



Report to Asset, Investment and Development Committee

26 February 2014

Title: Energy Company Obligation Works Phase 2

Report of Director of Customers and Communities

Purpose of Report

1. To inform the committee of a further phase of Energy Efficiency works that are being funded through the Energy Company Obligation (ECO) programme of funding.

Background

2. On 5 March 2013, this Committee received a report on the Energy Company Obligation works that proposed to provide external wall insulation to over 600 council properties, predominantly in the East of Gateshead.
3. This scheme was procured in partnership with the Home Group and the delivery of these works is currently under way.
4. Through the procurement exercise undertaken for the above ECO works last year, TGHC identified a funding partner in Cosyseal Limited and have continued to build a relationship with this company to look at possibilities for accessing further grant opportunities to improve the council's stock of low-rise non-traditional dwellings and help tackle fuel poverty within Gateshead.
5. Under ECO, energy companies were required to spend around £1.3 billion in funding between January 2013 and March 2017 to help reduce fuel poverty. ECO is funded by a contribution from all residential energy bills. It is estimated to account for around £50 per year to each household bill.
6. As part of measures announced through the Autumn Statement, the amount of funding available was reduced and the scheme has been scaled back with funding offers being reduced or in some cases withdrawn.

Funding offer

7. Through direct negotiation with our grant partner, Cosyseal Limited, an offer was secured in October 2013, to carry out works at nil cost to a further 400 non-traditional properties on the following estates: -

- Chopwell

- Coach Road
- Dunston Road
- Florence Avenue
- Hallgarth
- Heworth Grange
- Highfield
- Parkhead
- Rectory/Glebe
- Swalwell
- Ventor Crecent
- Watergate
- Wrekenton

8. The following works will be carried out subject to survey:

- External Wall Insulation
- Rainwater good replacement (where required)
- Upgrade of single glazed windows (where required)
- Boiler replacement (where required) – funded from the 2014/15 capital programme

9. It was anticipated that there would be a reduction in opportunities to access funding going forward and in November 2013 a contract was awarded to Cosyseal Limited under the delegated authority of the Managing Director and Chair of the Board to secure this funding offer to deliver these works.

10. Additionally, through this partnership, significant progress has been made in respect of Cavity wall and loft insulation (over 3000 measures have been installed in the period October 2013- January 2014) at nil cost to the capital programme.

11. Customers that have previously purchased properties through the right to buy scheme on these estates will also be offered external wall insulation works at nil cost.

Measures

12. All of the properties in the programme will receive external wall insulation, which is estimated to save a resident 40% (source: The Energy Saving Trust) on their annual fuel bills. The external insulation works also improves the appearance of the property and can extend the lifespan by protecting the building and preventing weathering.

13. Where necessary, windows and heating systems will need to be upgraded at the same time as the external insulation. Windows will be part of the funded works however; individual heating systems in social housing properties do not attract funding and will be funded through the Maintaining Decency Programme, where they are in need of replacement. These systems have been identified in the 2014/15 capital programme and are in need of replacement. By aligning the works it is expected that disruption for customers will be minimised.

14. Surveys are ongoing but we estimate that of the properties to be included in the scheme, 145 properties will receive new windows and 85 properties will receive boiler replacements.

Works delivery

15. The works will be delivered directly by Cosyseal Limited, to The Gateshead Housing Company's specification.
16. It is anticipated that the works will commence in March 2014 and will be completed by June 2015.
17. To ensure adequate resources are in place for TGHC to deliver the contract internally, a management fee of 5% is levied against the value of the contract.
18. This is payable by Cosyseal Limited following completion of each property against the value of the works.
19. In addition to this, a management fee of 1% of the contract value is payable to TGHC for our endorsement of right to buy properties. This is to cover TGHC cost of the enquiries that are likely to be directly to TGHC as a result of this work.

Links to Values

20. This proposal links to the following Company values: -
 - Being a listening and learning organisation
 - Being honest, accountable and transparent
 - Being customer focused, innovative and professional
 - Caring and respecting

Impact on tenants

21. The scheme will significantly increase the thermal comfort in over 400 TGHC customers' properties.
22. The works will also have a positive impact by reducing those customers' fuel bills in a time where many are affected by welfare reform.
23. External wall insulation improves the appearance of the properties.

Risk Management

24. The contract has been reviewed by Gateshead Council legal team who are satisfied with the terms.
25. The main risk with this contract lies with the funding. TGHC has secured an offer that allows improvements to the stock whilst not impacting on the capital budget.
26. The scheme is subject to the current ECO arrangements. The risk of change to these arrangements is considered as low due to the changes that have recently been announced.

27. External wall insulation is a strong contributing factor for sustaining many of these properties for the next 20-30 years. Failure to carry out the works could result in these properties becoming undesirable in comparison to homes with a better level of thermal comfort.

Health Implications

28. The proposed scheme will have positive health benefits, by improving thermal comfort in TGHC customers' and owners homes there will be a reduction in cold, damp conditions which can cause respiratory illnesses and excess winter deaths.

Financial Implications

29. The EWI and windows works are fully funded through the ECO scheme. The window improvements will be undertaken in addition to the window programme identified in the capital budget.
30. Heating improvements that are not included as part of the ECO funding, will be completed by as part of the Maintaining Decency programme. The heating systems were already scheduled for replacement in 2014/15.
31. TGHC has covered its internal management costs involved in administering this contract through a 5% charge levied against the value of the contract.

Equality and Diversity Implications

32. Through the contract, Cosyseal have demonstrated compliance with the Equality Act 2010 and awareness of the Public Sector Equality Duty.

Value for Money Implications

33. As the EWI and Window works will have nil cost to the capital budget and will see improvements to over 400 council properties and result in investment of approximately £3,000,000.

Environmental Implications

34. External wall insulation is estimated to save 1.9 carbon tonnes per year per property (figures based on a 3 bed semi-detached home provided by The Energy Saving Trust).
35. The works will have a significant impact in reducing the carbon footprint of our properties and increasing our overall SAP ratings.

Consultation

36. Consultation has been carried out with the Legal, Procurement and Climate Change sections of the council who were supportive of the scheme
37. Local Ward members have been informed that we are carrying out surveys to properties in the scheme.

38. The programme will be phased across estates and customer consultation and consultation with local ward members will be carried out in advance of the programme commencing in each ward.

Recommendation

39. The committee is recommended to note the content of the report and receive further updates on progress once the scheme is mobilised.