

# Social Justice and Regeneration Committee

**SJR (2)-14-06(p.5)**

**Date: 19<sup>th</sup> October 2006**

**Venue: National Assembly for Wales**

**Title: Home Energy Conservation Act Progress Report**

## **Purpose**

The paper is intended to seek the Committee's views on the report which the Welsh Assembly Government (WAG) is required to prepare under the Home Energy Conservation Act 1995 (HECA).

## **Summary**

Local authorities energy conservation reports required under the Act have identified the potential to achieve nearly a 30% improvement in domestic energy efficiency over 10 years from 1 April 1997.

This progress report, required to be published under the Act (as amended by Section 45 of the Government of Wales Act), covers HECA activity by local authorities in Wales during the period from 1 April 2004 to 31 March 2005 as included in the 7<sup>th</sup> Progress Report. It outlines:

an introduction to HECA;

the guidance and assistance afforded to local authorities;

annual and progress to date reported by local authorities;

current support and assistance issues for local authorities.

Evidence from local authorities' reports points to an improvement of 6.88% over the eight years to the end of March 2005. Progress at this rate is going to be insufficient to achieve the 30% potential improvement identified in the original HECA reports.

The lack of profile given to energy efficiency by local authorities has been cited as one of the reasons for this apparent lack of progress. Recognition of this problem in 2004 prompted the Assembly Government to include home energy efficiency as one of the eight prescribed measures within the Policy Agreements concluded between the Assembly Government and all local authorities.

In late 2003 all 22 local authorities in Wales were invited to conclude a formal policy agreement with the Assembly Government. Under such an agreement authorities commit to meeting specified targets

for service improvement, and receive a non-hypothecated performance incentive grant (which amounts to a formula share of £30 million per annum) in return. Within each policy agreement are a package of 16 measures, eight of which are prescribed (set by the Assembly Government for all authorities, although the targets are negotiated separately with each one) and eight of which are local (proposed by each authority). Policy agreements with all 22 local authorities have concluded.

Home energy measures are one of the prescribed measures, which form an overall Energy Policy Agreement. To raise the profile of HECA, within local authorities, HECA progress reporting was chosen as the method for setting one of the targets in the Energy Policy Agreement. In reflecting the current situation with HECA progress the Assembly negotiated, with all 22 local authorities, a target of 12% improvement in domestic energy efficiency from 1 April 1997 to 31 March 2007.

The Assembly Government has indicated its wish to pursue further opportunities against the background of the UK Government's Energy White Paper and the Assembly Government's own Energy Statement. Both identify a key role for energy efficiency in meeting medium and long term carbon reduction goals.

The Home Energy Conservation Act is an important piece of legislation, which has the potential to bring about progress in reducing the impact of climate change whilst reducing the financial burden and improving the living conditions for low income households. However, to achieve this progress the Act will need to be properly implemented in conjunction with other Assembly Government and UK sustainability, energy efficiency and fuel poverty policies. The investment flowing from energy efficiency programmes will have benefits for Wales in terms of employment and training in both the manufacturing and installation sectors. It is therefore critical that obstacles to progress are identified and where necessary corrective action taken.

## **Recommendation**

The Committee is recommended to:

- note the current progress and the Assembly Government's intention to pursue, in conjunction with the WLGA and other partner organisations, further opportunities to secure greater commitment to achieving the objectives of the Home Energy Conservation Act;
- note the intention to publish a further progress report in 2007, in order to further ascertain the impact of the Energy Policy Agreements upon HECA progress.

## **Timing**

This report describing progress over the first eight years of the Act's operation is presented as part of the Assembly Government's statutory obligation to periodically report on progress.

## **Background Introduction**

The Home Energy Conservation Act 1995 (referred to as the "the Act" or "HECA") originated as a

Private Members Bill, introduced by Diana Maddock, then Liberal Democrat MP for Christchurch, in the 1994/95 session of Parliament. It received Royal Assent on 28 June 1995, and came into force in England and Northern Ireland on 1 April 1996. The then Secretary of State decided to delay introduction in Wales so that the new Unitary Authorities had some time to establish themselves before tackling these new duties. The Act designated all UK local authorities with housing responsibilities as "energy conservation authorities" and established a number of requirements and duties.

The Home Energy Conservation Act 1995, and the Energy Conservation Act 1996, which amends it insofar as the definition of "residential accommodation" is concerned, came into force in Wales on 1 April 1997.

The Act focuses on the scope for increasing energy efficiency in the housing stock. It requires local authorities as energy conservation authorities to produce reports setting out measures, which would lead to significant improvements in the energy efficiency of residential accommodation in their areas. The first reports were submitted to the Secretary of State for Wales in November 1997. Local authorities were set a target of a 30% improvement in energy efficiency in residential accommodation by 2007 compared to the performance of the stock as at 1 April 1997. Local authorities are further required to publish annual progress reports and send them to the Assembly.

In addition to the environmental imperative energy efficiency in housing is vital to the social and economic wellbeing of people living in Wales. It tackles fuel poverty, creates jobs and has important health benefits for people living in cold and damp homes. It is capable of generating real, significant and lasting financial savings through lower fuel bills. The importance of this issue is further illustrated by the fact that at least 130,000 Welsh households (based on the 2004 Living in Wales Survey), were estimated to be experiencing fuel poverty (Fuel poverty is broadly defined as those households which need to spend more than 10% of their household income in order to achieve a satisfactory heating regime; for example, 21°C in the living room and 18°C in other occupied rooms).

Local authorities are seen as facilitators of change in order to encourage homeowners and landlords to adopt energy efficiency measures as a matter of course. Local authorities were identified as crucial to the success of the Act. The range of functions they perform enables them to respond directly to local views and wishes, placing a local emphasis to national policies, thus giving them practical effect in delivery. This is also consistent with the partnership approach embodied in the UK Climate Change Programme.

The Act does not require an energy conservation authority to implement all the measures, which it has identified. Some measures will be outside an authority's direct control, such as work to housing which is not in its ownership. A central role for authorities is to encourage and motivate homeowners and landlords to take up energy efficiency measures – providing incentives, advice and guidance to ensure that the measures are adopted, and that the resulting cost and energy savings are realised.

## **Guidance**

Comprehensive guidance for energy conservation authorities in Wales was issued by the then Welsh

Office in February 1997 as Welsh Office Circular 14/97. The Circular concentrated on the preparation of energy conservation reports and defined "significant improvement", for the purpose of the Act, as a 30% improvement over 10 years from a 1 April 1997 baseline.

In February 1997 a related spreadsheet package was provided by the then Welsh Office to every energy conservation authority. The spreadsheet was a basic tool to enable each authority to assess the baseline energy efficiency performance of residential accommodation in their area, and to identify measures which would be likely to bring about the significant improvement required by the Act.

Due to the variable content of the first progress reports submitted to the then Welsh Office in April 1999 the Assembly has issued further guidance on producing HECA progress reports. Titled "HECA Report – Checklist of information required" this additional guidance document was issued in May 2000.

To further assist energy conservation authorities in the preparation of their annual reports the Assembly engaged consultants to produce guidance and more importantly an associated methodology and software package incorporating, if possible, standard assumptions. The combined guidance and software will enable all energy conservation authorities to assess the effects of their energy efficiency measures in a more consistent and validated way. This will improve confidence in the annual reports both for the individual authorities and the Assembly. The use of the software will allow easier analysis and amalgamation of the information generated by the annual progress reports. The guidance and software was issued in August 2001 to all local authorities.

### **Other Assistance for Authorities**

The Energy Saving Trust (EST) has a UK remit to promote the reduction of greenhouse gases from the domestic and small business sector. The Assembly Government has worked in partnership with EST-Wales since November 1999. The EST in partnership with the Assembly Government and the Welsh Local Government Association (WLGA) has established a post with the WLGA that will help integrate energy efficiency into the policy making structure of local government in Wales. As a consequence of establishing this post a guidance document on developing "An Energy Policy for Local Government in Wales" was issued in April 2004.

The EST's network of four Energy Efficiency Advice Centres in Wales provides free impartial advice to customers in the domestic sector, as well as support for officers and members of local authorities with respect to their HECA obligations. The "Keep Well This Winter" campaign is a concerted effort by the EST and a number of partners to co-ordinate new and existing initiatives, including energy efficiency measures, aimed at people aged 65 years and over. The EST also supports and facilitates the UK Energy Efficiency Partnership for Homes, which brings together those concerned with different aspects of domestic energy efficiency.

The National Energy Action (NEA) is the national charity that develops policies and practical programmes to remedy poor standards of heating and insulation that are the primary cause of fuel poverty. In 2000 with support from the Assembly Government NEA established NEA Wales in recognition of devolution and the need to reflect Welsh problems and priorities. In Wales current

activities include the development of Affordable Warmth strategies together with training/education to complement the Assembly Government's Warm Homes Act strategy. The Assembly Government approved funding for NEA Wales from 2005/06 to 2007/08 will be £288,171.

The Home Energy Efficiency Scheme for Wales (HEES) is the Assembly Government's main programme for insulating the homes of the neediest householders. For both 2006/07 and 2007/08 the annual budget for HEES will be £19.6 million.

HEES has assisted 64,000 households to date. However given the specific focus of the scheme it should not be considered by local authorities as a practical way of delivering all energy efficiency improvements expected from HECA strategies.

The Energy Efficiency Commitment (EEC) (formerly Energy Efficiency Standards of Performance) is a UK Government programme which places an obligation on licensed energy suppliers to fund domestic energy efficiency measures which are intended to focus help on pensioners and low-income consumers. The suppliers are required to deliver at least 50% of their obligation to customers receiving benefits or tax credit. Energy suppliers currently have an energy savings target of 130 TWh to be met between 2005 and 2008.

The current EEC phase is around twice the level of the previous EEC programme. In complementing the Assembly's Government's own Home Energy Efficiency Scheme it is estimated that energy suppliers might invest around £10 million per year under Phase 2 of the Commitment in Wales. DEFRA is currently undertaking an initial public consultation on its plans for the scheme for the period 2008/11.

## **Energy Conservation Reports**

The initial energy conservation reports prepared by local authorities – effectively their strategies – were required to be submitted to the then Secretary of State for Wales by 30 November 1997. The vast majority of local authorities identified a wide range of energy conservation measures, and confirmed that the potential existed to achieve the indicative figure of 30% improvement within 10 years from 1 April 1997 baseline.

## **Progress Reports (First to Seventh)**

Key figures of the First to Seventh Progress Reports are provided in Table 1 as an appendix to this report.

## **Seventh Progress Report (1 April 2004 to 31 March 2005)**

Currently the Assembly has received 19 progress reports, which were due for delivery by 31 October 2005. The improvement in Wales for housing energy efficiency during 2004/05 was 1.23%. The range of improvements reported by local authorities is contained in the following table:

<b>% Improvement - Range</b>	<b>Number of Authorities in the Range</b>
0.01 – 0.99	2
1.00 – 1.99	15
2.00 – 2.99	2
No Report	3

The current rate of annual improvement is encouraging. However, the overall improvement of 6.88% for the first eight years of the Act would indicate that the 30% target within 10 years is not going to be achieved at the current rate. To make a meaningful impact on the 30% target energy efficiency activity across all housing sectors will have to be increased significantly during the last two years of the Act.

Since the introduction of the Assembly Government's Energy Policy Agreements there has been a significant increase in the annual rate of improvement from 1.00% to 1.23%. However, at the current rate of improvement the Energy Policy Agreement's target of 12% by 31 March 2007 for the whole of Wales may well not be achieved. Nevertheless, at least half of the local authorities are likely achieve the 12% target on the basis of their current progress.

### **Current Support and Assistance**

The Warm Homes and Energy Conservation Act 2000 commenced in Wales on 1 April 2002. The Act required the Assembly Government to publish and implement a strategy for reducing fuel poverty. In March 2003 the Assembly Government published its strategy "A Fuel Poverty Commitment for Wales". This strategy will seek to eradicate fuel poverty in vulnerable households by 2010, and as far as reasonably practical no household in Wales should live in fuel poverty beyond 2018. Through HEES the Assembly Government has set a target of assisting 95,000 households by March 2007. (The target of assisting 38,000 vulnerable households through HEES by March 2004 was achieved).

The Welsh Housing Quality Standard, introduced by the Assembly Government in April 2002, set a target date of 2012 for the improvement of all existing social housing. This Standard provides for homes to be adequately heated, fuel efficient, and well insulated. It also requires the annual energy consumption for space and water heating to be estimated using the SAP (Standard Assessment Procedure) method and specifies the minimum ratings to be achieved.

The 2004 Living in Wales Survey estimated that 110,000 households were in fuel poverty, many of which can benefit from HEES heating and insulation measures. Of these a significant number do not currently have access to the gas network (data will be available following further analysis of the 2004 Living in Wales Survey later this year, estimated at 47,000 in 1998). Additionally, many properties have solid walls and consequently are not suitable for cavity wall insulation. HEES currently has limited assistance for these "hard to heat" properties. However, the Assembly Government has

recently decided that oil should be introduced to the scheme and will be piloting alternative measures including renewable technologies with a view to expanding the range of assistance offered.

There are 396 settlements of 150 dwellings or more in Wales not connected to the gas supply network. However, a number of ground breaking gas network extension projects in Llay and the Mount Estate, Milford Haven have already been completed. Under HEES the Assembly Government is able to fund some of the costs of connecting an eligible household to gas. This power was used to connect eligible households to the new network in Llay and Milford Haven. A further project is now taking place to extend the gas network to over a 100 homes in Bodelwyddan in Denbighshire.

## Financial Implications

All expenditure will be accommodated within existing budgets approved by the Assembly Government.

## Action for Subject Committee

The Committee is asked to note the contents of the report and the recommendations.

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## Appendix: Table 1 – Details Of The First To Seventh HECA Progress Reports

Progress Report	Year(s) Covered	Reports Received	No Reports ReceivedD	Overall Annual % Improvement	Cumulative% Improvement
First	1/4/97 – 30/11/98	See Note 1	See Note 1	See Note 1	See Note 1
Second	1/4/97 – 31/3/00	16	6	2.25*	2.25
Third	1/4/00 – 31/3/01	18	4	0.74	2.99
Fourth	1/4/01 – 31/3/02	20	2	0.90	3.89
Fifth	1/4/02 – 31/4/03	20	2	0.76	4.65

Sixth	1/4/03 – 31/4/04	15	7	1.00	5.65
Seventh	1/4/04 – 31/4/05	19	3	1.23	6.88

## Notes

Generally the quality of the majority of the First Progress Reports was disappointing. The paucity of information within the First Progress Reports made it impossible to present a consolidated report to the Assembly Government.

\* The figure of 2.25% is the total for the first three years of the HECA reporting cycle. A crude annual percentage for those first three years would be 0.75%.