Sarah Olney:** Specifically, what was it? Was the scheme too complex? Was it more complex than they thought when they made the original commitments? In the black box you talked about, what were the specific things?



Selvin Brown: There were very basic things, such as how you get the matching of the address put through the application on to the system. That was not working. There were other things that were failing and, ultimately, it was my view as SRO that we could not extend further. We had engaged counsel on the contract and on the legal strategy. We took the view that the best course of action was to close the scheme and run it off. Indeed, we processed 90,000 vouchers following that, through manual process, and that was our decision.

Q147 **Sarah Olney:** As we know from the Report, the £50 million that we have been talking about equates to about £1,000 per every home that had an installation of some kind. What was the original budget? What did you originally expect the administration cost per voucher to be, or cost per home?

Sarah Munby: I have it in my mind in percentage form rather than as a number per voucher. It is fair to say that the ultimate cost was inflated by at least double relative to our original expectation per voucher. That is a slightly different way of answering your question.

Q148 **Chair:** Would you write to us with that figure? We get what you are saying.

Selvin Brown: It is probably fair to say also that for 170,000 vouchers the processing cost is close to £300. I accept that there is a lot of attrition in there.

Q149 **Chair:** Is that £300 each?

Selvin Brown: It is £300 per voucher to process a voucher, not £1,000.

Chair: That is staggering. For £300, a lot of houses, particularly in Mr Bailey's constituency, for example, would do quite nicely with that. It might do rather a lot to green our homes.

Sir Geoffrey Clifton-Brown: It's quite a lot of insulation.

Chair: It might be more difficult in Richmond.

Q150 **Sarah Olney:** Everything costs a bit more in Richmond. Mr Brown, you made a decision that the rectification would not work to the extent that you did not think it could be used to make the scheme efficient in the future. Is that what you are saying? There was no way that the scheme could ever work well enough in the long term to be worth continuing with.

Selvin Brown: The way the contract works is that you initiate delayed payments. That unlocks the rectification root cause analysis. We gave them three opportunities to deliver a plan, and to deliver by 24 March on the plan set out. That had failed. It was our decision that no more time should be given, and that we should close the scheme to new applicants and work with the contractor to reduce the impact on the existing customers and focus on issuing their vouchers and getting them paid. Indeed, since we have closed the scheme to applications, 90,000 have been processed and



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at the point at which we closed £20 million had been paid out to installers. It is now £155 million.

Ben Golding: Might I come back to your question of whether it could have ever worked?

Chair: Very briefly.

Ben Golding: I do not think the judgment was that it could never get there. It was that they were not seeing improvement fast enough. We had another delivery vehicle open to us in the local authority scheme, and, overall, we judged that would be a better outcome for consumers than to continue to plough uphill.

Q151 **Sarah Olney:** You have all emphasised the other schemes around the green homes grant. In this session, as I have already said, we want to focus on this one, but that seems to have played quite a large role in the decision making, inasmuch as we have that wider scheme and therefore it does not matter too much that we get rid of one part of it.

Selvin Brown: They were announced together. It was £3 billion for all four schemes as a package, three supported by long-term manifesto commitments. As we stand here today, £1.75 billion is in the pipe through the schemes, and we have another £600 million where we have had applications from your constituencies, from local authorities; from zero last June to this year, we have had 100% of local authorities participating. It made total sense to us, in the round, to view the green homes grant vouchers and LAD as a package. That is how we have done it. I made the point earlier that we have put additional funding through LAD 3. That was not announced in the 10-point plan period and therefore would not have been available to the voucher scheme.

Sarah Munby: To be clear, we were not casual about closing the scheme. It is just that closing the scheme would have been worse had we not been able to direct the funding to those other schemes.

Q152 **Sarah Olney:** Mr Brown, can I put to you paragraph 3.16 of the Report? "ICF stated that some of the third-party checks changed from those set out in the procurement; pricing guidance to assess supplier quotes was not in place from the start of the Scheme; and the intended customer journey through the application process was not sufficiently clear." It is their view that those issues hindered their ability to develop the solution, as well as to process the applications in a timely manner. Do you think it is the case that some of the procurement decisions made at the start may have contributed to the failure of ICF to deliver the scheme you were looking for?

Selvin Brown: The contract did not change much for the IT. ICF were fully aware that pricing, for example, would be determined through an interaction between what was applied for—they had in their IT solution an algorithm that they had applied before—and policy decisions by the Department. Because of the failure of the IT, and because of the delay in



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processing the vouchers, it took ICF some time, until early new year, to be able to produce the analysis on which you could make decisions on pricing. For example, we took a decision to offer £1,000 as a flat rate for doors. Some doors were coming in at £3,000 and others were lower. Therefore, I do not accept—obviously I have read what ICF said—that we changed pricing policy before and after. We changed it in line with the information we were provided with by ICF in relation to the applications they had received.

Sarah Munby: Our view would be that the pricing policy evolved in a way that was anticipated at the beginning of the process.

Q153 **Sarah Olney:** That should not have been a barrier to developing a solution.

Sarah Munby: Although clearly in a scenario in which you have an IT solution that has failed to deliver and you are trying to create a patchwork of manual solutions, I can absolutely understand that in that circumstance any kind of dynamic pricing process is really hard to deal with. You can see it from ICF's point of view, but the dynamic pricing process was how this thing was built, and how it should be built. You should learn from the pricing information you get during the contract.

Selvin Brown: We leaned in significantly on the third party checks. I remember back in November and December asking the DWP and other partners to increase significantly the number of checks that were being made manually, because the IT was not able, through the API, to automate the approval of the applications, and that continued all the way through the process.

Q154 **Sarah Olney:** What is the current position on your negotiations with ICF on its underperformance?

Selvin Brown: We have a settled arrangement with ICF. It was our view, my view, back in March that we should be running off and issuing the 80,000 or 90,000 vouchers, processing them, and not leaving those customers stranded in a dispute between Government and the contractor, and indeed tying up 1,000 installers in the process. As at today, as I said, we have 41 vouchers, which are appeals.

The details of the arrangement with ICF are commercially confidential. We have written to the Chair. I accept it was only on Friday. In broad terms, we have not paid for the IT, we have had a significant reduction in management fee from ICF, and we have had the Department's own costs met through the arrangement that we made with ICF.

Q155 **Sarah Olney:** What proportion of that £50 million do you think the Department may eventually recoup?

Selvin Brown: The £50 million is inclusive of the reduction we have managed to agree with ICF.

Q156 **Sarah Olney:** It is not going to come down any further, you expect.



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Selvin Brown: It may come down a smidge but not significantly. Our target operating costs—

Chair: That is depending on how quickly they finish the run-off.

Sarah Munby: Exactly.

Q157 **Sarah Olney:** May I wind up this series of questions? Ms Munby, do you want to sum up to what extent you think it was ICF's failure to perform that meant that the green homes grant voucher scheme had to end, or to what extent do you think it was the rushed implementation, and perhaps some confusion about objectives, that meant the scheme failed?

Sarah Munby: I am sorry to be pernickety, but do you want me to answer why it failed or why it had to end? Is it why we made the decision to close it or why it went wrong in the round?

Q158 **Sarah Olney:** Why it went wrong in the round. To what extent was that ICF?

Sarah Munby: I think the primary problems were operational. I think they were in themselves influenced by decisions that the Department took during the procurement. To be clear, I am not trying to outsource all the blame, but I think that was the primary problem. I think that problem meant that some of the other issues in the design that would have been challenging but manageable—the potential complexity of primary/secondary and the forward controls and so on—which would have been management problems but potential weaknesses came into very sharp relief. Schemes can have weaknesses but still be okay, but in the context of operational challenges, any small issue with the rest of the package becomes a really big issue.

I do not think you can entirely split it, but ultimately I think that was the root cause of the challenge. A challenging scheme with a high-risk appetite, and in the end not quite the worst-case scenario but a very bad case scenario, is where we found ourselves on the spectrum of possibilities that we originally envisaged.

Sarah Olney: Thank you very much.

Q159 **Chair:** These will be some very quickfire questions from me, so hopefully some quick answers. Ms Munby, did you or anybody else speak to anybody who was running a scheme in Canada or the USA with ICF?

Sarah Munby: I did not. I could not say whether anybody else did.

Q160 **Chair:** Mr Golding, you were there at the time.

Ben Golding: No, we did not.

Q161 **Chair:** Nobody did. You didn't think to pick up the phone and say, "How's it going for you?"



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Ben Golding: Not during the procurement we didn't, no, although obviously we had done diligence on ICF as a company as part of getting them on to the framework.

Q162 **Chair:** Why didn't you ring up and see how it was going for another organisation?

Sarah Munby: That kind of referencing usually happens during the process of qualifying someone for the framework.

Q163 **Chair:** They were on a framework but not necessarily for consumer facing.

Sarah Munby: They absolutely were on the framework for consumer facing. The framework is for grants, so they would—

Q164 **Chair:** From what you said before, I misunderstood that. Fine. Okay. Were any of you in the Department when the green deal was being developed or rolled out, or in the period between 2011 and 2015?

Ben Golding: Yes, I was, and indeed I came into this policy area as the green deal was being closed down.

Q165 **Chair:** You were in the Department, but were you at all involved in the green deal?

Ben Golding: In the set-up, no. In the close-down, yes.

Q166 **Chair:** One of the things we have picked up from previous sessions on other issues is the lack of institutional memory in the Department. That is a big concern when we have seen so many repeated failures. I will not repeat the projects. Mr Golding, are there other people you could refer to who had been involved in the green deal or previous projects?

Ben Golding: Within my team as we were setting up the scheme, there were a number of people who had been around throughout the green deal, and indeed through predecessor schemes, including some of the predecessors to ECO, who had had experience of talking to other jurisdictions, including Australia, about the experience of their schemes. Absolutely, we have that institutional memory.

Q167 **Chair:** That makes me slightly more alarmed rather than reassured because I would have thought there would have been lessons learnt along the way. It seems to me sitting here listening to all of this that it has been very theoretical, academic almost, rather than working with the consumer end of it.

Before I pass to Sir Geoffrey, who is going to have the final word, could I make clear what you have committed to send us, Ms. Munby? You have said that you are going to write to us on the failure costs. It would also be very helpful if we could have the text of the settlement with ICF and a copy of your accounting officer assessment. Certainly, we recognise that we have—

Sir Geoffrey Clifton-Brown: And the 16 risks.



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Q168 **Chair:** And your grid of the 16 risks.

Sarah Munby: As part of the accounting officer assessment, absolutely.

Q169 **Chair:** We recognise that there is a summary that is public and there is an accounting officer assessment that is private.

Sarah Munby: We are more than happy to share that.

Chair: We have a way of working, as you and your colleagues will know. We look forward to seeing that. Thank you.

Sir Geoffrey, the last word to you.

Q170 **Sir Geoffrey Clifton-Brown:** Mr Brown or Ms Munby—I do not mind which—my question is quite simple. It relates to the settlement with ICF and the issue of the run-off process for processing outstanding vouchers, where I gather there are milestones and sanctions should they be missed. I assume these sanctions are financial.

Selvin Brown: Absolutely.

Q171 **Sir Geoffrey Clifton-Brown:** Can you tell us the position today? I think you said that when you made the settlement there were 70,000 to 80,000 vouchers outstanding. Did I hear that correctly?

Selvin Brown: As I sit here, 41 are outstanding and they are appeals, so they are people who have been refused because they have not provided the documentation to say that they are indeed in receipt of benefits.

Chair: There are 41 disputed vouchers.

Q172 **Sir Geoffrey Clifton-Brown:** Do you have any idea when that process is going to be finalised?

Selvin Brown: It will be concluded this month. The next milestone is paying out all the installers, the £155 million. We expect to pay out all the installers by December, which is when the milestone for that activity is due. The next activity is the transfer of the data, which takes place in January, and the closing of the contract in February.

Q173 **Sir Geoffrey Clifton-Brown:** In February, the whole process will be closed.

Selvin Brown: Yes.

Sir Geoffrey Clifton-Brown: Thank you very much.

Chair: And a veil will be drawn over this sorry saga. Thank you very much indeed, witnesses. We will be producing our report in the next few weeks. We look forward to receiving the information you are going to write to us with, so that we can incorporate it.

I think you have the mood of the Committee room. There is quite a lot of disappointment about the scheme and the fact that lessons have not seemingly been learnt from previous schemes. There is a willingness



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around the Committee to see net zero achieved, particularly the greening of our homes, but this has not delivered as it should have done. It is worth commenting that the green deal cost £94 per tonne of carbon saved. I do not know if you have a figure for this project. Maybe that is one to go away and work out on a calculator, but it is not a very cost-effective way of delivering for sure.

Thank you for your time, Sarah Munby, Ben Golding and Selvin Brown.