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Green Homes Grant Voucher Scheme

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The Green Homes Grant Voucher Scheme (the Scheme) underperformed badly, upgrading around 47,500 homes compared to the 600,000 originally envisaged, delivering a small fraction of the expected jobs and accounting for just £314 million out of the original £1.5 billion budget. Administration costs are likely to amount to more than £1,000 per home upgraded, totalling just over £50 million in all.

We are not convinced that the Department has fully acknowledged the scale of its failures with this scheme. The failure to deliver this scheme continues government's troubled record of energy efficiency initiatives and risks damaging the Department's future efforts to harness both consumer and industry action to deliver Government's net zero commitments. The Scheme was implemented as an urgent response to the COVID-19 crisis, aiming to support jobs at a time of significant risk for the economy while also reducing carbon emissions from homes. Despite these commendable intentions, the 12-week timescale to implement the Scheme was unrealistic and imposed constraints on its design and implementation. The Department proceeded with the Scheme despite its own Projects and Investment Committee rejecting its full business case. The Department should have considered halting or delaying the Scheme given evidence that preparations were not sufficiently progressed.

What resulted was a scheme with poor design and troubled implementation - the Department did not consult meaningfully enough with industry and consumers, leading to an overly complex scheme design with poor customer experiences and a lower uptake than envisaged. By August 2021, 52% of homeowners' voucher applications were rejected or withdrawn, and 46% of installer applications failed. The Scheme also struggled due to the failure of its scheme administration contractor, ICF Consulting Services Ltd (ICF), to successfully implement the required digital voucher application system. The Department acknowledged that it should have had a better technical understanding of the preferred bidder's proposed solution, and that, had it done so, it may have had sufficient warning that ICF would be unable to implement the required system successfully. The Scheme's primary aim was to support jobs, however, the Scheme's design and duration limited its impact on employment, and its abrupt closure may have in fact led to redundancies. Government needs to stick to a stable, long-term plan, to renew the confidence of industry and consumers in taking the actions needed to realise Government's net zero ambitions.

It is a matter of concern that green homes schemes have repeatedly been short term and have underdelivered on over optimistic promises on green targets and job creation. The department needs to consider carefully how to approach such schemes in future.

Introduction

The government aims to achieve net zero carbon emissions by 2050. Buildings account for around 19% of all UK greenhouse gas emissions. To reduce emissions from homes the government wants consumers to use less energy, make greater use of green heating systems (alternatives to gas and fossil fuels) and for home heating to be more efficient. The Department for Business, Energy & Industrial Strategy (the Department) has overall responsibility across government for achieving net zero. In July 2020, as part of the government's 'green recovery' from the pandemic, the Chancellor of the Exchequer announced the Department's Green Homes Grant Voucher Scheme (the Scheme) with funding of £1.5 billion made available. The Scheme offered homeowners the opportunity to apply for up to £5,000 funding (£10,000 for low-income households) to install energy efficiency improvements and low carbon heat measures in their homes, such as insulation, heat pumps, energy efficient windows and doors, and heating controls. Homeowners were expected to identify a certified installer and apply for vouchers with the installer receiving the grant funding once they had fitted the measure.

The Scheme opened to voucher applications from the public in September 2020. In November 2020, the Department announced that the Scheme would be extended from March 2021 to March 2022. At about this time, however, evidence began to emerge that the Scheme was not issuing vouchers as quickly as expected and consequently homeowners and installers were starting to raise concerns. On 27 March 2021, the Department announced it would close the Scheme to applicants as originally planned at the end of March 2021.

Alongside the voucher Scheme, the Department also launched a series of building decarbonisation schemes delivered through local authorities, including the Green Homes Grant Local Authority Delivery Scheme and the Social Housing Decarbonisation Fund Demonstrator, which were aimed at domestic properties, and the Public Sector Decarbonisation Scheme, aimed at non-domestic public sector buildings.

The Department has recently announced plans to introduce a Boiler Upgrade Scheme, to support the transition from gas boilers to heat pumps in buildings. This is part of its wider Heat and Buildings Strategy that sets out its longer-term plans to achieve building decarbonisation in the United Kingdom, which itself is part of Government's ambitions to reach Net Zero by 2050.

Conclusions and recommendations

1. **The Department's failure to deliver a viable scheme has damaged confidence in its efforts to improve energy efficiency in private domestic homes.** Government has previously implemented a number of energy efficiency schemes aimed at private domestic housing, for example The Green Deal and the Renewable Heat Incentive, and all have operated for varying timescales. This fragmented, stop-go activity has hindered stable long-term progress towards Government's energy efficiency ambitions. The Green Homes Grant Voucher Scheme's initially announced duration of only six months limited the number of installers who were willing to register for the Scheme, and its abrupt closure in March 2021 had significant negative impacts on some participating installers. Whilst the Department's officials acknowledged the failure of the Scheme, it largely attributed this to the failings of the scheme administrator. We are not convinced that officials fully acknowledged the breadth and scale of what went wrong, which included a whole host of design and implementation issues. This contrasts with one of their Ministers who, in our view, more readily acknowledged the multiple causes of the Scheme's difficulties in evidence to the Environmental Audit Committee.

   Recommendation: ***The Department needs to regain the confidence of consumers and industry if it is to realise the ambitions set out in the recently published Heat and Buildings Strategy. Alongside its Treasury Minute response to this report, the Department should:***

   - ***set out the measures it will use to assess whether consumers are indeed opting to install measures to decarbonise their homes at a rate consistent with delivery of net zero; whether the supplier market is building its capacity quickly enough to match likely demand and, in particular whether sufficient steps are being taken to train the number of skilled workers that will be needed to install these measures;***
   - ***spell out the interim milestones by which future progress should be judged; and***
   - ***commit to reporting not only what has been done but also measures of what still needs to be done to deliver net zero, for example the number of homes in the UK yet to meet the expected insulation and heating standards.***

2. **Despite clear warning signs, the Department proceeded with an unrealistic implementation timescale for the Green Homes Grant Voucher Scheme.** The Department had twelve weeks to set up the Scheme from announcement to launch. It was confident this was possible based on previous schemes, and felt the pace was necessary due to the need to boost jobs at a time of economic risk and to start installations before winter. However, this limited timeframe put immense constraints on design, consultation and procurement, at a time when the Department's own delivery capacity in terms of personnel and skills was under strain as it responded to the impact of Covid-19, for example supporting vaccine procurement, the various business loan schemes, as well as its other building decarbonisation schemes. This Committee has previously highlighted that Government should be willing to halt schemes when they are not ready for implementation. However, here the Department

proceeded despite its own assessment, and that of the Infrastructure and Projects Authority, that the Scheme was high risk, and after its Projects and Investment Committee rejected the Scheme's Full Business Case just prior to launch. The Accounting Officer's decision to proceed was partly due to reasoning the Scheme would likely achieve value for money even if it did not spend its full budget. We question whether this justification was sufficient, given Managing Public Money principles require consideration of a programme's feasibility, as well as its potential value for money.

Recommendation: ***The Department should:***

- ***set out how it will improve its approach to testing and assuring the readiness of new programmes; and***
- ***where the Department is unable to take these actions, consider requesting a Ministerial Direction, bearing in mind its obligations under Managing Public Money to have regard for the feasibility of what is being proposed.***

3. **The Scheme's design was overly complex and did not sufficiently address the needs of consumers and installers.** The Department acknowledges that consumers and installers faced a poor customer experience when using the Scheme. There were delays to applications being processed, and by August 2021, 52% of voucher applications were eventually rejected or withdrawn, while 46% of installer applications failed. These high attrition rates were substantially the result of the Scheme's complex design, with applications having to meet complicated requirements to be approved. Homeowners also struggled to find registered installers as many installers were unwilling to gain the necessary certification for a scheme lasting only six months. The Department should have consulted more deeply to understand the challenges that consumers and industry would face, and how it might address barriers to participation. The final administration costs are expected to be just over £50 million, 16% of the total Scheme spend, amounting to more than £1,000 per home upgraded. The Department states that these high costs were due to the need to account for the failings of the Scheme administrator, even though this figure includes a reduction of the contractor's fee for their poor performance. A scheme of less complexity would have had administration costs more proportionate to the number of successful voucher applications.

Recommendation: ***The Department should set out what steps it is taking to:***

- ***secure meaningful engagement with potential consumers in the design of new programmes and minimise the risk that the scheme design proves to be unworkable;***
- ***ensure that the costs of administration are proportionate to the delivery of outcomes and the amount of public money at stake.***

4. **The creation of jobs was a priority for the Scheme, but the Department failed to maximise its impact on employment.** The Scheme's objectives of creating jobs and reducing carbon emissions were at times conflicting. The Department chose to prioritise measures under the Scheme which promised higher carbon savings. However, this limited the number of jobs that could be created, as often energy

efficiency measures which required skills that were quicker for installers to recruit and train, or where there were larger supply chains, were not as accessible under the Scheme. Heat Pump installations, for example, were encouraged under the six-month Scheme but it can take much longer than that just to learn how to install them. The Department originally envisaged that the Scheme would support up to 82,500 jobs over 6 months, but its modelling now indicates that the Scheme will have supported 5,600 jobs over 12 months. We are sceptical whether these modelled figures are accurate, as they are not based on concrete evidence of the actual number of jobs supported, and also do not take into account the negative effects reported by installers from the Scheme's sudden closure. The Department is confident that installers were able to find work through its other energy efficiency schemes once the Scheme closed, however evidence submitted by industry indicates that these schemes were often not accessible to smaller installation companies, and some firms had to make staff redundant as a result of the Scheme's difficulties and its abrupt closure.

Recommendations:

In planning and implementing the new Boiler Upgrade Scheme, the Department should engage closely with potential suppliers to properly understand the challenges they may face to scale up, including training sufficient numbers of appropriately skilled workers, and ensure the availability of suppliers across the country.

If the Department sets an objective to create jobs it should put in place robust processes for measuring the number of jobs actually created rather than just rely on estimates derived from economic modelling.

5. **The Department appointed a contractor without properly understanding whether it could deliver.** The Department undertook a rapid procurement for a grant administrator, who would develop a digital voucher application system for the Scheme. None of the bidders for the contract thought it was possible to fully implement a digital system in time for the launch, and so the Department launched a complex scheme without an IT platform that had been fully developed and tested. The Department's chosen grant administrator, ICF Consulting Services Ltd (ICF), subsequently struggled to implement the voucher application system, leading to greater amounts of manual processing being needed for applications, contributing to the delays in processing vouchers. The Department felt its procurement process was run successfully overall, despite appointing a contractor which could not deliver the system it wanted. Whereas other bidders thought fully implementing a system would take at least 15 weeks, ICF thought it could do it in six and a half weeks. It was unclear why the Department did not challenge ICF further as to why it felt it could deliver substantially faster than the other bidders. The Department recognised it should have had a better technical understanding of ICF's proposed digital solution, which could have prevented some of the issues experienced subsequently. This was despite a specialist Cabinet Office review of the low-cost bid recommending the Department obtain a more detailed understanding of the proposed solution, which the Department did not do.

Recommendation: ***In its Treasury Minute response, the Department should set out how it will improve the technical scrutiny of bids during its procurements, to better assure the capability of suppliers and the practical feasibility of their proposals, particularly where a bidder is promising considerably more than others.***

6. **The Department has persistently failed to learn lessons from previous energy efficiency schemes.** The Committee has seen a number of domestic energy efficiency schemes which have failed to achieve their ambitions, including the Green Deal and the Renewable Heat Incentive. These both featured poor uptake by consumers due to their complex scheme design, and the Green Deal scheme also carried a disproportionately high administrative cost per home upgraded. The Department stated that the design of the Green Homes Grant Voucher Scheme did reflect lessons from previous schemes, particularly in its attempt to ensure value for money in delivering carbon impacts whilst minimising poor quality workmanship and fraud. Nonetheless, we are concerned that despite the Department retaining personnel with experience of previous initiatives, the Green Homes Grant Voucher Scheme suffered from many of the same issues that we have seen before. This calls into question how the Department maintains and uses its corporate memory, and whether it is truly learning lessons from the delivery of these schemes.

Recommendation: ***The Department should set out in its Treasury Minute response how it is embedding lessons learned from this scheme and previous schemes, and how it will ensure these are applied to future energy efficiency initiatives.***

1 Scheme design and performance

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department of Business, Energy and Industrial Strategy (the Department) about the Green Homes Grant Voucher Scheme. The government aims to achieve net zero carbon emissions by 2050. Buildings account for around 19% of all UK greenhouse gas emissions.[1] To reduce emissions from homes the government wants consumers to use less energy, make greater use of green heating systems (alternatives to gas and fossil fuels) and for home heating to be more efficient. The Department has overall responsibility across government for achieving net zero, and it and its predecessor, the Department for Energy and Climate Change, have been responsible for a number of home energy efficiency schemes, such as the Green Deal, the Energy Company Obligation, the Renewable Heat Incentive and the Warm Front Scheme. These schemes have addressed different groups of energy consumers, over different periods of time.[2]

2. In July 2020, as part of the government's 'green recovery' from the pandemic, the Chancellor of the Exchequer announced the Department's Green Homes Grant Voucher Scheme (the Scheme) with funding of £1.5 billion made available.[3] The Scheme offered homeowners the opportunity to apply for up to £5,000 funding (£10,000 for low income households) to install energy efficiency improvements and low carbon heat measures in their homes, such as insulation, heat pumps, energy efficient windows and doors, and heating controls. Homeowners were expected to identify a certified installer and apply for vouchers with the installer receiving the grant funding once they had fitted the measure.[4] At this time, the Department also launched a series of building decarbonisation schemes delivered through local authorities, including the Green Homes Grant Local Authority Delivery Scheme and the Social Housing Decarbonisation Fund Demonstrator, which were aimed at domestic properties, and the Public Sector Decarbonisation Scheme, aimed at non-domestic public sector buildings.[5]

3. The voucher Scheme did not perform to the Department's expectations. The Department initially anticipated that the Scheme, through its £1.5 billion budget, would deliver home energy efficiency improvements to 600,000 homes.[6] The Department now anticipates that by the time all remaining vouchers are processed and paid, the Scheme will have upgraded only 47,500 homes and spent £256 million on the work, with the Department spending £50.5 million administering the Scheme.[7]

4. In October 2021, following our evidence session, the Government published its new Heat and Buildings Strategy and announced its intention to launch a new Boiler Upgrade Scheme in April 2022, to help incentivise the transition from gas boilers to heat pumps.[8]

1 C&AG's Report, *Green Homes Grant Voucher Scheme*, Session 2021–22, HC 302, 3 September 2021, para 1
2 C&AG's report, paras 1.2–1.4, 1.13, Appendix 3
3 C&AG's report, para 2
4 C&AG's report, para 2
5 C&AG's report, para 3
6 C&AG's report, para 2
7 C&AG's report, para 7
8 Gov.uk Press Release: Plan to drive down the cost of clean heat, 18 October 2021 https://www.gov.uk/government/news/plan-to-drive-down-the-cost-of-clean-heat

Complexity of Green Homes Grant Voucher Scheme

5. The Department acknowledged that homeowners and installers had a poor experience with the Scheme, and more than 3,000 complaints were made up to April 2021.[9] There were delays to applications being processed; customers who applied for the Scheme in October 2020, the first full month the Scheme was in place, faced a wait of up to 137 days for a voucher to be issued.[10] By August 2021, 52% of voucher applications were eventually either rejected by the Scheme administrator or withdrawn by the applicant, and 46% of installers who applied to participate in the scheme were unable to be registered successfully.[11]

6. These high attrition rates were due to the complexity of the scheme. Homeowners had to select from a range of primary measures, such as insulation or low carbon heating measures like heat pumps, before they could claim a grant for secondary measures under the scheme such as double-glazed windows, a distinction some homeowners found confusing.[12] They were also only allowed to use installers who were registered with Trustmark and certified to Publicly Available Standards (PAS) or the Microgeneration Certification Scheme (MCS, overseen by the MCS Charitable Foundation), and installation quotes would be checked to ensure they were appropriately priced before a voucher was issued.[13] It was difficult for homeowners to ensure they met all these criteria fully, resulting in the high percentages of failed applications.[14] Poor communications were also an issue; MCS Foundation told us that it was unclear where homeowners could go for assistance, so many went to the helpdesks run by various organisations, leading to conflicting advice and being passed between organisations.[15]

7. These issues were further exacerbated by underperformance of the Scheme Administrator (ICF Consulting Services Ltd, a contractor appointed by the Department), creating delays in applications being processed and vouchers issued to homeowners, as well as in making payments to installers, leaving them without payment for completed work for significant periods of time.[16] The Department argued that this was the primary reason for the scheme's poor performance, and that it had seen a lot of demand at the start of the scheme before these customer service issues arose.[17] It also stated that some of the application complexity arose from the failure of the Scheme Administrator to implement a digital voucher application system, meaning that customers had to be asked for documentation for checks instead of these being automated.[18]

8. Despite spending a fraction of what was intended on vouchers, the Department expects it will incur costs of £50.5 million in administering the Scheme, equating to about £1,000 for every home it will upgrade.[19] The Department stated that this was a result of having to address the failings of the Scheme Administrator, and that these costs should instead be compared to the 169,000 voucher applications as the Department incurred costs on each of these due to the administrator's failure to automate processing. This is

9 C&AG's report para 8, Qq 29, 33
10 C&AG's report, Figure 5
11 C&AG's report, paras 8 and 2.11
12 Q64
13 Q88
14 Q64
15 MCS Certified and MCS Foundation, page 4
16 Q52, MCS Certified and MCS Foundation page 6
17 Qq 29, 41
18 Q63
19 Q147

despite also stating that it had secured a reduction in the Scheme administrator's fee due to their underperformance.[20] These costs would have been more proportionate had the Scheme not been so difficult for homeowners to engage with; the Scheme's 52% attrition rate of failed applications compares unfavourably to the Department's initial expected attrition rate of 40% based on previous schemes, which we note also faced problems due to over-complexity.[21] Had the Department created a scheme that was more accessible, there would have been a greater number of homes upgraded for the resources committed.[22]

Impact on Industry

9. The Scheme encouraged the installation of primary measures which would produce the greatest carbon savings, and which homeowners would be less likely to install without the support of a grant. However, over the short six-month duration of the Scheme, this created a tension with its objective to create jobs.[23] This short duration was to encourage homeowners to take advantage of the scheme quickly, however, primary measures often required specialist skills that were difficult to recruit or train or were in supply chains which were not as able to scale up to meet increased demand.[24] For example, whilst heat pumps were one of the measures encouraged by the Scheme, it can take as long as 48 months to learn how to install one.[25]

10. Industry associations stated that the short lead up time, and the Scheme's six-month window was a challenge for many installers, providing a very short timeframe for them to identify the resources they needed to engage with the scheme, as well as for the installation of measures.[26] The Department acknowledged that delivering the intended £1.5 billion of funding was extremely ambitious, and that it could have driven greater job creation by broadening the constraints on measures, however, it wanted to ensure that the scheme was not poor value for money in delivering carbon impacts.[27] It also argued that many of the primary measures were labour intensive and stimulating demand for them would also have an impact in supporting jobs, and that where specialist skills were needed firms could hire new staff to work alongside those who were more experienced.[28]

11. Requiring PAS and MCS certification, alongside Trustmark registration, was intended to protect homeowners from poor quality workmanship and fraud.[29] However, gaining these certifications requires investment and time, which many installers were unwilling to do for only a 6-month scheme.[30] At the Scheme's launch, there were 880 potential installers registered with Trustmark, however, by November 2020 only 248 had registered to participate in the Scheme, eventually growing to 1,008 by August 2021.[31] Many homeowners struggled to find installers who were willing to participate in the Scheme, and the Department acknowledged that in many areas there were not enough

20 Qq136, 138–142, 154–155, Note dated 1 October 2021 from Department for Business Energy and Industrial Strategy section 2–4
21 Qq 91, 99
22 Q103
23 Qq 39–40
24 C&AG's report, paras 10–11
25 Q35
26 The Mineral Wool Insulation Manufacturers Association, page 2, MCS Certified and MCS Foundation, page 4–5
27 Qq 40, 42, 64
28 Qq 35, 41
29 Q60, 63
30 Q85
31 C&AG's Report, paras 8, 2.11

installers.[32] Despite the challenges, some businesses did invest in order to participate; a survey by the Insulation Assurance Authority found that those who did invest spent an average of £87,000 getting set up for the scheme by gaining the necessary certifications, hiring staff, and promoting the scheme.[33] Subsequent issues with the administration of the Scheme, however, such as the delays in issuing vouchers and making payments, meant that rather than expanding some firms reported having to lay off workers.[34]

12. Whilst the Department extended the scheme's duration by 12 months in November 2020, it later let these businesses down when on 27 March 2021 it suddenly announced the Scheme would close at the end of 31 March 2021.[35] This abrupt cancellation itself had negative impacts on the companies who invested in the scheme. For instance, the Federation of Master Builders reported loss of time and money, redundancies of staff hired to meet demand from the scheme, and reputational damage through being unable to service all their customers in the limited time available. It also stated that maintaining PAS certification requires continuous work, and thus the closure of the Scheme risked the loss of capacity in the industry.[36]

13. The Department acknowledged that the impact on many installers was less than ideal, however, it stated that the alternative was to continue running an unacceptable standard of service.[37] It also argued that installers would be able to access the other building decarbonisation schemes it had launched in July 2020, such as the Local Authority Delivery element of the Green Homes Grant scheme and the Social Housing Decarbonisation Fund Demonstrator, which were delivered through local authorities as an intermediary.[38] This contradicted evidence from industry, who stated that local authorities had tended to deal with just larger suppliers, and SMEs were either unable to engage with the schemes or would at least struggle to engage quickly.[39]

14. These factors point to the Scheme's underperformance on jobs; the Department initially anticipated the scheme would support up to 82,500 jobs over 6 months, however, it now forecasts that it will support only 5,600 jobs over 12 months.[40] The Department's estimates are based on economic modelling that calculates the likely number of jobs based on the amount spent, rather than on concrete evidence of the actual number of jobs supported, and would not take into account the negative effects that businesses reported from the Scheme's difficulties and subsequent closure.

15. Considering these difficulties, it comes as no surprise that industry criticised the design of the Scheme, and recommended greater consultation for future ones.[41] The Department stated that whilst it did engage with industry before the Scheme's launch, it was limited in what it was able to do until the formal fiscal announcement was made on 8 July.[42] After this point, the Department had limited time until the Scheme's launch

32 Q86
33 Mineral Wool Insulation Manufacturers Association, page 1
34 Mineral Wool Insulation Manufacturers Association, page 2
35 Qq 69–70
36 Q69, Federation of Master Builders, page 2
37 Qq 65–69
38 Q66, Q69–70
39 Federation of Master Builders, page 2, E3G, page 4
40 C&AG's report, para 7
41 Federation of Master Builders, page 1, Mineral Wool Insulation Manufacturers Association, page 1, Solar Energy UK, page 4, MCS Certified and MCS Foundation page 8
42 Q83

at the end of September to fully engage with industry.[43] However, it is unclear why the Department, which would presumably be in regular contact with industry anyway, was so lacking in an awareness of the complexities of the industry, and its actual capability to scale up over a short period.[44] This is also despite previous recommendations from this Committee to ensure that policy decisions are thoroughly tested and based on accurate evidence that includes a robust evaluation of stakeholders' views.[45]

16. In our recent evidence session on Achieving Net Zero Strategy, the Department set out its intention to introduce a Boiler Upgrade Scheme to support the transition of heating from gas boilers to heat pumps, which it hopes will support jobs and develop the heat pump supply chain. The Department told us it has engaged with industry and understands that industry is confident it can scale up to meet the Department's ambitions for heat pump installations as part of its longer-term Heat and Buildings Strategy.[46]

Learning Lessons for future delivery

17. In 2016 our predecessors on the Committee identified similar problems when they examined the Green Deal; in that case the former Department for Energy and Climate did not undertake enough work to understand consumer needs, and how to make it easier for them to apply. This resulted in an overly complex scheme with many process steps and excessive paperwork, resulting in extremely low demand; only 14,000 households took out a loan, leading to a cost to taxpayers of £17,000 for every loan arranged.[47] Similarly, in 2018 the Renewable Heat Incentive saw poor uptake; the Department expected to install 513,000 new heating systems as part of the scheme, but at the time anticipated it would install only 111,000. This was also due to a lack of preparation by the Department to understand what consumers wanted and the potential barriers to participation.[48] The Warm Front Scheme featured a lack of clarity over whether it was primarily aimed at energy efficiency or alleviating fuel poverty.[49]

18. The Department argued that it had learned lessons from previous schemes.[50] The design of the Scheme was based on the Green Deal Home Improvement Fund – itself a voucher scheme launched in 2014 which saw rapid uptake by consumers, and which had also encouraged certain energy efficiency measures over others in a similar manner to the recent scheme.[51] It also stated that the requirement for PAS and MCS certification and Trustmark registration were drawn from the Every Home Counts review, which set out recommendations for government in ensuring that homeowners were not at risk from poor quality work.[52] Nonetheless, it is of concern that the Department did not fully

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43 Qq 83–85
44 Q85
45 Q83, Committee of Public Accounts, *Household energy efficiency measures*, Eleventh Report of Session 2016–17, HC 125, July 2016
46 Committee of Public Accounts, Oral Evidence: *Achieving Net Zero: Follow Up*, HC 642, 25 October 2021, Qq 24, 27, 69
47 Committee of Public Accounts, *Home Energy Efficiency Measures*, Eleventh Report of Session 2016–17, HC 125, 11 July 2016
48 Committee of Public Accounts, *Renewable Heat Incentive in Great Britain*, Fortieth Report of Session 2017–19, HC 696, 16 May 2018
49 Committee of Public Accounts, *The Warm Front Scheme*, Thirty-Ninth Report of Session 2008–09, HC 350, 29 June 2009
50 Q63
51 Qq 31–32
52 Q94

learn from and overcome the issues of complexity and poor performance on the previous schemes.[53] This is especially so given departmental staff with knowledge of these previous schemes were present during the development and implementation of the recent scheme, raising questions around how the Department maintains and uses its corporate memory.[54]

19. We are likewise concerned that the Department will fail to learn from this scheme. When asked what the primary failings of the Scheme were, whilst acknowledging the short duration and the design of the scheme as factors, the Department largely attributed its failings to the poor performance of its scheme administrator.[55] This contrasted with one of the Department's ministers who, giving evidence at the Environmental Audit Committee, readily acknowledged the multiple causes of the Scheme's difficulties set out the Comptroller and Auditor General's report.[56] The Department needs to recognise the breadth and scale of what went wrong on this scheme, so that it can begin to regain the confidence of homeowners and industry in future attempts to decarbonise buildings.

20. The Department's previous energy efficiency schemes for private housing have operated in different ways, and for varying timescales, and this fragmented, stop-go activity has hindered long term stable progress towards Government's energy efficiency ambitions. In evidence to us industry associations argued the case for a stable, long-term plan for decarbonising the UK's domestic buildings.[57] In our evidence session on Achieving Net Zero the Department referred to its new Heat and Buildings Strategy, alongside the Net Zero Strategy, which sets out its plans, including spending intentions, and the longer-term regulatory path for the building retrofit sector.[58] The strategy is intended to provide a stable long-term policy landscape for consumers and industry to engage with.[59]

53 Q105

54 Q164–167

55 Qq 29, 52, 158

56 Environmental Audit Committee, Oral Evidence: Mapping the Path to Net Zero, HC 497, 22 September 2021, Qq 170, 189

57 MCS Certified and MCS Foundation, page 8–9, Federation of Master Builders, page 3–5, Mineral Wool Insulation Manufacturers Association, page 2–4

58 Committee of Public Accounts, Oral Evidence: *Achieving Net Zero: Follow Up*, HC 642, 25 October 2021, Qq 53, 55

59 Qq 74, 77, 93, 127

2 Scheme Implementation

Unrealistic implementation timescales

21. The Chancellor announced the Green Homes Grant Voucher Scheme (the Scheme) on the 8 July 2020, with the expectation that it would launch on 30 September 2020. This allowed just 12 weeks to get the scheme up and running. During this time, the Department had to consult with stakeholders, design the Scheme, and procure a scheme administrator to implement a digital system for voucher applications.[60] This was at a time when the Department's delivery capacity in terms of personnel and skills was already constrained in responding to the impact of Covid-19, for example with supporting vaccine procurement various business loan schemes, as well as its other building decarbonisation schemes.[61]

22. The Department told us that it had a high-risk appetite in getting the scheme up and running due to the ongoing effects of the pandemic, and the short 12-week timescale was necessary to boost jobs as 60% of the construction industry were on the furlough scheme which was due to end. It argued that if it had pushed the launch back to November or December then the Scheme would have started in winter, when it is less practical to install energy efficiency measures.[62] Despite the short timescales, the Department was confident that it was still possible to implement the Scheme due to its experience of setting up other energy efficiency schemes with similar timescales, such as the Green Deal Home Improvement Fund.[63]

23. This rushed timescale meant that the Department undertook limited stakeholder engagement and restricted its options for procuring an administrator.[64] The Department also did not pilot the scheme to test its feasibility.[65] These issues led to many of the problems described in Part One including the lack of understanding installer needs, the complexity of the scheme and the performance of the administrator. The Department pressed on with its unrealistic timetable despite warning signs during implementation.[66] Both the Department's own assessment, and that of the Infrastructure and Projects Authority, showed that the Scheme was high risk.[67] In addition, the Department's Projects and Investment Committee rejected the Scheme's Full Business Case two days prior to the Scheme launch date as it did not believe the full £1.5 billion would be spent and was not able to confirm the scheme administrator's IT solution would function, as it had yet to be fully developed and tested.[68]

24. In a previous Committee report *Home Energy Efficiency Measures*, our predecessors highlighted that Government "should be prepared to pull back on plans if it is clear they are unlikely to be successful and risk taxpayers' money".[69] Given the risk to the Department's reputation, we questioned why the Accounting Officer chose to proceed, rather than

60 C&AG's Report, Figure 10 and paras 10, 13, 3.2
61 C&AG's Report, para 3.4, Q30
62 Qq 30–32
63 Qq 30–32
64 Q83 and C&AG's Report, paras 10, 13, 15
65 Qq 80–81
66 Q30
67 C&AG's Report, para 13
68 C&AG's Report, para 14
69 Committee of Public Accounts, *Household energy efficiency measures*, Eleventh Report of Session 2016–17, HC 125, July 2016

ask for a Ministerial Direction.[70] The Accounting Officer told us that she recognised the concerns of the Projects and Investment Committee, but believed the Scheme was still likely to achieve value for money even if it did not spend its full budget. This was informed by the Department's analysis of 16 scenarios of different levels of scheme demand and implementation costs, which said that in only one scenario of much higher costs and much lower demand did the scheme fail to provide net benefits. Her assessment also referenced assurance received from the Government Digital Service that the parts of the IT solution developed to that point were secure and reliable, and correspondence from HM Treasury stating that it would consider extending the Scheme's funding into the next financial year should delivery risks materialise.[71]

25. Under Managing Public Money principles, Accounting Officers should consider the regularity, propriety, and feasibility of initiatives, as well as their potential value for money. In terms of feasibility, Accounting Officers should seek a direction "where there is a significant doubt about whether the proposal can be implemented accurately, sustainably, or to the intended timetable".[72] Given the warnings raised concerning the Scheme's high level of risk, we question whether the Accounting Officer's justification to proceed was sufficient.

Grant administrator procurement

26. Due to the 12-week timescale for implementing the Scheme, the Department had limited time to procure a Scheme Administrator who would develop a digital voucher application system and process applications. The Department received three bids, but none of the bidders thought it was possible to fully implement a digital system in time for the launch. As a result, the Department allowed bidders to steadily deliver elements of the system in stages. Whereas other bidders thought fully implementing a system would take at least 15 weeks, ICF Consulting Services Ltd (ICF) thought it could do it in six and a half weeks and at lower cost.[73]

27. As a result, the Department awarded the contract to ICF, accepting it's accelerated timetable for completion, whilst also putting in place a manual processing facility as a contingency in case the timetable overran.[74] ICF subsequently struggled to implement the required voucher application system, meaning that greater amounts of manual processing were needed for voucher applications. This contributed to the delays that homeowners and installers faced in engaging with the Scheme.[75]

28. Despite the Department appointing a contractor which could not deliver the system, the Department felt its procurement process was run successfully overall.[76] In response to ICF's proposed costs being far below the other two bidders, the Cabinet Office undertook a low-cost review of the scheme administrator's bid during the procurement. Its review stated that the Department should undertake further technical assessment on

70 Qq 55–59
71 Qq 53–55, 58, Note dated 1 October 2021 from Department for Business Energy and Industrial Strategy paras 5–7
72 Managing Public Money, Box 3.2, p 16, Managing public money - GOV.UK (www.gov.uk)
73 C&AG's Report, paras 16, 3.9, 3.12
74 Qq 62, 131–132, 137
75 Q145
76 Q144

the scheme administrator's proposed solution, which the Department did not undertake.[77] The Department accepted that it should have carried out a deeper and more thorough technical assessment, and that this could have prevented some of the issues it experienced subsequently. However, at the time it felt it understood the reasons for ICF's lower costs, which were related to its accelerated speed of implementation.[78]

29. The Department stated that at the time of the procurement, it appeared that ICF had a ready-made system that had already been used on over 100 grant schemes in the US and Canada, and which could quickly and cheaply be amended to suit the Department's needs.[79] The Department did not follow up with any of the organisations contracting with ICF as it felt appropriate referencing would have been completed when ICF were qualified for the Crown Commercial Service framework it used for the procurement.[80] However, given ICF were proposing to deliver substantially faster than the other bidders, the Department should have challenged ICF further as to why it felt it alone could do this.

77 C&AG's Report, para 3.13, Qq 98, 133
78 Qq 98, 134, 144
79 Qq 62, 96–98, 136–137
80 Qq 159–162

Formal minutes

Wednesday 24 November 2021

Members present:

Dame Meg Hillier, in the Chair

Sir Geoffrey Clifton-Brown

Peter Grant

Mr Richard Holden

Nick Smith

Green Homes Grant Voucher Scheme

Draft Report (*Green Homes Grant Voucher Scheme*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.
Paragraphs 1 to 29 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Twenty-seventh of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Monday 29 November at 3:30pm.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Monday 20 September 2021

Sarah Munby, Permanent Secretary, Department for Business, Energy and Industrial Strategy; **Ben Golding**, Director General Net zero and Building Industry, Department for Business, Energy and Industrial Strategy; **Selvin Brown**, Director, Energy efficiency and local SRO for Net Zero Building Delivery, Department for Business, Energy and Industrial Strategy Q1–173

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

GGP numbers are generated by the evidence processing system and so may not be complete.

1 E3G (GGP0003)

2 Federation of Master Builders (GGP0002)

3 MCS Certified and MCS Foundation (GGP0001)

4 Mineral Wool Insulation Manufacturers Association (MIMA) (GGP0004)

5 Solar Energy UK (GGP0005)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

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33rd	Covid-19: Bounce Back Loan Scheme	HC 687

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48th	Digital Services at the Border	HC 936
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