

Cabinet – 24 July 2013

Energy Company Obligations (ECO) - Tackling Fuel Poverty

Portfolio: Councillor Adrian Andrew, Deputy Leader, Regeneration and Transport

Related portfolios: Councillor Chris Towe, Resources

Service: Strategic Housing

Wards: Borough Wide

Key decision: Yes

Forward plan: Yes

1. Summary

This report seeks Cabinet approval, to seek to maximise investment for private sector homes, in compliance with the Council's Contract Rules to obtain and accept tenders for organisations to undertake Energy Company Obligation (ECO) work in the borough.

This is in accordance with the council's Home Energy Conservation Act (HECA) Action Plan approved in October 2012 by cabinet and pursuant to the HECA 1995 and the requirements issued by the Department of Energy and Climate Change (DECC).

The report also updates Cabinet on the new national definition of 'fuel poverty' and the progress against targets within the HECA Action Plan including the successful delivery of DECC funding secured in 2012/13.

2. Recommendations

- 2.1 That Cabinet is recommended to approve commencing a procurement process for partner organisations to deliver home energy efficiency improvements pursuant to the Energy Company Obligation ("ECO") scheme for private dwellings in Walsall to aim to reduce fuel poverty and carbon emissions.
- 2.2 That Cabinet delegate authority to the Executive Director of Resources in consultation with the Portfolio Holder for Regeneration to accept tenders obtained under 2.1 above and to subsequently sign or authorise the sealing of any deeds, contracts and other related documents in relation to such works and services.
- 2.3 That Cabinet note the successful bid to the Department of Energy and Climate Change (DECC) for Fuel Poverty funding to help households in the borough and to delegate authority to the Executive Director of Resources to submit similar bids in 2013/14 to DECC or other agencies.

3. Report detail

- 3.1 In October 2012 Cabinet approved the council's Home Energy Conservation Act (HECA) Action Plan which highlighted the government's change from two key schemes that the council and its partners (Walsall Housing Group (WHG) and other housing associations) had secured funds for private and social housing energy efficiency works in the borough, being the:
- Community Energy Saving Programme (CESP) £12M+
 - Carbon Emissions Reduction Target Funding (CERT) £8.6M+
- 3.2 The CESP and CERT have been replaced by a new scheme known as the Energy Company Obligation (ECO). This is funding directly provided by energy companies to help reduce carbon emission from the residential sector whilst helping vulnerable households reduce their fuel bills through retro-fitting of home insulation and heating improvements. Housing Associations are developing their own approaches to securing ECO funding for their stock to benefit their tenants and the council will continue to provide support and advice in this work.
- 3.3 ECO is available nationally and a range of organisations are seeking to deliver it for residents. The individual offer to residents can vary depending upon the level of funding secured by each delivery organisation. To try to simplify the process and to specifically maximise investment (and help for) the private sector residents within the Borough, Expressions of Interest (Eol's) using the Black Country Tender Portal to deliver ECO in Walsall have been sought. Publication of the Eol itself helped to promote, to ECO delivery organisations, the council's strong commitment to helping residents and securing investment under this fund.
- 3.4 Eol's were submitted by more than 10 organisations who considered that they were in a position to offer ECO to private residents for one or a combination of:
- Cavity wall insulation
 - Loft insulation
 - Solid wall insulation
 - Boiler and Central heating repairs replacements and first installations
- A leaflet summarising the potential help on offer was produced for residents and since launching this in April 2013 over 179 residents have been provided with information so that they could contact ECO provider organisations themselves (i.e. under a 'self-help' approach).
- 3.5 A review of 'progress' made by residents using this 'self-help' approach in securing improvements for their homes has shown that many have been so far unsuccessful. Whilst 10+ organisations made formal Eol's to offer to undertake work this is based on often very precise requirements set by DECC and Ofgem in terms of:
- Household circumstances – whether the household is in what is defined by DECC as a 'super priority group'
 - Household location – can be specific to what are defined as 'eligible lower super output areas' (LSOAs).
- As well as these precise requirements there were cases where residents without the internet and or not wishing to make their own contact with more than one organisation 'gave up'.

- 3.6 To generate greater take-up of the help for residents with their homes it is recommended that organisation(s) are procured to become ECO 'partners'. The partnership will enable the council to undertake greater pro-active marketing to help promote the various offers available for residents. The role of the partnership is summarised in Appendix 2. This will be in addition to the ability for other organisations to continue to work and help residents in the borough.
- 3.7 Maximisation of ECO investment is in parallel with other work by the council to tackle fuel poverty:
- a) Joining as a pilot national collective fuel switch campaigns and auctions run by iChoosr. Over 24,000 households registered nationally with more than 1,050 in Walsall for the auction run on 4th June 2013.
 - b) Council secured £349,880 of DECC funding for fuel poverty work which has helped over 180 vulnerable households with heating upgrades and helped fund the promotion of the collective fuel switch scheme to Walsall residents.
- 3.8 The council's partnership work with energy companies and others has helped improve the position of the borough (as shown in Appendix 1) in terms of overall levels of fuel poverty and number of LSOAs that are in the highest national level for fuel poverty. For example, the borough now has only 1 LSOA that is in the top 5% of fuel poor in England (compared to 33 a year ago).
- 3.9 ECO is one part of the Government Green Deal initiative which is seeking to maximise the investment into retrofitting insulation and heating works for homes (and in the future businesses). The council has been undertaking a twin track approach to investigating the best options for delivery / maximising benefits of Green Deal for the borough (especially for private sector residents):
- a) Work with Black Country council's to investigate a regional approach and whether this can be disaggregated to deliver higher borough based benefits
 - b) Market consultation via the Black Country web-based procurement portal to garner information from existing and potential future Green Deal providers, deliverers, financiers on their assessment of how to maximise take-up and benefits of Green Deal.
- 3.10 The information gained through the procurement of ECO partners in the coming months will be added to information obtained through 3.9a) and 3.9b) above to develop an update / options report for cabinet consideration later this year on the broader Green Deal opportunities in the domestic sector.
- 3.11 Details are awaited from DECC in terms of the broader launch of Green Deal for Business (GDB), i.e. upgrading the energy efficiency of commercial and industrial premises. It is expected that due to the specialist nature of the assessment and retro-fit process for these premises that this will lead to a separate 'market' / process to the domestic sector. A report to cabinet will be provided when DECC and related bodies confirm the delivery process for the development of GDB.

4. Council priorities

- 4.1 The council's work on promoting and supporting home energy conservation including ECO is in full accordance with the Corporate Plan in particular:

Economy – through creating living / housing environments that retain and attract the workforce required to develop our economy and reducing child poverty levels and improving family well-being. Increased heat and comfort in homes has a direct positive link to physical and mental health of residents in turn improving for example home study by students and young people.

It helps tackle fuel poverty – recently re-defined by DECC as Low Income High Cost (LIHC) indicator where a household is considered to be fuel poor if

- - It had required fuel costs that were above average; and
- - Its income is below the average poverty line (once housing and fuel costs have been taken into account).

The council is working with other Black Country partners to maximise the opportunity for job creation, training and retention in work related to ECO for small and medium sized enterprises (SMEs) and in the broader Green Deal and GDB arenas.

Health and Well-being – fewer infant deaths and gaps in life expectancy in the least and most deprived areas of the borough are reduced.

- 4.2 The work is in accordance with the Marmot Review – Fair Society, Healthy Lives (2010) in particular due to our focussed work with vulnerable households:
- Give every child the best start in life
 - Enable all children, young people and adults to maximise their capabilities and have control over their lives
 - Ensure a healthy standard of living for all
 - Create and develop healthy and sustainable communities
 - Strengthen the role and impact of ill-health prevention

5. Risk management

- 5.1 The principal risk relates to the potential that the Council will not be able to secure investment into the borough from partners towards tackling home energy inefficiency. The procurement approach for 'partners' will help promote the pro-active stance of the council to ECO delivery organisations and is expected to secure partners with the financial and logistical capacity to deliver significant investment for local residents.

6. Financial implications

- 6.1 Funding from a variety of sources is continually sought for HECA work and feedback from energy companies has highlighted how the council's continued investment of its own capital resources has helped to encourage them to invest in the borough as opposed to elsewhere.
- 6.2 The Council allocated £470,000 for 2013/14 to help with retro-fitting and fuel poverty initiatives and this budget will continue to help secure ECO and other funds as per 6.1 above. In line with financial regulations the council will spend no

more than it's budget, any other costs and funding will come from other sources (providers, grants, householders) so there is no risk or overspend to the council.

7. Legal implications

- 7.1 The proposal is in line with council's published HECA Action Plan and legislation which enables local authorities to offer housing assistance (including energy efficiency works) is set out in the National Health Service Act 2006 and the Regulatory Reform (Housing Assistance) (England & Wales) Order 2002. This allows councils to adopt a flexible approach to giving assistance in any form including financial help reflecting local circumstances, needs and resources.
- 7.2 The procurement process to seek partner organisations for ECO will be undertaken in full compliance with the Council's Contract Rules and (if applicable) the Public Contract Regulations 2006 (as amended).

8. Property implications

- 8.1 The council has a very small portfolio of dwellings and where these are in potential areas for future home energy investment applications will be made to secure assistance.

9. Health and wellbeing implications

Tackling cold and damp homes has a direct positive impact on resident's mental and physical health and wellbeing and helps reduce excess winter deaths (which are circa 145 per annum). Helping residents secure lower fuel bills helps reduce their anxiety about how to pay for heating in winter months. There are significant national reports that highlight the impact of cold and damp homes on residents and their health including, 'The Health Impacts of Cold Homes and Fuel Poverty' by the Marmott Review Team:

The impact of on health is exacerbated for vulnerable individuals and the colder the temperature the greater the risk of harm:

- Temperatures that are lower than 16 degrees appear to impair respiratory functions.
- Temperatures below 12 degrees place strain on the cardiovascular system.
- Temperatures below 6 degrees place people at risk of hypothermia.

The National Institute for Health and Care Excellence (NICE) have highlighted that cold and damp homes has a direct impact on health and increase in excess winter deaths.

There is a 20% difference in excess winter deaths between the coldest and warmest. Death rates increase steadily and linearly for each degree Celsius below 20°C. Most of these deaths are preventable.

10. Staffing implications

None.

11. Equality implications

- 11.1 As part of the tender process organisations will be required to complete an agreed equality return in line with West Midlands procurement practices to ensure that they fully support the council's equality policy.
- 11.2 Many ECO schemes are available for specific geographic areas (bound by the funding requirements) known as lower super output areas and individuals within 'Super Priority Groups' set by DECC. Our partnership working with organisations such as AgeUK Walsall and NHS Walsall helps us proactively target assistance at key household groups such as:
- the elderly,
 - disabled residents,
 - households
 - with long term illnesses made worse by damp or cold housing,
 - who have a child under the age of 5 who at birth was low-birth weight
 - with low income.

12. Consultation

- 12.1 The Black Country web-based procurement portal will be used to advertise this ECO opportunity for organisations to bid for.

Background papers

1. The Fuel Poverty Statistics Methodology and User Manual – DECC 16 May 2013
2. 'The Health Impacts of Cold Homes and Fuel Poverty' – Marmott Review Team
3. Nice call for information : <http://guidance.nice.org.uk/PHG/70#stakeholders>

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Rory Borealis
Executive Director

16 July 2013



Councillor A. Andrew
Deputy Leader, Regeneration and Transport

16 July 2013

Appendix 1



Walsall Council

Improving Home Energy Together

HECA Action Plan update:

Fuel Poverty Performance

Households in Fuel Poverty	2008	2009	2010	2011
Walsall	22.6%	27.4%	22.6%	16.7%
West Midlands	18.2%	26.2%	21.6%	16.9%
England	15.6%	18.4%	16.4%	15%

The table below shows the percentage of Lower Super Output Areas (LSOAs) in the borough above the rate of fuel poverty recorded for each area for example, in both 2008 and 2010 a total of 91% of Walsall's LSOA's had a higher rate of households in fuel poverty than the rate for England (15.6% and 16.4% respectively).

% of Walsall's Lower super output Areas with higher than relevant rate of Fuel Poverty	2008	2009	2010	2011
Walsall	51%	54%	49%	49%
West Midlands	79%	93%	57%	47%
England	91%	91%	91%	68%

2010 and 2011 performance:	2010	2011
Number of Walsall LSOA's in highest 1% of fuel poor in England	1 (E01010342)	0
Number of Walsall LSOA's in highest 5% of fuel poor in England	33 LSOA's (20% of the borough's LSOAs)	1 (E01010342)
Targets:		
<p><i>We will work to ensure that by 2020</i></p> <ul style="list-style-type: none"> <i>• no LSOA's in the borough are in the highest 1% of fuel poor in England</i> <i>• less than 10% of the borough's LSOA's are in the highest 5% of fuel poor in England</i> <i>• We will reduce the borough fuel poverty by 10% on the 2010 levels (22.6%) by 2020.</i> 		

The decrease in fuel poverty in England between 2010 and 2011 was the result of a rise in income, and a reduction in energy use, through improvements in the energy efficiency of housing. These two things combined to offset the price increases seen in 2011.

Appendix 2

Role of ECO Partner and Council in delivering improvements for the private sector.

The detailed roles of the council and ECO partners will be contained within tender documentation available for organisations wishing to 'bid' for ECO partner status. In summary the roles will be as follows:

Council:

The Council will split the borough into specific geographic areas (to be advertised as Lots) and an individual partner ECO Organisation will be selected (through a procurement process) to be promoted by the Council for each of these Lots. The council will seek to promote partner ECO organisation(s) direct to residents through the internet, leaflets and similar publications and attendance at resident meetings.

The Council will pass, with the resident's agreement, their details direct to the partner for the partners specific use to seek to secure ECO improvements to their homes. The partner will not use these details for any other purpose.

Council financial assistance – the council cannot guarantee any financial assistance towards the cost of ECO works where there is a funding shortfall between the ECO grant and the cost of works. If assistance is available it will be in the form of a discretionary grant and or loan and may be 100% and charged on the resident's home. Unless, exceptional circumstances exist, no council assistance will be more than 30% of the cost of ECO works. Assistance will be principally for schemes involving more than one home i.e. as a neighbourhood approach. The council's decision to contribute and then pay for works is for it to make alone. Payment towards works will be on the council's satisfaction with the works and this may in exceptional cases mean payment for works where the resident is not 100% satisfied themselves.

ECO Partner Organisation(s)

They will seek to provide ECO funded improvement works to resident's homes. The decision to proceed with works rests with the organisation and the owner of the individual property. The organisation will secure all necessary consents for the works and undertake them in accordance with all relevant technical standards. It is anticipated that in some cases 100% funding will be provided by the organisation for the ECO works. Where a financial contribution is required to meet the costs of the ECO works this will be sought first from the resident.

The ECO partner will have sufficient insurance to cover all liabilities resulting from their works to private homes and any disputes arising from works being undertaken will be between the organisation and resident.

Other organisations

Other organisations will continue to be able to work within the Walsall borough supporting residents with ECO and related works but they will not be 'promoted' by the council as outlined above. The council will not provide any financial assistance to support works undertaken by other organisations to private homes unless

exceptional circumstances exist and the contribution required from the council is less than 10% of the cost of the ECO works and is less than £800 per dwelling.

Residents

Owners of private homes will have the ultimate decision whether to proceed with any ECO works or not and whether this is with the Council's partner organisation(s) or another party.