

FLINTSHIRE COUNTY COUNCIL

REPORT TO: HOUSING OVERVIEW & SCRUTINY COMMITTEE

DATE: WEDNESDAY, 23 JANUARY 2013

REPORT BY: DIRECTOR OF COMMUNITY SERVICES

SUBJECT: SUSTAINABILITY IN HOUSING

1.00 PURPOSE OF REPORT

- 1.01 To consult with Members on a proposal to develop a Sustainability Strategy for Housing and to outline the success of existing energy efficiency schemes in Council stock and in private homes.
- 1.02 To inform Members of changes to energy efficiency funding, with the ending of the Community Energy Saving Programme (CESP) and the introduction of the Energy Company Obligation (ECO) and the Green Deal.
- 1.03 To outline to Members the rationale for the collection of water charges and to seek support for the continuation of this service.

2.00 BACKGROUND

- 2.01 Social housing is a social business and therefore it is vital that there is a positive impact of that business on its customers and the local environment. This also ties in with the Council's corporate commitment to reduce carbon emissions from its own assets (excluding Council housing) by 60% by 2050.
- 2.02 There are two aspects of sustainability that require consideration by the Housing Service. Firstly, there is energy sustainability of the homes we provide. This is an important point in the context of rising fuel bills and falling household income as a consequence of welfare reform. It is also a requirement of the Welsh Housing Quality Standard that all our properties meet an energy rating of SAP 65.
- 2.03 The intention is to develop a sustainability strategy for housing which would combine these two elements, sets out an action plan and also develops a suite of targets for the next 5 years.
- 2.04 The development of this strategy is timely, as there remains a high degree of focus on energy sustainability, waste management and energy efficiency retrofit by both the Welsh and Westminster governments.

- 2.05 In terms of new build housing, Welsh government demands that any new homes funded through Social Housing Grant must meet Code for Sustainable Homes Level 3 as a minimum. The highest code level is currently 6 and various demonstration projects exist to demonstrate the benefits of this level of energy efficiency.
- 2.06 However, the cost for Code 3 Homes will be higher than traditional build, typically costing in the region of £1200/sq metre. Costs associated with the higher codes range between £1200/sq metre, up to £1600/sq metre. Higher code levels therefore have an impact on the amount of development that is financially viable. A balance must be struck between the levels of energy efficiency offered and ensuring the cost of providing the homes with these measures is not prohibitive to developers. .
- 2.07 A key driver for private housing development standards will be new building regulations, known as Part L, which will govern conservation of fuel and power. A Welsh government consultation on the new standards ended during October 2012. There has been some resistance from developers during the consultation; given the additional cost per unit of accommodation should higher standards be implemented.
- 2.08 An example of a recent new build would be the Trueddyn development, consisting of both private and social housing. Efforts to reduce resident costs through energy efficiency measures were part of the scheme. The properties were built to Code 4, which is above the current minimum standard of Code 3 for social rented properties. However, this increased the price per unit and was only feasible due to 58% of the build cost being funded through Social Housing Grant (SHG).
- 2.09 The total build cost of the social housing properties consisting of 18 units, was £2.2M, with £1.4M being provided through the Social Housing Grant programme. Further new build of social stock to this standard will be particularly problematic going forward, as the programme to support it is forecast to decline 30% year on year.
- 2.10 Energy Efficiency and the Community Energy Saving Programme**
- 2.11 Energy Efficiency continues to dominate both the Westminster and Welsh government's agenda. In terms of accessing additional resources, energy efficiency continues to be one of the few growth areas. It is therefore vital that Flintshire continues to be at the forefront of this agenda in the region, if it is to secure the high levels of external funding enjoyed over the last 2 years, which totalled £1.25M
- 2.12 The CESP has now closed, as all work was required to be completed on site by 31st December 2012. At the point of preparing this report CESP had delivered:-

Number of Homes	Type of Measure
136	External Wall Insulation
365	Heating Replacements/Fuel Switching
25	Solar Thermal Installation
152	Solar Photo Voltaics
500	Energy Advice

- 2.13 CESP has delivered approximately 439 measures in over 200 Council homes in the last 2 years. These measures will create bill savings of over £1.8M for our tenants during their lifetime. In private homes 132 measures have been installed this year alone, creating lifetime savings of over £800K for householders.
- 2.14 One of Flintshire's strengths is the level of data it now holds about the energy efficiency of the County's housing stock. However, that volume of data now warrants a specialist IT solution to ensure that it can be drilled down by area and types of measures required, with links to fuel poverty and deprivation.
- 2.15 The new system will ensure that bids going forward are robust and help maximise the Council's degree of success in obtaining external funding. The system, known as UNO, will be implemented from April 2013 and will support this. The system will allow all the Council house EPC data to be uploaded and ensure optimum targeting of bids and measures. It also has the capability to store Energy Performance Certificate assessments, which the service hopes to start offering on a chargeable basis during 2013/14 as a revenue raiser.
- 2.16 Welsh government energy efficiency programmes**
 Whilst ECO and Green Deal will form an important part of any Sustainability Strategy, we should not lose sight of the existing Welsh government programmes. Therefore, the Arbed and Nest schemes will need to be reflected.
- 2.17 Currently Mostyn and Oakenholt are the subject of further bids for Arbed funding. Based on the Arbed scoring criteria, these areas offered us the opportunity to present the strongest bids for the County. The score for Mostyn was highest and is therefore our preferred bid. The higher score for Mostyn is in reflection of the fact that it's an off-gas area. Oakenholt scored second highest due to the level of solid walled properties present.
- 2.18 Nest is the Welsh government's fuel poverty scheme. It aims to help reduce the number of households in fuel poverty and make Welsh homes warmer and more fuel efficient places to live. The Nest scheme has an active presence in Flintshire and key to the success of the strategy will be to align this programme with Arbed, ECO and Green Deal to provide the best offer to the County's residents.

2.19 Reducing reliance on oil for heating

As part of the Council's commitment to reducing fuel poverty, opportunities to reduce tenant's reliance on oil to heat their homes are being robustly pursued. Successful bids for funding have resulted in mains gas being provided to Sealand Manor, Isabella Court and Coppa View.

2.20 The Council's housing asset management strategy has been aligned to allow for the installation of new gas central heating systems in Council homes and energy efficiency top up loans have been provided to address the small numbers of private householders who wished to participate. Discussions are currently ongoing with Wales and West utilities for another 7 possible sites for the forthcoming year.

2.21 Where gas cannot be made available 21 ground source heat pumps and 2 air source heat pumps have been fitted. A further 30 air source heat pumps are also out to tender at the moment, with view to their installation in this financial year.

2.22 The Arbed Scheme continues to be delivered by Welsh government and their delivery partner Wilmot Dixon in Holywell Central. This Scheme will be providing external wall insulation and new central heating systems within that Lower Super Output Area (LSOA).

2.23 ECO and the Green Deal

All the existing UK wide energy programmes came to an end on 31st December 2012, which include CERT and CESP. These have been replaced by the new Energy Company Obligation (ECO) from January 2013. ECO is effectively a levy placed on Utility Companies to provide funding for energy efficiency measures, focusing on those measures for hard to treat properties, such as external wall insulation and the replacement of G rated boilers with A rated boilers.

2.24 The ECO market will be highly competitive, as utility companies seek to discharge their obligations around carbon savings. The greater the carbon saving a measure can provide, the more attractive it will be to utility companies who are getting more for their money. Flintshire's Housing Renewal Service is well positioned to deliver on ECO schemes, having managed similar work in both the public and private sector through the former CESP.

2.25 New UK initiatives to support energy efficiency retrofit will include the Energy Company Obligation (ECO) and the Green Deal. ECO is very similar to the former CESP, in that it is an obligation placed upon utility companies to fund energy efficiency measures in homes. However, ECO will not be restricted by geographical boundaries as was CESP.

2.26 The Green Deal is the Coalition Government's flagship energy efficiency programme, aiming to provide finance in the form of Green Deal loans for energy efficiency measures.

- 2.27 All Green Deal loans are subject to the golden rule, which states that the amount of money borrowed must be offset by the reduced cost of the householder's energy bill. The loan is collected via an additional standing charge attached to the electricity meter for a maximum period of 25 years. However, whilst the standing charges on the meter will be higher, overall energy usage will be lower, giving a lower energy bill overall. As the loan is attached to the electricity meter, it is tied to the property and not the individual and will be transferred to the new occupier where there is a change of tenant or owner.
- 2.28 Certain measures, such as external wall insulation are costly and will often not meet the requirements of the golden rule. In such cases the utility companies will be expected to provide ECO funding to reduce the level of the Green Deal loan, thereby meeting the golden rule.
- 2.29 Green Deal finance is tenure blind and can be used in social housing, private housing, including privately rented housing (where the right to refuse a reasonable request is to be restricted) along with community buildings and commercial premises.
- 2.30 Given that social tenants can access the Green Deal, the Council will need to consider whether it will give permission for its tenants to enter into Green Deals for measures it cannot provide in the short to medium term e.g. external wall insulation.
- 2.31 The Council could also consider whether it is appropriate to include Green Deal loans as part of its investment strategy in Void properties. This would again allow for more external wall insulation in solid walled properties, or accelerate the boiler replacement programme to assist in meeting the Welsh Housing Quality Standard. As stated previously the WHQS requires that all properties must meet an energy rating of SAP 65. This can be difficult to achieve in solid wall properties.
- 2.32 If this option were to be pursued, tenants would be contributing towards the cost of improvements to their homes. However, they would not be negatively impacted by this, as their overall energy bill would be lower than if the measures had not been installed.
- 2.33 The Department of Energy and Climate Change has issued guidance to local authorities, setting out how they can be involved with the Green Deal (a copy is annexed to this report). In brief local authorities can take 3 roles, as a provider, a partner or a promoter.
- 2.34 The promoter model is where the local authority will advertise the availability of Green Deal loans within its area generally. This will simply be an awareness raising exercise and the Council will not be linked to any provider.
- 2.35 In the partner role the Council would link with an approved Green Deal provider. This provider, from the private sector would effectively be

promoted by the Council in return for social gain. An example of this would be if the Council negotiated with that provider to offer targeted help at reduced cost for its own stock or for vulnerable households in the area.

- 2.36 Finally there is the provider model, where the local authority would invest some of its own capital in the provision of loans and deliver the scheme through a procured delivery partner. This offers the Council the greatest control over the operation of the scheme in its area and there is the potential that a profit could be made from the interest applied to the loans, which is likely to be set initially at 5.5%.
- 2.37 Welsh government has funded consultancy support to examine the various options open to local authorities in a regional context. Marksman Consulting have been working on a joint business case with Flintshire and Wrexham under the provider model. As previously stated, the provider model is one in which Council's would invest some of their own capital in the provision of recyclable Green Deal Loans to householders.
- 2.38 The business case is now almost complete and shows that for the programme to be self financing it would need to complete measures in 8,000 homes over a 3 year programme across the 6 North Wales counties. Whilst this number may appear high, it is only 5% of the entire accessible market, which are those homes still requiring energy efficiency measures.
- 2.39 Delivering Housing Services in a sustainable way**
Management of water and waste will also need consideration in the strategy. A great deal of work has already taken place in the recycling of materials and this presents an opportunity to set targets around recycling a higher proportion of the waste material generated.

Water is a significant issue, not simply in terms of the way in which we operate our business but also for our tenants. This will also need to be included within the strategy but a more detailed consideration of the collection of water charges is included within this report as requested by Members.

3.00 CONSIDERATIONS

3.01 Background – The Collection of Water Charges

3.02 Flintshire County Council is party to a contract with Welsh Water and Dee Valley Water which collects water charges along with the rent for council dwellings. The Council collects the charges which are paid to the water companies in one lump sum, and the Council receives commission.

3.03 The contract is able to be terminated by either party by giving 12 months notice.

3.04 Income

- 3.05 In the last financial year, the council paid Welsh Water £2,542,231 and Dee Valley Water £437,888
- 3.06 The Council then collected the water charges for each tenanted property along with the rent for the property. The water charges are paid with the rent, in the same way as service charges.
- 3.07 In 2011/12 the council earned commission from the contract of £481,548

3.08 Advantages to the Council

- 3.09 The contract provides a substantial income stream which is ring fenced to the Housing Revenue Account and is re-invested to improve homes and services.
- 3.10 The transactional costs of operating the scheme are low as the charges are collected along with the rent for the dwelling. In some cases, where tenants are in receipt of full Housing Benefit and have accrued arrears they may meet the criteria for third party deductions, This is where the Department for Work and Pensions will take the weekly amount, and an amount for arrears directly from a customers benefit and pay it to the rent account.
- 3.11 The Council is able to identify households who are struggling and reduce debt through the Welsh Water Assist Scheme [further details annexed to this report]
- 3.12 As the council has been operating this scheme for many years, tenants who are in receipt of full Housing Benefit are used to having to make payments to the council for their water. This means that customers are already used to having to make payments towards their rent and so when universal credit is introduced, the change will not be as great, than for tenants of other social landlords whose rent is paid solely by benefit and who are not in the habit of having to make any payments to their landlord at all.

3.13 Disadvantages to the Council

- The council carries arrears of water rates as “rent arrears” and therefore the amount of arrears is higher than they would have been if the council did not collect the water charges.
- 3.14 The amount is charged and collected to the tenant’s rent account; therefore it is not possible to calculate the exact percentage of arrears which are solely due to water charges.
- 3.15 It is estimated that the amount of water arrears is approximately 10% of current debt and therefore the contract remains of considerable benefit to the council.

3.16 The only way to produce exact data on the amount of arrears attributable to water would be to charge water separately on a sub account. This would involve additional cost to the council to invest in the IT necessary to do this, but is a solution which is currently being investigated.

3.17 Advantages to Customers

3.18 Tenants of the Council are able to pay their water charges along with their rent using the range of payment methods offered by the Council.

3.19 Water rates are based on the rateable value of the home and not on the amount of water used, so for many households are less expensive than water meters. As the amount charged is fixed for the year and is not linked to consumption, it can make budgeting easier for customers.

3.20 Customers can however apply to have a water meter. Water meters can be more economical for some households as the water charges are based on the rateable value of a dwelling. Consumer Advice Organisations say that the “Rule of Thumb is that if there are more bedrooms in the property than people, then it may be worthwhile to consider a water meter”

3.21 Permission to have a water meter installed is not automatically granted by the Council. Property type would be a key consideration when determining whether or not permission should be granted to have a water meter installed. A fully occupied family house, for example, would be unlikely to benefit from a water meter and would probably increase the household’s costs.

3.22 Not all properties are able to have a water meter. Some flats which have shared pipework may not be able to be fitted with a meter. The individual water company can legally refuse to fit a meter in such circumstances where they deem it to be “impractical”.

3.23 Customers who want to find out whether they are better off having a meter can obtain a general comparison from the Consumer Council for Water. For a more accurate and specific comparison, they can contact the water company directly.

3.24 The Council has agreed as part of its contractual agreement that no customer would have possession proceedings brought against them for water charges alone. Conversely if a customer was charged by the water company directly and accrued arrears, the water companies have powers to apply for warrants for seizure of goods through the County Courts.

3.25 Summary

3.26 The contract to provide the collection of water charges provides a substantial income to the Authority’s Housing Department.

- 3.27 Extra help is made available to some low income households who are struggling to make their water payments, at no extra cost to the Council.
- 3.28 The water rates system as opposed to metering is financially beneficial to the majority of Flintshire County Council tenants, as the majority of dwellings are not under-occupied.
- 3.29 Where households do not benefit from the traditional water rates system, they can apply for permission to have a water meter fitted.

4.00 RECOMMENDATIONS

- 4.01 That Members support the development of a Sustainability Strategy for Housing and note the success of energy efficiency schemes to date.
- 4.02 That Members note changes to energy efficiency funding, with the ending of the Community Energy Saving Programme (CESP) and the introduction of the Energy Company Obligation (ECO) and the Green Deal.
- 4.03 That Members support the collection of water charges based upon the rationale presented.

5.00 FINANCIAL IMPLICATIONS

- 5.01 The collection of water charges raised an income of £481,548. This level of income can be expected going forward should Members support the continuation of this service.

6.00 ANTI POVERTY IMPACT

- 6.01 The collection of water charges allows the housing service to identify tenants who may be struggling to pay their water bill and signpost them to appropriate support agencies, such as the Welsh Water Assist Scheme.

7.00 ENVIRONMENTAL IMPACT

- 7.01 A sustainability strategy will ensure that, subject to budget, Council and private sector homes are as energy efficient as possible. It will also ensure that Council's housing service operates its business in a sustainable and cost effective way.

8.00 EQUALITIES IMPACT

- 8.01 The Housing Services supports some of the most vulnerable groups in the County and is the subject of regular Equality Impact Assessments.

Any strategy developed would be the subject of an EIA to ensure that no protected groups are disadvantaged.

9.00 PERSONNEL IMPLICATIONS

9.01 None arising out of this report.

10.00 CONSULTATION REQUIRED

10.01 None required as a result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None required as a result of this report.

12.00 APPENDICES

12.01 Local Authorities and the Green Deal – Department of Energy and Climate Change

12.02 Welsh Water – Water Assist Scheme

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Contact Officer: Gavin Griffith/Helen Grant

Telephone: 01352 703428/ 01352 701141

**Email: Gavin_Griffith@flintshire.gov.uk
Helen_Grant@flintshire.gov.uk**