

Twenty-Seventh Report of Session 2021–22

Department for Business, Energy & Industrial Strategy

Green Homes Grant Voucher Scheme

Introduction from the Committee

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.

Based on a report by the National Audit Office, the Committee took evidence on 22 April 2021 and 22 July 2021 from HM Treasury, the Department for Business Energy and Industrial Strategy, and the British Business Bank. The Committee published its report on 1 December 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [Green Homes Grant Voucher Scheme](#) – Session 2021-22 (HC 302)
- PAC report: [Green Homes Grant Voucher Scheme](#) – Session 2021-22 (HC 635)

Government response to the Committee

1: PAC conclusion: The Department's failure to deliver a viable scheme has damaged confidence in its efforts to improve energy efficiency in private domestic homes.

1: PAC 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.**

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2022

1.2 Department for Business, Energy and Industrial Strategy (BEIS or the department) officials and Ministers regularly engage with industry stakeholders to understand key challenges and inform policy design. For example, the new [Net Zero Buildings Council](#) brings together representatives from industry, academia, consumers and local government to support the successful delivery of the [Heat and Buildings Strategy](#), and a new Home Decarbonisation Supply Chain Engagement Group will convene trade body and other sector representatives in a regular forum. A recent Infrastructure and Projects Authority (IPA) Review recognised the department had developed a deeper analytical approach to understand and engage with the supply chain, which will inform the broader Programme and Portfolio.

1.3 Ensuring consumers have access to independent and government-endorsed information on energy efficient home upgrades is a priority. The [Simple Energy Advice](#) (SEA) service provides homeowners with impartial and tailored guidance on how to reduce energy bills and make their homes greener, as well as which government schemes they may be eligible for. In the [Net Zero Strategy](#), the department committed to enhancing the SEA and moving it to GOV.UK.

1.4 The department plans to commission ongoing supply chain research on the materials, products and labour needed to install the measures included in our home retrofit schemes to report in 2022-23, as well as commissioning longer term social research insights to better target our interventions to support future market growth. This will help understand how far the supplier market is building capacity and what further interventions may be required.

1.5 The government recognises the need for a skilled and robust supply chain to deliver the improvements to buildings necessary to meet our net zero targets. Since 2018, the department has launched a £6.9 million skills competition to provide up to 8,000 training opportunities and provided £4.7 million funding for six pilots, testing innovative approaches for growing the energy efficiency installer supply chain. In 2021-22 the department made £15 million funding available, enabling public sector organisations to access the skills needed to develop heat decarbonisation plans for schools, hospitals and other public buildings.

1.6 The department reports on a set of indicators to Number 10 Downing Street and cross-government boards. Internal collaboration to strengthen alignment on reporting will further enable effective policymaking. The BEIS Outcome Delivery Plan will include trajectories for heat pump deployment and the improvement in EPC ratings for homes, showing how much has been achieved and how much still needs to be done. The regular English Housing Survey tracks improvements in the energy efficiency of the national building stock from any measures consumers have opted to have installed. BEIS publishes a range of energy efficiency statistics, including monthly publications on [Household Energy Efficiency](#) and the [Green Homes Grant scheme](#), providing transparent reporting on installation delivery.

1.7 Recognising the need for proactive engagement with consumers and installers, the department is developing communications that will reinforce the benefits of energy efficiency installations to reducing energy bills and supporting our net zero target. The department has pledged to report annually on progress towards its public commitments, including interim milestones, as outlined in the [Net Zero Strategy](#).

2: PAC conclusion: Despite clear warning signs, the Department proceeded with an unrealistic implementation timescale for the Green Homes Grant Voucher Scheme.

2: PAC 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.**

2.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2022

2.2 As part of the governance approvals for investments, the Accounting Officer assesses whether a ministerial direction is required. Having assessed the risks associated with the Green Homes Grant Voucher (GHGv) scheme's implementation timescale, the Accounting Officer gained assurance from HM Treasury that flexibility to shift a proportion of spending into the subsequent financial year would be considered, and £320 million was allocated in the 2020 Spending Review for the 2020-21 financial year. The Government Digital Service's (GDS) independent assessment and approval of the initial digital product also provided assurances. In light of this, and the departmental record of delivering similar schemes, a ministerial direction was not considered to be required in this case.

2.3 Since Summer 2020 BEIS has reinforced the team responsible for the control environment for investment appraisal, allowing greater attention to be given to each project. A new director-level head of project delivery profession has been appointed, who attends the Executive Committee and reports to the Permanent Secretary. A new Implementation and Delivery Directorate (IDD) has been created to support projects through the whole life cycle, for example by recruiting Delivery Business Partners.

2.4 Within the IDD, the Delivery Capability team is responsible for continuously developing BEIS' delivery profession and capability. For example, by setting up a Project Assistance Team to support key projects and recruiting Project Delivery Business Partners to provide delivery assistance to groups/Programmes.

2.5 However, the department recognises the need to enhance this area as part of its strategic transformation into a delivery department. To that end, the Delivery Transformation Programme (DTP) aims to improve delivery capability across the department. The DTP has created a new BEIS Project Delivery Lifecycle - as part of the BEIS Project Delivery

Framework (BPDF) – which includes procedural guidance and advice on best practice for project initiation. The BPDF is being developed further with more detail, templates and best practice being implemented during early 2022.

2.6 To support the assurance of Programmes readiness, an external review will consider the department's Tier 1 Governance structures this year (2022).

3: PAC conclusion: The Scheme's design was overly complex and did not sufficiently address the needs of consumers and installers.

3: PAC 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.**

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 The department recognises the impact that the shortened timescale had on officials' ability to meaningfully engage with consumers and installers, and that the scheme administrator's digital delivery complicated these processes.

3.3 The pace of the GHGv scheme delivery led to some policy design decisions that added complexity to the user experience. However, key elements of the scheme design were informed by important learnings from previous schemes, including the prioritisation of robust quality assurance and customer protection.

3.4 This necessarily drove the quality standard requirements for tradespeople to be registered with [TrustMark](#) and have the relevant trade certifications, in line with the recommendations set out in the [2016 Each Home Counts \(EHC\) review](#). The department remains committed to implementing the outcomes of the EHC review and the importance of high standards in retrofit, including the transition to the Publicly Available Specification (PAS) 2030/2035:2019, which represent an industry-wide approach to ensuring quality home retrofit and consumer protection.

3.5 Nevertheless, it is recognised that policy implementation can be improved. For each proposed policy development, the department aims to undertake robust public consultation to gather views of potentially affected stakeholders and seek feedback from consumers on the effectiveness of policy implementation.

3.6 All policy development is underpinned by the Policy Profession Standards, which defines the skills and knowledge required from all UK Civil Servants involved in policy work. Lessons learned from the GHGv scheme are being shared across the department and will inform the development of future schemes.

3.7 The department determines whether planned large investments are supported by a sound, good quality business cases, are deliverable and offer value for money through the Projects and Investment Committee (PIC). The PIC acts as a formal, internal gateway, which provides advice to the Accounting Officer on whether all Accounting Officer issues in business cases have been identified, assessed and managed in accordance with the HM Treasury guidance on Managing Public Money. Where a business case does not provide sufficient justification, it ensures that the Accounting Officer informs the Secretary of State, and, where necessary, obtains ministerial direction.

4: PAC conclusion: The creation of jobs was a priority for the Scheme, but the Department failed to maximise its impact on employment.

4: PAC recommendation: 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.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2023

4.2 The government is engaging closely with potential suppliers, both directly and through the BEIS-led Electrification of Heat Task Group. The government is also working closely with industry to ensure that high-quality heat pump training is available, both for new entrants to the heating sector and existing heating installers who do not have heat pump experience.

4.3 In August 2021, the Heat Pump Association launched a new upskilling course for existing heating engineers. This course can be completed in under a week and industry has capacity to upskill over 7,000 heating installers per year to install heat pumps.

4.4 Job creation will be a benefit of the Boiler Upgrade Scheme (BUS) because of the increased installation numbers that are expected to be delivered through financial incentives for customers. The BUS will support approximately 2,100 direct full-time equivalents (FTE) and 1,800 indirect FTE. Scheme monitoring and evaluation will provide evidence on installer numbers and how these develop through the lifetime of the scheme. Ongoing industry engagement will provide supplementary market intelligence on staff training and upskilling numbers, increasing clarity on supply chain developments.

4.5 The department is working closely with industry ahead of the Domestic Renewable Heat Incentive scheme's closure and BUS launch, to provide clarity on BUS eligibility requirements and ensure the supply chain has the capacity to deliver. Industry stakeholders have signalled confidence in the industry's ability to deliver 30,000 installations in year one of the scheme based on current installer numbers, and planned training.

4.6 The department will be establishing the Green Jobs Delivery Group, a commitment in the Net Zero Strategy, to be the central forum through which government, industry and other key stakeholders work together to ensure that the UK has the workforce needed to deliver a green industrial revolution. The Group will include Ministerial representation and will be co-chaired by an industry representative.

4.7 The GHGv scheme aimed to support jobs that were at risk during the pandemic. The scheme's independent evaluation is using qualitative and quantitative research methods to assess how suppliers responded to the scheme and its impact on jobs.

4.8 The department's policies are expected to fulfil requirements set out in the published [Monitoring and Evaluation Framework](#). This includes having good quality monitoring and evaluation that is linked to policy objectives and evidence needs, including jobs where appropriate. From 2022-2024, the department will be exploring data science methods to monitor trends in jobs for the wider Net Zero strategy using online vacancy advert data.

5: PAC conclusion: The Department appointed a contractor without properly understanding whether it could deliver.

5: PAC 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.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 The department carries out due diligence checks at all stages of a procurement and considers in-house solutions and delivery through public sector bodies, as recommended elsewhere in this document.

5.3 Before a procurement the department will:

- where appropriate, consider a two-stage process to get suppliers involved earlier in the design, subject to necessary non-disclosure agreements,
- undertake a robust assessment of the key suppliers in the market against the proposed route to market to maximise delivery confidence, including track record, using early engagement to build interest, shape the specification and test the evaluation criteria and key requirements,
- analyse the standard Crown Commercial Services (CCS) framework contract to ensure it offers sufficient protection if things go wrong and regular contract break points. Even if the scope of services is a match, the lack/inadequacy of appropriate relevant clauses should mean the framework agreement procurement route is dismissed and a different route offering greater protection and benefits chosen,
- collaborate with CCS for urgent, high value and critical procurements,
- confirm with CCS original award criteria for suppliers (to be on the framework), identify and mitigate gaps with appropriate questions and evaluation criteria. Implement the government's Sourcing Playbook advice on clarity of specification, designing evaluation criteria and avoiding a bias towards low-cost bids, and
- engage GDS to help develop evaluation criteria for relevant IT systems and assess example or pilot software.

5.4 Once bids have been received, the department will:

- carry out all checks permitted under the Public Contract Regulations and its forthcoming replacement legislation
- ensure a thorough evaluation of the implementation plan from bidders with appropriate reality checks from experienced evaluators.
- where appropriate, check sustainability of pricing received in supplier bids through forensic accountancy and where material variances exist, consider undertaking an Abnormally Low Bids assessment.
- where timing permits, explore deliverability and the implementation plan of the preferred supplier before contract award, including meeting, briefing and establishing faith in their mobilisation team and exploring all issues/dependencies raised by evaluators during assessment.

6: PAC conclusion: The Department has persistently failed to learn lessons from previous energy efficiency schemes.

6: PAC 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.

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 The pace of delivery and magnitude of investment meant that GHGv was a challenging scheme to deliver from the outset, the scale of which was amplified by the COVID-19 pandemic.

6.3 Lessons learnt from this scheme provide valuable insight into the challenges similar schemes face and will be used by senior officials when designing and planning future projects.

6.4 The department has a repository to facilitate lessons sharing between projects. In business cases, teams need to explain which projects they have engaged with prior to PIC review and approval. PIC challenges projects that have not mitigated previous failures sufficiently and tasks them with addressing this.

6.5 Other lessons and initiatives include:

- an independent evaluation to assess the effectiveness of the GHGv scheme, due for publication in Autumn 2023, will be shared across energy efficiency schemes.
- Briefings and presentations on lessons learned to relevant teams in the department including the PIC, the Performance and Risk Committee, and the Audit and Risk Assurance Committee, the Heat and Buildings Portfolio Board and the Delivery Transformation Board,
- cross Whitehall briefings and lesson cascades in Winter 2021, involving around 100 representatives from HM Treasury, No 10 Downing Street, DEFRA and BEIS colleagues, and
- a new programme to transform the department's delivery capability ensuring both effective delivery of major projects and that priority outcomes and project metrics are met. It focuses on upskilling the department's delivery knowledge and ability, considering lessons as part of project initiation and design.