

CABINET

18 OCTOBER 2011

This report is submitted under Agenda Item 15. The Chair will be asked to decide if it can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency in order ensure that Council tenants can begin to benefit from this scheme without any delay..

Title: Free Cavity Wall and Loft Insulation for Council Homes through CERT Funding	
REPORT OF THE CABINET MEMBER FOR HOUSING	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: James Goddard, Group Manager – Housing Strategy	Contact Details: Tel: 020 8227 3738 E-mail: james.goddard@lbbd.gov.uk
Accountable Divisional Directors: Ken Jones, Divisional Director of Housing Strategy and Maureen McEleney, Interim Divisional Director of Housing & Neighbourhood Services	
Accountable Director: Darren Henaghan, Corporate Director of Customer Services	
Summary: This report sets out a proposal to install free cavity wall and loft insulation initially in upto 4,000 council houses through Carbon Emissions Reduction Target (CERT) funding provided by British Gas. CERT came into effect in April 2008. The scheme makes it obligatory for every UK energy company to take necessary steps to ensure that the amount of CO2 emissions from domestic properties is reduced. Electricity and gas suppliers are now obliged to promote and offer funding towards measures that improve energy efficiency in the home and working in partnership with not-for-profit agency Greater London Energy Efficiency Network (GLEEN), up to 4,000 council homes will benefit from warmer homes and reduced fuel bills. This programme could save Council tenants over 5,800 tonnes of carbon each year and deliver the maximum of £1.4 million of fuel cost savings per annum equating to up to £350 saving each year per property. This will help to alleviate fuel poverty and support the delivery of the thermal comfort element of the Council's Decent Homes Programme, as well as help the Council meet its carbon reduction target.	
Recommendation(s) The Cabinet is recommended to agree that the Council enters into the necessary agreements with the Greater London Energy Efficiency Network (GLEEN) and British Gas to enable up to 4,000 Council homes to benefit from free cavity wall and loft insulation works through the Carbon Emissions Reduction Target (CERT) scheme.	

Reason(s)

To assist the Council in achieving its Community Priorities of “Clean”, “Prosperous” and “Inspired and Successful”.

1. Introduction and Background

- 1.1 Britain’s six major energy suppliers recently announced fuel energy prices will rise by as much as 18% meaning that the number of fuel poor Council tenant households in Barking and Dagenham could significantly rise from the current 12-18% to between 36-44%. Households are considered fuel poor when they spend more than 10% of their income on fuel bills.
- 1.2 Coupled with a statutory target to eradicate fuel poverty by 2016 and also meet the challenges of climate change and deliver a low carbon economy, the Authority has a duty to secure the provision of energy efficiency measures within its own stock to alleviate those pressures.
- 1.3 There are statutory obligations under the Climate Change Act 2008, Energy Act 2008, EU Buildings Directive as well as legislative measures such as the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) which provide an overwhelming imperative for the Council to reduce energy consumption and carbon emissions in its housing stock.
- 1.4 This programme could save Council tenants over 5,800 tonnes of carbon each year and deliver £1.4 million of fuel cost savings per annum equating to up to £350 saving each year per property. This will help to alleviate fuel poverty and support the delivery of the thermal comfort element of the Council’s Decent Homes Programme, as well as help the Council meet its carbon reduction target.
- 1.5 The purpose of this report is to provide a brief overview of the proposal, set out the financial, legal and other implications.

2. Proposal and Issues

- 2.1 A draft scheme to insulate upto 4,000 Council homes with between 250mm and 270mm of loft insulation and fill cavity walls with 50mm of blown fibre has already been approved in principle by British Gas as part of its CERT obligations and the outputs of the scheme will be reported to the Office of the Gas and Electricity Markets (Ofgem).
- 2.2 The scheme will also target the most vulnerable households and under the CERT guidelines at least 35% of installations must be in the homes of the Super Priority Group (SPG) which is a household with at least one member receiving an income dependent state benefit and is disabled or has caring responsibilities for a young child and 40% in the homes of the Priority Group (PG) which is defined as those households where at least one member receives a benefit.
- 2.3 In addition to the financial savings conferred to Council tenants and the support it offers in delivering the Decent Homes Standard at no cost to the Council, it is expected to increase the average energy efficiency rating (known as SAP) from 64

to 68 in each property and reduce the expected level of those in fuel poverty owing to energy price increases from 44% to 24% in completion of the programme.

- 2.4 The scheme is expected to commence in October 2011 and due for completion by March 2012 and will be split into four phases. GLEEN will oversee the execution of the programme using sub-contractors who will install the insulation.
- 2.5 Tenants will be offered the insulation by letter approved by the Council and can contact a free-phone number to arrange a surveying appointment with the subcontractors. Households that do not respond to the letter will receive a door-step canvass to remind them of the potential of the offer.
- 2.6 Where it is applicable, the scheme will be dovetailed around the Capital Delivery team's Decent Homes boiler replacement programme and will also seek to wrap around other schemes being progressed in the borough including the Feed-in-Tariff project and other insulation initiatives such as RENEW in Heath ward

3. Options Appraisal

- 3.1 The CERT funding stream ends in December 2012 and schemes need Ofgem and energy supplier approval long in advance of the closure date. As the scheme is a public subsidy and not subject to tender, the Council needed to adopt a delivery partner promptly.
- 3.2 GLEEN has been the only organisation to offer the Council a credible insulation scheme with 100% funding which can be delivered before the closure of the programme. This is primarily because GLEEN has in-depth knowledge of the stock having conducted a majority of the Council's energy performance certification.

4. Consultation

- 4.1 The proposal has been discussed with the Cabinet Member for Housing and involved all relevant departments concerned.

5. Financial Implications

Implications verified by: Jo Moore, Finance Group Manager

- 5.1 This report notes that a competitive tendering process for the appointment of the managing agent, GLEEN, was not deemed necessary because of the provision of insulation works is at zero cost to the Council and the contract exists between British Gas and GLEEN, acting as the managing agent.
- 5.2 The £675,000 programme will be fully funded by British Gas as part of their CERT obligations and GLEEN will pay for the postage of letters advertising the offer and the free telephone service.
- 5.3 The installation of these energy efficiency measures comes at zero cost to the Council.
- 5.4 The Council will not incur any capital costs, either in the form of payments to the contractor or the direct purchase and supply of materials. The managing agent will

be wholly responsible for the execution of the project including administration costs. GLEEN will also be responsible for ensuring that its sub-contractors deliver the insulation works to the standard expected by the Council and as outlined in the Codes of Practice underpinning the CERT funding by British Gas.

- 5.5 British Gas has agreed in principle to £672,000 of CERT funding for the roll-out of insulation works in upto 4,000 homes in Barking and Dagenham and should this tranche of works prove to be successful there is the potential for further funding being awarded for delivery in more Council stock before the national scheme is wound-up in December 2012.

6. Legal Implications

Implications completed by: Eldred Taylor-Camara, Legal Group Manager

- 6.1 In this report, Cabinet's approval is being sought to enter into the necessary agreements with GLEEN and British Gas to enable up to 4,000 Council homes to benefit, through the Carbon Emissions Reduction Target (CERT) scheme, from low carbon energy solutions via the installation of free cavity wall and loft insulation works.
- 6.2 Under the Carbon Emissions Reduction Target (CERT) scheme domestic energy suppliers are required to make savings in the amount of CO₂ emitted by householders. The primary aim of the CERT Scheme is to also aid the UK in achieving its legally binding target under the Kyoto protocol (to cut greenhouse gas emissions by 12.5% below 1990 levels by 2008-2012) and the Climate Change Act 2008 requirement (to cut emissions of green house gas emissions by 80% below 1990 levels by 2050).
- 6.3 Suppliers are able to assist in meeting this target by providing low carbon energy solutions to household consumers thereby assisting them in reducing the carbon footprint of their homes.
- 6.4 The instructions provided to the Legal Practice are that British Gas has entered into an agreement with Greater London Energy Efficiency Network (GLEEN) for the provision of free loft and cavity wall insulation to numerous households across London.
- 6.5 The value of the low carbon energy solution on offer to the Council by British Gas is £672,000.
- 6.6 The Council will not be procuring the contract for the installation of the loft and cavity walls as this has already been undertaken by British Gas, and GLEEN has been appointed by British Gas to undertake the installation works.
- 6.7 The Council will however need to enter into an agreement with GLEEN which will incorporate details of GLEEN's warranties, liabilities and indemnities to the Council. This will offer legal protection to the Council in relation to the works to be undertaken by GLEEN on Council's properties.

- 6.8 Furthermore, as the Council's properties will be made available to GLEEN to carry out the works, GLEEN will require a licence granting access rights in order to gain entry to the Council's properties.
- 6.9 Tenants whose homes will be affected will also need to provide permission to enter their properties. Their tenancy agreements should require the tenants to grant the Council, its authorised officers and contractors, access into their properties to carry out works upon prior notification. If the tenants refuse to give access, permission of the court will be required to gain access. It would therefore be useful to carry out a consultation exercise promoting the scheme ahead of installation.

7. Other Implications

7.1 Risk Management

GLEEN and their sub-contractors will assume the responsibilities associated with

- the supply and installation
- performance risk of equipment
- risk of any future Government terminating the scheme

The partner will need to indemnify the Council against any costs incurred due to damage to property both internal and external due to faulty equipment and/or through installation

7.2 Contractual Issues

A contract of works exists between British Gas and GLEEN with the Council entering into an agreement with GLEEN to cover indemnities, warranties and liabilities relating to the insulation and works.

7.3 Staffing Issues

Although it is proposed that GLEEN undertake all aspects of the project, it is important to note that there will be internal staffing requirements this could include staff to:

- monitor and oversee the project;
- provide legal support including drawing up agreements potentially facilitate tenant engagement and consultation events;
- gain access to properties

7.4 Customer Impact

Rising fuel bills will affect most people; however it will have a greater impact on low income households who tend to live in poor energy efficient housing. These households can suffer from what is called fuel poverty. A household is said to be in fuel poverty if it needs to spend more than 10% of its income on fuel to maintain a satisfactory heating regime (usually 21 degrees for the main living area, and 18 degrees for other occupied rooms).

Fuel poverty is significant in the borough, owing to the fact that a high proportion of residents are on low income. The 2009 income figures for the borough indicate that household income is the second lowest in London, being 18% below the average figure for London (CACI Paycheck, 2009). Based on the Index of Multiple Deprivation 2007 average rank, our borough is ranked 11th highest of all Local Authorities nationally. The borough has 17 wards of which 5 are ranked within the 10% most deprived wards in England and a total of 14 wards are ranked within the 20% most deprived. These figures suggest that fuel poverty and poverty in general are significant issues for the borough.

In order to address this issue, the scheme will target those most vulnerable and those that suffer from fuel poverty, by targeting those areas of the borough identified in the 10% most deprived in England.

It is perceived that there could be barriers to targeting this scheme at the most vulnerable. This includes language barriers and ensuring appropriate information dissemination. In order to reduce the risk it will be imperative that clear information is provided to residents with the use of 'Plain English' techniques as well as providing a translation service.

Other customer impact considerations include providing access to properties for site surveys and installation. As GLEEN and its sub-contractors will be entering tenant's houses, CRB checks of all staff to enter the property will be required.

7.5 Health Issues

The proposal will have a positive impact on health issues locally. The project will help to reduce the number of tenants in fuel poverty. Therefore this will reduce the associated health impacts of fuel poverty, including reducing the number of excess winter deaths each year.

7.6 Crime and Disorder Issues

There are no identified crime and disorder issues.

7.7 Property / Asset Issues

The scheme is expected to aid and assist the delivery of the thermal comfort element of the Council's Decent Homes Programme.

Background Papers Used in the Preparation of the Report:

- Department for Energy & Climate Change on CERT funding:
http://www.decc.gov.uk/en/content/cms/funding/funding_ops/cert/cert.aspx
- Climate Change Act 2008
- Energy Act 2008
- EU Buildings Directive

List of appendices:

None