

7 JANUARY 2014

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# The Department of Energy and Climate Change

Warm Front Scheme – four months ended 31 July 2013





# Introduction

## Overview

This report is made solely to the Department of Energy and Climate Change ('DECC' or 'the Department') in accordance with our agreement dated 3 July 2012. We designed and undertook certain agreed-upon-procedures to enable us to report to the Department on specific aspects of the management of the Warm Front Scheme by Carillion Energy Services ('CES' or 'the Scheme Manager').

## Sources of information and measurement

We visited the offices of CES from Thursday 15 August to Wednesday 21 August. The information contained in this report is based primarily on:

- walkthrough testing
- reviews of source documentation for sample measures
- discussions with Rob Morgan, Warm Front Account Director, Paul Redmayne, Key Account Manager, and their staff.

## Scope of work and limitations

DECC engaged us to perform certain specific procedures including documenting and testing the processes and controls designed and operated by the Scheme Manager. The procedures were performed solely to assist the Department in reviewing the performance of the Warm Front Scheme and the Scheme Manager. These are listed at Appendix 1.

Our engagement was undertaken in accordance with International Standards on Related Services 4400 applicable to agreed-upon procedures engagements. Our work was based primarily on information provided to us by the Scheme Manager and was carried out on the assumption that the information is reliable and, in all material respects, accurate and complete. We have not subjected the information to checking or verification procedures except to the extent expressly stated. This is normal practice when carrying out such limited scope procedures.

For the avoidance of doubt, we stress that the work that DECC engaged us to perform does not constitute an audit or a review made in accordance with International Standards on Auditing (UK and Ireland) or International Standards on Review Engagements (UK and Ireland) 2410, accordingly we do not express any assurance. Had we performed additional work or procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing (UK and Ireland) or International Standards on Review Engagements (UK and Ireland) 2410, other matters might have come to our attention that would have been reported to DECC.

## Confidentiality

Our report is prepared solely for the exclusive use and reliance of DECC and solely for the purpose described above. We recognise that DECC may publish this report on its website, which DECC agree to do in its entirety, without extracting any part thereof, with the exception of excluding commercially sensitive information. Responsibility for ensuring the integrity of the report published and for the controls over, and the security of, the website resides with DECC. The examination of the controls over the maintenance and integrity of the website is beyond the scope of our work in connection with the Warm Front Scheme. In particular, this report was not prepared to be relied upon by any party who was subject to the agreed upon procedures performed.

Grant Thornton UK LLP neither owes nor accepts any duty to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by parties' other than the Department's reliance on our report.

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# 1. Executive summary



## Introduction

Grant Thornton has focussed on providing assurance over the operations of CES to deliver the Warm Front Scheme as contracted by DECC. Reports have been issued at varying periods of the Scheme, and this report relates to the period March 2013 to July 2013. This review comprised:

- a sample of 40 successful applications commencing at the application stage through to payment to installer, to determine compliance with procedures
- a review of customer satisfaction survey responses
- ascertaining from CES the current controls around contract management.

## Sample testing

Our observations from the sample identified:

- from the application to the survey date, 40% of applications took greater than 70 days<sup>1</sup> to reach the survey stage, representing a significant deterioration from the previous report of March 2013, which reported 22%
- 11 jobs took longer than 70 days to install from the date of allocation, representing a significant deterioration from the previous report of March 2013, which reported just one.

## Management response

We are content that the reasoning for the timeliness of surveys and installations are covered in Section 2. It is also worth noting that the nature of Warm Front means that as we approach the last surveys and installations we are often left dealing with the most challenging cases/customers and these may mean normal timelines being exceeded.

## Customer satisfaction

The results from CES' monitoring showed that there was a small downwards movement in the overall customer satisfaction rating from the previous report, which covered the 5 month period ended 28 February 2013. Other indicators reviewed also identified a similar trend.

## Management response

The downward trend is a little disappointing, but we are content that it is within normal fluctuations.

## Contract management

To ensure effective installer performance, CES management has maintained their level of oversight by ensuring regular contact with installers and monitoring the results of customer satisfaction surveys and technical inspections. Our review found that:

- the percentage of inspections performed is meeting the CES standard of 10%, with the percentage of failures reducing in the latest period
- a small number of surveys completed did not evidence supporting documentation to ensure the applicants met the Warm Front eligibility criteria.

## Management response

It is pleasing to see the quality of installations remaining high despite our entering the schemes close out period. We are content that the lack of evidence of eligibility is as a result of human error in not uploading the documentation correctly.

## Exit plan

It was confirmed by CES that as at 15 August 2013, there were no outstanding eligibility or technical surveys, and there were 151 jobs outstanding and awaiting installation. These include some jobs which require an installation date to be scheduled. CES confirmed that all remaining jobs should be completed by the end of September 2013.

## Management response

A small number of the most challenging installations remained outstanding at the end of September 2013. These jobs are on track to be completed by the end of October 2013.

<sup>1</sup> Unless specified otherwise all references in this report refer to calendar days and therefore do not take into consideration weekends and bank holidays which typically are non-working days.

## 2. Summary findings from our testing

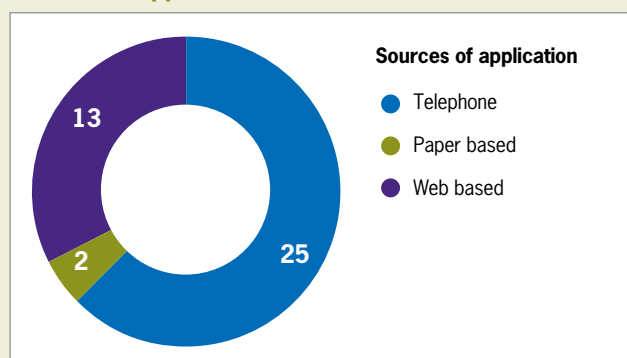


### Sampling of measures

A sample of 40 successful applications was randomly selected, using a list of all completed and paid measures from the period 1 April to 31 July 2013. A walkthrough of the process was performed for each sampled item, from application through to payment.

### Sources of referrals

#### Sources of application



The chart above shows that the majority of referrals (62.5%) were the result of an application by telephone call, almost a third arose from web-based applications (32.5%), and the remainder by postal applications (5%).

At the technical survey stage, the surveyor is required to verify supporting documentation of the eligible benefit. In 39 cases, the award letter was evidenced. In the one remaining case, verification was based upon the customer's council tax bill.

### Time taken to complete the survey

The length of time taken from application to survey completion for the 40 sampled applications, is set out opposite. This reveals that 40% of the applications took longer than 70 calendar days.

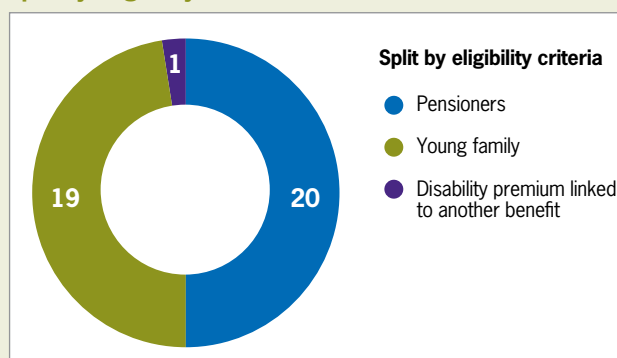
<sup>1</sup> This apportionment is based upon how CES has determined the primary benefit of each application, hence this does not cover any overlap between benefit criteria.

<sup>2</sup> Young family benefit comprises child & working tax credit, income based job seekers allowance, income support, child tax credit and income related employment and support benefits.

### Eligibility criteria

To be eligible for the scheme, applicants are required to be in receipt of one of a number of qualifying state benefits, eg income support, etc. The graph below shows the type of benefit that the 40 successful applicants received<sup>1</sup>. Half of the qualifying applicants were in receipt of Pension Credit (50%) and all but one of the remaining applicants had a Young Family benefit (47.5%)<sup>2</sup>.

#### Split by eligibility criteria



Number of days from application to survey completion	Number of applications
0 – 3	0
4 – 30	11
31 – 70	13
71 – 100	7
100 +	9

Whilst there is no contractual requirement for surveys to be completed within 70 days from the date of application, this report provides analysis of the surveys in excess of this threshold as agreed with DECC. Surveys do have to be completed within one year otherwise, the applicant is required to reapply.



As consistent with previous periods, CES confirmed that excessive time can be incurred between the application date and contacting the customer to arrange the survey appointment. This delay is often due to the customer not being contactable, or delays at CES, when making a call to arrange the appointment for the survey.

We detailed the reasons below for the delay in surveying, for those in excess of 70 days.

Reason for delay	Total
No evidence of benefits at the property on first visit	3
Customer could not be contacted to arrange survey date	2
IT issues causing a delay in booking the appointment	2
Limited availability of the customer	2
Lack of surveyor availability in the local area	1
Lack of surveyor availability over the winter period	1
Surveyor missed appointment (surveyor phoned in sick)	1
No information recorded on the delay	4

### SAP rating

All of the 40 applicants reviewed had an eligible SAP rating of less than 63, to be eligible for the Warm Front Scheme funding. There were no instances of a negative SAP rating within this sample.

### Desktop audits

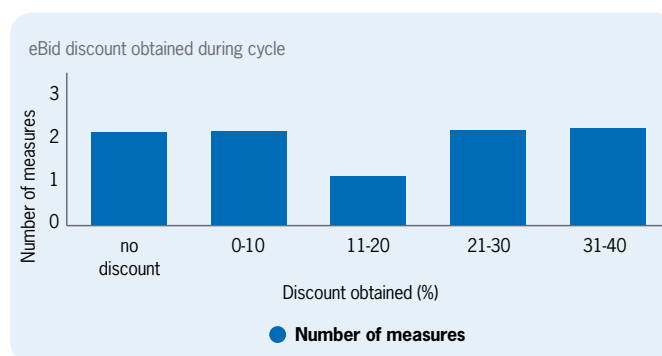
Applications are required to have a desktop audit where a heating measure has been proposed. Of the 40 applications sampled, we identified 17 were due a desktop audit. We evidenced only 16 of these applications having a desktop audit. CES was unable to explain the reason why the one remaining measure did not have evidence of a desktop survey.

### eBid

The use of eBid provides installers with an opportunity to bid on the labour element of the installation. This method of allocation ceased in March 2013 and therefore all measures which were ready to be installed after this date were manually processed. Of our sample, there were nine applications allocated through the eBid process and the remaining 31 applications were manually allocated due to the following reasons:

Reason for manual allocation	Total
Allocated straight to the installer due to being classed as a 'lesser fuel' on EBS	15
Allocated after closure of eBid process	12
Original bidder of secondary cycle cancelled the job, only bidder therefore was manually allocated out	1
Post-repair the boiler broke down, the replacement was allocated to the installer who carried out the repair	1
Invalid initial survey for boiler type, the job was then given to the installer who won the eBid cycle	1
Remedial work not applicable to the eBid process	1

The graph below shows the percentage of discount the Warm Front Scheme received for the labour element of each of the nine measures allocated through both the primary (7) and secondary (2) bid cycles in eBid.



The two measures which did not receive a discount were both applications which were allocated through the secondary bid cycle in eBid, and were above the normalised price. This was due to the remote locations of the properties and an unwillingness of the contractors to discount their work whilst travelling away from their usual working areas.

### Time taken to complete installation

The table below provides an analysis of the time taken (based on calendar days) for the delivery of measures by installers, from the date of allocation on eBid.

Date range for installation completion	Number of measures
0 – 10	1
11 – 20	5
21 – 30	11
31 – 40	5
41 – 50	4
51 – 60	3
61 – 70	4
70 +	7

There was one measure which took 136 days to complete, which CES explained was due to a delay in obtaining a gas connection at the property.

### Variations

A total of 12 variations were raised by installers, of which all were approved by CES management. Details of the variations were recorded in EBS and an appropriate sign off made.

### Quality inspections

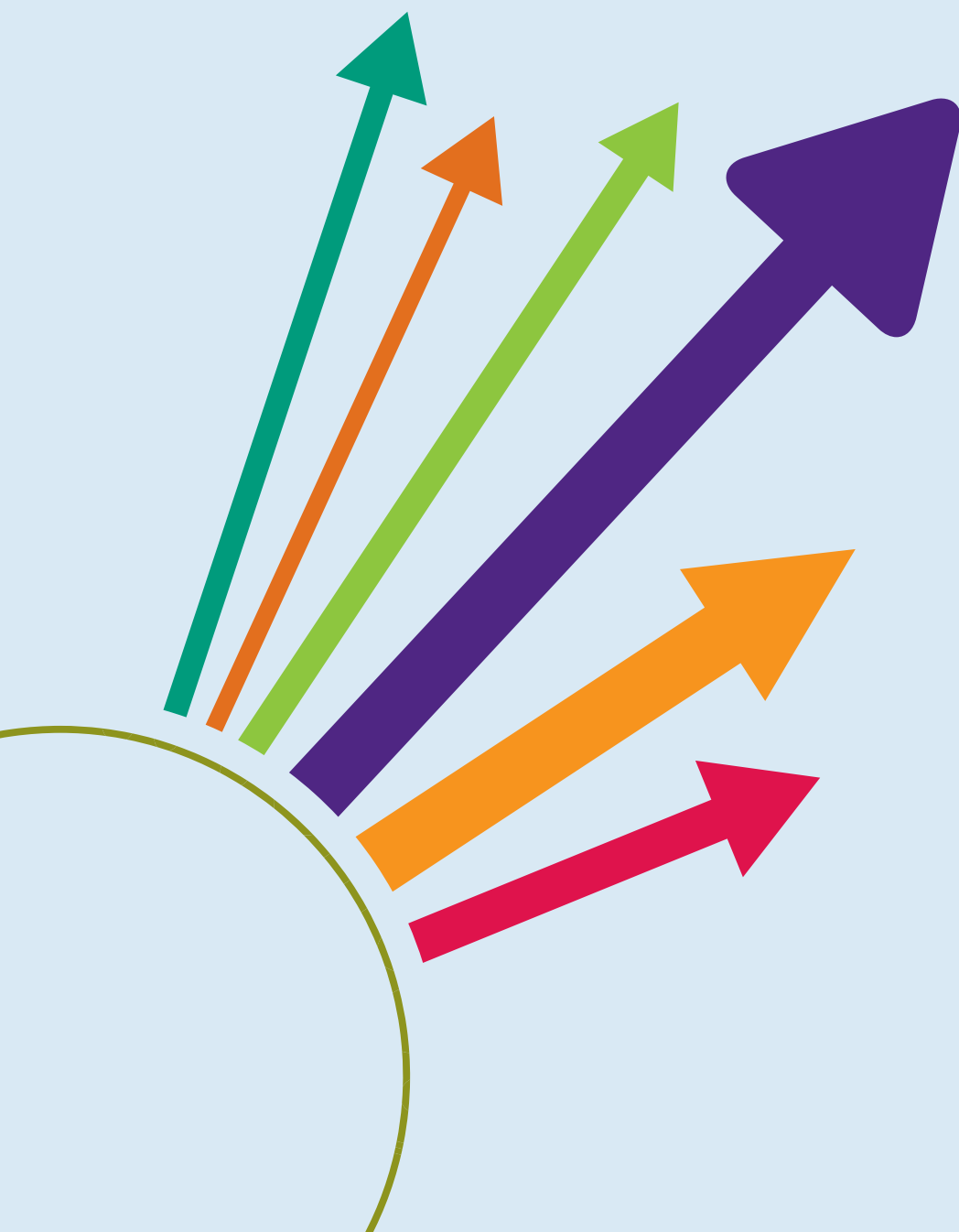
Quality inspections had been performed on three properties. Of these, two satisfactorily passed and the remaining one measure failed, and subsequently required remedial works to ensure that it met the required standard.

### Payments

Of the 40 measures installed, 39 payments to contractors were traced to BACS payment runs. The remaining one measure related to remedial works funded by CES and it was confirmed that this payment was therefore not required to be deducted from the Warm Front Scheme bank account.

We noted during our review that one application within EBS, had exceeded the maximum grant allowance for the measure installed, due to an error in calculating the VAT element. CES provided evidence to show that this issue was rectified on the same day with a new invoice prepared with the correct amount. However, EBS still currently shows that the grant maximum was breached.

### 3. Customer satisfaction



## Background

CES is required to perform customer satisfaction surveys on a monthly basis and report the results to DECC within the Monthly Balanced Scorecard. As part of this review we obtained customer survey data and we have reported this over four periods between October 2011 to June 2013, to indicate the direction of travel for customer satisfaction

- Period 1 – October 2011 to March 2012
- Period 2 – April 2012 to September 2012
- Period 3 – October 2012 to February 2013
- Period 4 – March 2013 to June 2013

## Customer satisfaction monitoring

Each month, details of all completed measures are sent to the Customer Satisfaction Team, who then send out a paper-based questionnaire for customers to rate their experience of their Warm Front 'journey'. This is divided into three main sections:

- Customer communication – initial contact with the Warm Front Scheme
- Technical survey – response to the technical survey
- Installer performance – experience of the installation process.

The Customer Satisfaction Team input the results from completed surveys into an IT application. The team tabulate results from the survey to enable CES to obtain meaningful analysis.

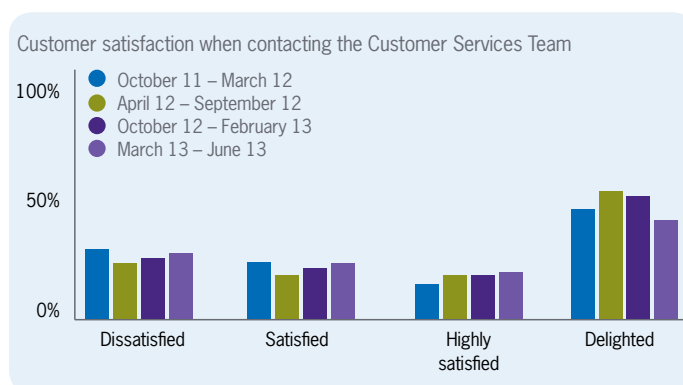
Customers are required to rate their experience from 1 – 10, and CES has adopted the following categorisation to rank between 'unsatisfied' and 'delighted':

Customer rating	Customer survey classification
1 – 6	Unsatisfied
7-8	Satisfied
9	Highly satisfied
10	Delighted

## Customer communication results

The first section of the customer satisfaction survey requires the customer to provide their views surrounding initial contact with CES and the appointment arranging for a survey.

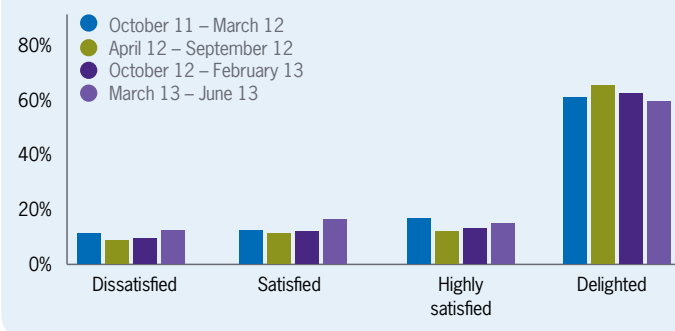
The results for period 4 indicates that the proportion of customers who are either delighted or highly satisfied has fallen to 55%, representing a 7% reduction from the previous period, as reflected in the diagram below.



## Technical survey results

The second section of the customer satisfaction survey requires the customer to provide their views surrounding their experience on the survey stage of the Warm Front process. Customers' overall satisfaction shows a reduction in the proportion of customers who are either delighted or highly satisfied, from 79% to 73%, representing a 6% reduction from the previous period, as reflected in the diagram below. During the latest period, CES engaged a combination of their own staff and contractors to complete the surveys which may be an indicator for the direction of travel.

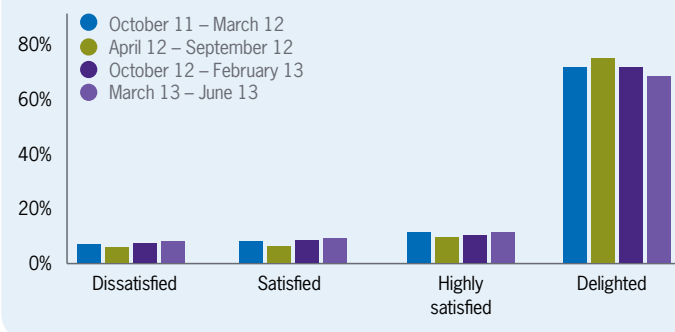
Overall satisfaction rating of the pre-installation technical survey



### Installer performance results

The third section of the customer satisfaction survey requires the customer to provide their views surrounding their experience on the installation of the measure. The results for period 4 for the proportion of customers who are either delighted or highly satisfied was 81%, which represented a 2% reduction from the previous period results of 83%, as reflected in the diagram below:

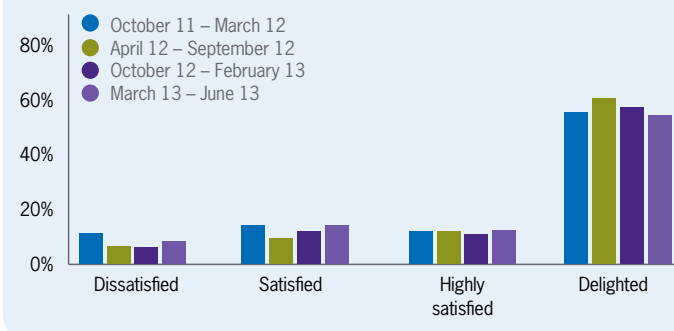
Overall customer satisfaction of installation



### Overall customer satisfaction monitoring results

Over the course of the four periods analysed, overall customer satisfaction has remained relatively stable, as reflected in the diagram below. This suggests that the management of the scheme has been consistent over this period.

Warm Front Scheme overall customer satisfaction score



# 4. Contract management



### Installer management

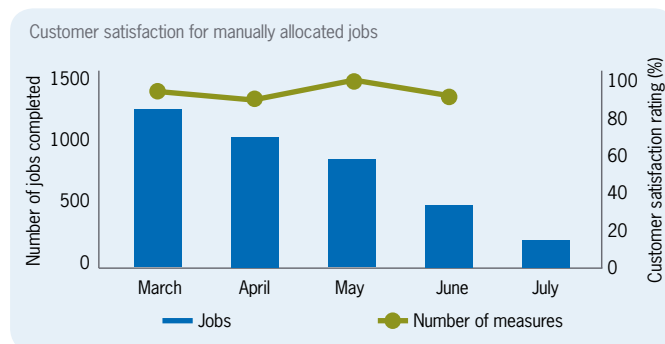
To ensure effective installer performance, CES monitors customer satisfaction scores per individual installer. As a result of customer satisfaction data taking up to six weeks to be processed and available for CES to rely upon, other sources of information are also used to monitor installers. On a bi-weekly basis, the Contractor Coordinator reviews current WIP of installers to determine the current situation of each outstanding job and why it has not been completed. In addition, CES undertakes inspections on a minimum sample of 10% of the total measures completed.

The Contract Coordinator confirmed that despite the scheme reaching closure, the quality of the installations has not decreased. It was also confirmed by the Key Account Manager that no installers have been withdrawn from the scheme as a result of poor performance.

As at 15 August 2013, there were 151 jobs requiring installation. It is understood that CES has retained sufficient resources to oversee these remaining jobs, in terms of installer effectiveness.

### Sample testing

We sampled five installers where direct allocation has been used by CES when allocating jobs. As part of our review, we compared the number of jobs issued per installer on a monthly basis, against their respective customer satisfaction ('CSAT') score, to ascertain if the satisfaction levels of customers had fallen. The diagram opposite shows that whilst the number of jobs completed by the five installers had decreased, from 1,256 installations in March 2013 to 160 in July 2013, the CSAT scores remained consistent over the same period.



### Eligibility surveys

A key component at the initial survey stage is to ensure that the applicant meets the Warm Front eligibility criteria. In order to be eligible, an applicant must provide proof of the qualifying benefit.

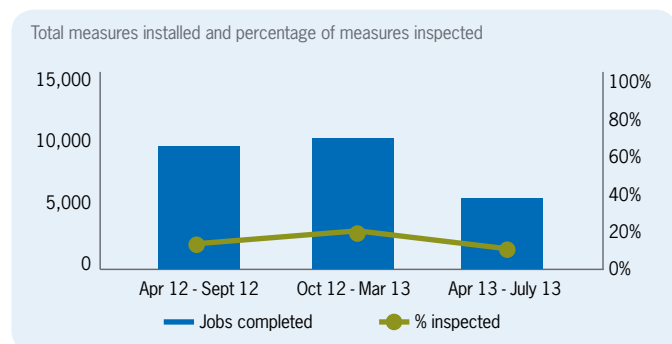
As part of our review, we obtained a list of all surveys completed between 1 January 2013 to 31 July 2013, to ascertain if supporting documentation had been viewed by the surveyor. The review identified 7,680 surveys were completed during this period, with 27 instances where evidence of the award was not seen (in all 27 instances, a measure was installed). Of the 27, 14 (56%) were completed by surveyors employed by CES and all remaining surveys were completed by installers.

For 14 of the 27 instances, CES subsequently found evidence of the surveyor viewing award documentation, but which had been filed incorrectly (six relating to CES surveys and eight for installer surveys). No evidence was provided for the remaining 13 instances.

## Inspections

CES aims to post inspect 10% of all installed measures (100% if measure relates to extended flues and boilers installed in a bedroom), to ensure that the installation has been completed to the required standards. The inspection is completed by a member of the CES technical team.

The diagram below, shows a fluctuation in the % of jobs inspected over the last three periods, with the lowest % in the most recent period (6.5%), although this doesn't reflect inspections which are due to be carried out over jobs recently installed. Overall, across the three periods, the average percentage of jobs inspected was 13%, which exceeds the CES target of 10%.



Of the measures which were inspected during the periods in the diagram opposite, we reviewed the failure rate to determine if the quality of installation was meeting the required standards over the duration of the scheme, as set out below:

Period		
Apr 12 - Sept 12	1,069	16%
Oct 12 - Mar 13	1,924	13%
Apr 13 - July 13	375	10%

This review shows that the inspection failure rate has decreased by 3% points during each period, implying that the consistency of meeting the required technical standards has increased over the duration of the scheme.



## 5. Exit planning



## Surveys

Both eligibility and technical surveys are required to be completed prior to a measure being installed.

The CES Key Account Manager confirmed that all eligibility and technical surveys have been completed. However, it was commented that there could be circumstances requiring a job to be re-allocated, for example, the allocated installer can no longer complete the works. Should this occur, the replacement installer may need to perform an additional survey to ensure that the measure identified is appropriate.

A list of all jobs which do not have a planned installation date was obtained, where the survey was completed greater than 21 days ago. A sample of 10 items was then selected in order to ascertain the reason for the delay in arranging an installation visit. We identified the following reasons:

Reason for not arranging an installation	Number of measures
Difficulty contacting customer	2
Customer contributions outstanding	2
Waiting for power load query to be resolved	2
Landlord permission outstanding	1
Waiting for gas connection	1
Awaiting materials	1
Customer requested installer leave	1

## Scheme closure

As at 15 August 2013, there were 151 jobs requiring installation of which some already had scheduled dates agreed with the customer. Other jobs were waiting to be scheduled and were considered 'challenging' or 'time consuming', as CES had experienced issues in contacting the customer, or the job was in a remote area. CES confirmed that they expect all remaining jobs to have been installed and inspected (sample basis) by the end of September 2013.

# Appendices



# Appendix 1

## Completed work programme

Proposed Work	Findings
<b>A Overview</b> <ol style="list-style-type: none"> <li>1. Walkthrough a sample of 40 installations which were surveyed in the period 1 April 2013 to 31 July 2013. Ensure sample includes surveys carried out by both CES and independent surveyors.</li> <li>2. Discuss with management and summarise trends identified within the above sample, in comparison to findings from previous reports, if any.</li> <li>3. Request a list of all installations which do not have a planned installation date and had a survey completed over 21 days ago. From this list select a sample of 10 and obtain an explanation and proposed resolution from management.</li> </ol>	Section 2  Section 2 Section 2
<b>B Customer Satisfaction</b> <ol style="list-style-type: none"> <li>1. Perform an analytical review on customer satisfaction data captured by Survey Monkey over the 5 month period from 1 March 2013 to 31 July 2013.</li> <li>2. Compare customer satisfaction results for the above period to previous periods and discuss with management underlying reasons for any trends identified.</li> </ol>	Section 3  Section 3
<b>C Contractor management</b> <ol style="list-style-type: none"> <li>1. Enquire of management the arrangements in place to ensure effective installer performance during the period leading towards the scheme closure.</li> <li>2. Enquire of management whether any contractors have been withdrawn from the scheme since March 2013 due to failure to meet CES required standard.</li> <li>3. Select a sample of 5 contractors which were used via direct allocation and, obtain their claim history and customer satisfaction results to determine if their performance met CES required standard.</li> <li>4. Request a list of eligibility surveys (both CES and contractors) completed in the period 1 January 2013 to 31 July 2013 where evidence of the eligible benefit had not been viewed (as identified on the EBS system). Summarise this data by contractor and identify trends, if any.</li> <li>5. Obtain a system report to determine the level of inspections performed for the period April 1 to July 31. From this report, compare the % of inspections carried out with previous periods.</li> <li>6. From the above report, determine the % of inspections which resulted in the work being failed and compare with previous periods.</li> </ol>	Section 4  Section 4 Section 4 Section 4 Section 4 Section 4
<b>D Exit Plan</b> <ol style="list-style-type: none"> <li>1. Obtain a system report to determine the status of outstanding surveys. Ascertain from management the reasons for outstanding surveys and proposed actions for these to be carried out.</li> </ol>	Section 5

# Notes

# Notes





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