

**Meeting:** Cabinet

**Agenda Item**

**Date:** 2 August 2012

**12**

**Title:** Business plan priorities - improve average energy efficiency and reduce fuel costs for residents

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Item for decision

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## **Summary**

1. The Housing Revenue Account Capital programme for 2012-17 includes home energy efficiency investment of £300,000 per annum to reflect priorities identified in the HRA Business Plan
2. The Council's Energy Officer has researched a number of methods for the Council to improve average energy efficiency to reduce fuel costs for residents using the budget and grants available
3. This report provides information on options looked at by the Council's Energy Officer and sets out the case for the Council to work with an insulation installer to secure CERT (Carbon Emission Reduction Target) funding from an energy company, to support a project to install external cladding on selected solid wall properties in the Council's housing stock. The purpose is to improve the energy efficiency of the Council's worst performing housing, tackle fuel poverty, reduce carbon emissions and raise the energy profile of the stock
4. The proposed project is able to draw in funding from the closing stages of the CERT scheme. Projects have to be allocated funding by October 2012 and completed by March 2013
5. As well as the £300,000 mentioned above there are additional uncommitted funds of £1.43m within the HRA business plan in 2012. However, as a first priority this sum of money will be drawn on to meet the RTB match funding under the terms of the agreement signed up to by the Council with CLG. There are currently no other projects identified that will draw on this money therefore a costed option for solid wall insulation to all oil heated properties has been presented for consideration. Subject to approval of an option the project will follow due tender process to select a suitable installation firm
6. To gain the most from the external funding available the preferred option would be to draw on a proportion of the uncommitted funds to deliver improvements to up to 115 of the council's worst performing properties.

## **Recommendations**

7. That the Cabinet notes the outcome of the research undertaken by the Energy Officer

8. That the Cabinet commit the environmental improvements budget of £300,000 to fund the installation of external cladding on 60 of the Council's worse performing oil heated properties making the most from external funding available
9. That, subject to confirmation that the HRA business plan can meet the RTB match funding, draw on a proportion of the uncommitted funds of £1.43m to increase the number of properties that can be improved to up to 115 properties
10. Subject to approval to progress with the work, the project will follow due tender process to select a suitable installation firm
11. That regular reports on progress in delivering the programme will be submitted to members throughout the year, including availability of uncommitted funds
12. That the Cabinet note the Council's current bid for RHPP social housing funding for air source heat pumps

### Financial Implications

13. Following discussions at the Housing Board, 2 options for this project are being considered. Properties that are heated by oil attract a greater level of grant funding under CERT and it was decided to concentrate resources on these properties to maximise the level of external support. The figures below are the result of Aran Services (a potential partner in this project) applying for CERT funding for our properties:

<ul style="list-style-type: none"> <li>▪ <b>No of solid wall properties</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Total project cost</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>External funding (CERT / ECO)</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Estimated maximum UDC funding (these prices are subject to change)</b></li> </ul>
<ul style="list-style-type: none"> <li>▪ Option B) 115 oil heated properties</li> </ul>	<ul style="list-style-type: none"> <li>▪ £752,000</li> </ul>	<ul style="list-style-type: none"> <li>▪ £208,000</li> </ul>	<ul style="list-style-type: none"> <li>▪ £544,000 (£300,000 funded from HRA business plan and additional £244,000 funded from uncommitted funds in HRA Headroom – subject to confirmation that the HRA business plan can meet the RTB match funding)</li> </ul>
<ul style="list-style-type: none"> <li>▪ Option A) 60 oil heated properties (worse performing)</li> </ul>	<ul style="list-style-type: none"> <li>▪ 432,000</li> </ul>	<ul style="list-style-type: none"> <li>▪ £132,000</li> </ul>	<ul style="list-style-type: none"> <li>▪ £300,000 (funded from Business Plan)</li> </ul>

14. Depending on the option chosen, on project completion an invoice will be submitted to the Council for its contribution to the project. The final cost to the Council figure will depend on the number of properties completed within the availability of funding timeframe. It should be noted that a greater number of properties insulated will attract a greater level of funding. On project completion a report will be submitted to Housing Board.

### Property Selection Process

15. The cost of heating an oil boiler property is higher than heating a comparable gas boiler property and tenant heating costs are normally up front rather than spread throughout the year. Therefore in terms of selecting suitable properties for external cladding, the 115 properties currently on oil are recommended for inclusion within the programme. Of these 60 of the worse performing can be cladded within the £300,000 budget.
16. In addition to the standard solid wall properties the Council owns a further 12 properties of Swedish chalet design with timber cladding construction which need refurbishment. While these properties are not part of this project they are recognised as a priority for energy efficiency improvement and will be addressed as part of next year's budget.

### Background Papers

17. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

Housing Revenue Account Business Plan 2012

### Impact

Communication/Consultation	Consultation has started with the tenants through the Tenants Forum. A requirement of the contract with the appointed installer will be a clear programme of engagement throughout the installation process.
Community Safety	None
Equalities	A provisional Equalities Impact Assessment will be drafted. However until we appoint an installer we cannot progress this further. The installer will be expected to adhere to UDC's equality policies and commitments.
Health and Safety	None

Human Rights/Legal Implications	Standard procurement and contract process will be followed.
Sustainability	Reducing demand for heating fuel to reduce carbon emissions
Ward-specific impacts	District wide
Workforce/Workplace	None

## Situation

18. The Council is committed to addressing climate change and carbon reduction. The Council has set targets for reducing carbon emissions from its own estate as well as reducing carbon emissions in the district
19. The Council is also committed to reducing the number of vulnerable households in fuel poverty and has identified this as an action in the Housing Revenue Business Plan with £300,000 per annum allocated to this task
20. The Government has previously set a target of reducing household carbon emissions by 29% by 2020 and has enacted primary legislation to reduce UK emissions by 34% by 2020. It is recognised that improving energy management can have particular benefits for the poorest and most vulnerable in our society. In addition to helping to reduce the number of the District's residents who are in fuel poverty by reducing fuel consumption for heating, the Council can also play an important role in reducing demand on national energy supplies for the UK
21. The anticipated significant reduction of funding in future years from Central Government is a major barrier to achieving energy sustainability. The Council cannot achieve its ambitions alone and must work in collaboration with private sector partners to explore opportunities which are less reliant on existing funding streams
22. Officers are investigating a range of options for improving the energy efficiency of the housing stock including solar panels, external wall insulation and air source heat pumps.

### Solar Panels

23. Solar panels continue to be an option for the Council's housing stock, however as panel prices continue to drop, in order to achieve value for money, it would be prudent to wait for solar panel prices to stabilise before committing funding. In the meantime officers are investigating prices for a number of different sized installations

### Air Source Heat Pumps

24. The Council is currently preparing a bid to the Government's RHPP social housing competition, applying for a maximum grant of £175k to install air source

heat pumps in oil heated properties. Outcome of the bid will be announced in August. This supports the Council's continued programme of replacing old oil boilers with air source heat pumps

### External Cladding

25. External cladding of a solid wall property will improve walls to the thermal performance standard of a modern cavity wall filled property with a clear benefit to the occupants
26. The running costs of the property will be reduced, this is of particular importance in our oil heated properties, which are more costly to heat and the tenants have to pay for the supply of oil in one go, compared to a gas heated property where costs are spread over a year through monthly payments
27. This project requires a swift response from the Council to take advantage of the current externally funded opportunity from CERT and ECO. The 3<sup>rd</sup> party installer will be required to develop the installation programme and secure CERT funding by October 2012 (the deadline for CERT funding allocation) and seek to complete the majority if not all of the installations before April 2013, when the CERT works have to be completed
28. The Council will follow due procurement process for this project, contracting a partner to both secure external CERT funding and to supply and install the external cladding system on selected properties
29. The contracted installer will secure an agreement with the funding body prior to project commencement. Any financial risk of funding being withdrawn will be borne by the installer. The statement from one of our potential project partners in relation to this is: *' If funding were to be withdrawn we would be notified prior to this so would halt any works and claim for the completed works as it would be an alteration in current funding contract. There should be no requirement to bill UDC for full cost of any works unless they wished to continue without funding. In the unlikely case of this happening we would seek to replace any funding with an alternative'*
30. The Council's tenants will be directly, but positively, affected by this scheme and therefore it is essential that consultation is carried out from the start. One of the key elements that the Council will seek in agreeing the contract with a 3<sup>rd</sup> party installer will be a proper programme of engagement with the tenants and consideration of their needs throughout the process particularly during installation. Due to its external nature all works are carried out externally using scaffolding, enabling the tenant to remain in situ
31. Unless a property is a listed building or it is located within a conservation area, based on the current GPDO, planning permission to install external wall insulation is not necessary. External wall cladding is a controlled activity and requires notification to the Building Regulation department

32. The external insulation project offers a number of key benefits. It will be used to target the worst energy performing properties; the insulation will reduce carbon emissions by reducing energy consumption from heating; the SAP rating of the housing stock will improve; tenants will be able to benefit from the project by reduced utility heating bills and hopefully bringing a number of households out of fuel poverty. Most importantly this project will help to tackle vulnerable members of our community from cold and winter mortality

## Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Delays in entering a contract with a supplier will impact on the number of installations that can be completed by 31 March 2013 and utilise the CERT funding	3 This is potentially a major programme of work with limited scope to compress the installation timescale	3 Less properties completed	Aim to complete tender process and enter into contract by 31 <sup>th</sup> August so that installation programme can start without delay
Withdrawal of CERT funding	1. low risk once is agreement signed with energy company	Partial project completion	Completion of works up to the closure of CERT
Insolvency of insulation company or energy company funder	2. Steady economic growth of the energy efficiency sector means and forthcoming Government Green Deal agenda means this is unlikely in the short/medium term	3. Project not completed	To be addressed in terms and conditions of contract

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.