

AGENDA ITEM

REPORT TO COUNCIL

22 JULY 2015

REPORT OF CORPORATE MANAGEMENT TEAM

ECO EXTERNAL WALL INSULATION UPDATE

SUMMARY

In July 2014 Cabinet approved further resources to complete the final phases of the ECO programme to complete 866 further properties. In Stockton on Tees, we have delivered large scale investments and delivered significant outcomes in recent years under the governments Community Energy Savings Programme (CESP) and Energy Company Obligation (ECO) scheme, by working effectively in partnership with energy suppliers, partners and householders on a street by street basis. 2505 households were improved with External Wall Insulation (EWI) and significant contributions to reducing fuel poverty were made from 2012 - 2014. Unfortunately, in 2013/14 the scaling back by the government of the national ECO programme left our scheme to complete a further 866 households facing financial challenges, and to date we have completed 660 of those targeted properties in 2014/15

The programme of EWI installations under ECO is due to conclude in July 2015 and at present will result in £100k of capital money returning to SBC at the end of July 2015, however this will result in 88 properties on Castlereagh Road and Newtown Avenue not receiving the expected EWI works. This would be disappointing both for the householders anticipating measures to reduce their fuel bills and improve their energy efficiency, and for SBC in terms of our overall efforts to reduce fuel poverty levels across the Borough.

To complete the additional 88 properties will cost £220,000, with SBC not receiving the £100k payback from the programme at the end of July 2015 and requiring an additional £150k SBC capital money to be invested. This would complete a very successful scheme of 3253 households improved with EWI and 4776 households receiving energy efficiency measures overall, bringing to a close the current ECO delivery in Stockton-on-Tees, and is the most practicable solution in the financial circumstances.

It must be remembered the work undertaken under CESP and ECO has been a huge success delivering significant outcomes, particularly for health, warmth and financial in large numbers of properties and across several deprived LSOAs and wards. After the 88 properties are concluded additional properties would move away from LSOA areas.

RECOMMENDATIONS

It is recommended that:

Cabinet

1. Cabinet note the significant performance in delivering large scale energy efficiency measures under CESP and ECO on a 'whole street' approach with 3253 External Wall Insulations complete in the last 3 years.
2. Cabinet note the challenges faced by SBC and all local authorities since the ECO scheme was scaled back nationally.

3. Cabinet agree to complete a final 88 properties on Castlereagh Road and Newtown Avenue to conclude the ECO scheme, subject to approval of funding by Council.

Council

4. Council approve the allocation of £150,000 from General Fund Balances to conclude the ECO scheme.

DETAIL

Background

1. The Community Energy Saving Programme (CESP) was established by The Department for Energy and Climate Change (DECC) on 1 September 2009 as part of the government's Home Energy Saving Programme. The obligation period ran from 1 October 2009 to 31 December 2012 and was designed to promote a 'whole house' approach in areas of low income (using IMD rankings) where gas and electricity suppliers and electricity generators were to treat as many properties as possible with energy saving measures.
2. A change in government policy led to the creation of the Energy Company Obligation in January 2013, replacing two previous schemes, the Carbon Emissions Reduction Target (CERT) and CESP. It obligates larger energy suppliers to deliver energy efficiency measures to domestic premises in Britain and allocates them a proportion of ECO targets who liaise with local authorities, occupiers and landlords to identify and implement suitable energy efficiency measures.
3. In Stockton on Tees, we have delivered large scale investments and delivered significant outcomes in recent years under CESP and ECO, by working effectively in partnership with energy suppliers, partners and householders on a street by street approach not seen elsewhere in the UK on this scale. The pre cursor to these effective programmes was the cavity wall and loft insulation installed in 15,000 homes under 'Warm Zone' between 2001 – 2004. We delivered the largest private sector CESP in the UK in 2012-13 with 1669 households benefiting including 1205 with External Wall Insulation (EWI) measures, and our success was used as a case study in the Department for Energy and Climate Change (DECC) national evaluation of CESP, delivering carbon savings of 280,000 tonnes. In 2013, ECO was eagerly awaited and we agreed to deliver solid wall insulation to 5000 properties by the end of 2015 with £20m of external investment. 563 new energy efficient boilers were installed and 1300 properties received EWI through the ECO early starter programme, representing £7.4m of installer costs funded by £5.2m from ECO.
4. Unfortunately, in December 2013 although the Government announced the scheme would be extended to 2017, there was a need to reduce fuel bills by "rolling back on green taxes" and this diluted the ECO targets for the big six energy companies. Under the Carbon Emissions Reduction Obligation, obligated suppliers must promote 'primary measures' such as insulation. At the height of the scheme, the price was as high as £102 a tonne, however following the government announcement this fell as low as £42 a tonne. In 2014, EWI could not achieve 100% funding through ECO and it was clear that our scheme would face challenges.

The 2014/15 programme

5. In July 2014, Cabinet approved the use of £940k to enable the programme to continue until July 2015. £300k remained from the ECO early starter programme, £250k was secured from public health and corporate resources contributed £390k, to deliver a total of 866 EWI's on a street by street approach in Parkfield & Oxbridge, Newtown, and Mandale & Victoria.

6. A summary of the measures installed through a determination to deliver successful CESP and ECO schemes makes impressive reading:

Year	Boiler installations	Loft and cavity wall insulations	External Wall insulations	Total No of households improved under CESP and ECO
2012/13	310	154	1205	
2013/14	563	300	1300	
2014/15 (when scheme ends)	-	196	660	
TOTAL	873	650	3165	4688

Households in fuel poverty in Stockton reduced by 4555 from a level of 20.8% in 2009 to 15.3% in 2012. In the Parkfield ward alone, our efforts have increased the average SAP rating of a property from 42.6 to 68.7 through delivering large scale physical measures, and saving householders up to £700 a year.

7. However the scaling back of ECO nationally and the carbon pricing have left the programme unsustainable beyond the summer of 2015 without us providing yet another significant financial contribution. As a result however:

- 660 properties will have been completed with EWI, from the original target of 866, since August 2014
- Total number of households improved with EWI in just 3 years under CESP and ECO is 3165
- 4688 properties have received fuel poverty measures including EWI, boiler replacements and loft and cavity wall insulation since 2012
- Reductions in fuel poverty levels in LSOA's where we have installed measures are beginning to be identified

8. From the original planned scheme for July 2014 – summer 2015, Mansfield Avenue, Langley Avenue, Craigwell Crescent and parts of Durham Road remain for future delivery. The total project spend on this scheme will be £820k at the end of July 2015, resulting in an average investment per property by SBC of £1,242. While 660 properties will be completed from the original target of 866, there are a number of explanatory factors:

- The cost of carbon under ECO has plummeted and therefore impacted upon the original target number of properties
- The original target of 866 properties was based on 100% take up by householders / landlords in those areas, however despite our best efforts to persuade, some have chosen not to have improvements. This includes 60 properties with Tristar and Jomast who refused works
- The target number of properties was based on a calculated average mid terraced property however some larger properties were encountered, and end terrace properties needed extra insulation

Remaining properties to complete

9. The programme of EWI concluding in July 2015 will result in £100k returning to SBC at the end of July 2015 and result in 88 properties on Castlereagh Road and Newtown Avenue not receiving the expected EWI works. This would be disappointing both for the householders anticipating measures to reduce their fuel bills and improve their energy efficiency, and for SBC in terms of our overall efforts to reduce fuel poverty levels across the Borough.
10. To complete the additional 88 properties will cost £220,000, result in 748 completed households in the 2014/15 programme and 3253 complete overall under CESP and ECO.

In addition, it would result in SBC not receiving the £100k payback from the programme at the end of July 2015 and require an additional £150k Council resources to be invested. It is anticipated that the scheme would be complete by October 2015 and all those anticipating improvements would see works undertaken. This would complete a successful scheme, bringing to a close the current ECO delivery in Stockton-on-Tees and is the most practicable solution in the financial circumstances.

Options appraisal

11. Given the challenges faced, 748 properties completed in this year alone, with 3253 in total since 2012, is a tremendous achievement. The options open to us can be summarised:

Option A

- No additional streets to receive measures
- Completion of existing works over the next 5 weeks
- 660 properties completed since August 2014
- £100k returns to the Council

Option B

- Undertake additional 88 properties on Castlereagh Road and Newtown Avenue
- 748 properties would be completed
- Work to continue to October 2015
- Requires additional £150k investment from the Council and no money returned to us
- Meets residents expectations of improvement works to reduce energy bills
- Most practicable solution with remaining £100k

Option C

- Undertake additional 88 properties on Castlereagh Road and Newtown Avenue
- Undertake additional 216 properties on Craigweil Crescent, Langley Ave, Mansfield Ave and Durham Road
- Requires additional minimum £593k investment from the Council and no money returned to us
- 964 properties completed
- Would require work to continue well into 2016 as a minimum
- Risk of GoWarm not delivering contract in 2016 as during this period of works the organisation will need to scale back ahead of post ECO period
- Risk of contractors not delivering works due to workload in other areas

12. It must be remembered the work undertaken under CESP and ECO has been an incredible success delivered significant outcomes in large numbers of properties and across several deprived LSOAs and wards. After the 88 properties are concluded, there is a natural shift now towards the more 'able to pay' areas.

13. There are four options going forward:
- A. Exit ECO delivery at the end of July with 660 completions in this programme with a significant 3165 EWI installations and 4688 measures overall in the last 3 years, downsize GoWarm and contact residents in the remaining streets, assuring them that we will continue to seek external funding. £100k will be returned to the Council
 - B. Complete 88 of the remaining properties, requiring further SBC investment of £150k with no money returned to us but meets residents expectations and neatly concludes ECO scheme in Stockton-on-Tees
 - C. Substantial further investment by SBC of £593k to subsidise further eco funding install EWI to a further 304 properties
 - D. Investigate the 'able to pay' EWI model from this point forwards – in different parts of the Borough where ECO can part fund the measures with the householder contributing the remainder as a loan or single charge.

14. It is recommended that **option B** be adopted, with option d investigated over the coming months to determine whether there is a demand for an ECO programme in a different format in the long term. The financial contribution of £150k will complete a hugely successful 3 years of reducing fuel poverty in some of our most deprived LSOAs meeting the expectations of another 88 households while contributing to a total of 4776 properties improved across Stockton-on-Tees in the last 3 years.
15. Cabinet will consider this item at its meeting to be held on 16th July 2015 and a copy of the relevant minute extract will be forwarded to all Members.

FINANCIAL IMPLICATIONS

16. There are financial implications associated with adopting **option B** in the report and undertaking EWI works to a further 88 properties. The total costs to the Council of this scheme is £250,000, which equates to £100,000 investment that would return to us under option A and a further £150,000 required from Council resources.

LEGAL IMPLICATIONS

17. There are no legal implications associated with any of the four options presented. The

RISK ASSESSMENT

18. There consequences of ceasing the ECO scheme now and not investing in the remaining 88 properties on Castlereagh Road and Newtown Avenue are largely from a public relations point of view. With residents having expectations that improvement works would take place in the future, there may be negative responses if we do not commit to invest in the last 2 streets.

COUNCIL PLAN THEMES

19. Economic Regeneration and Transport
Environment and Housing

EQUALITIES IMPACT ASSESSMENT

20. This report is not subject to an Equality Impact Assessment.

CONSULTATION INCLUDING WARD/COUNCILLORS

21. None at this stage.

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Education related?

No

Background Papers

None

Ward(s) and Ward Councillors:

Newton Ward – Councillor Paul Baker and Councillor Rachael Proud

Property

Not applicable