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**Report to:** Overview and Scrutiny Committee (Regeneration and Environmental Services) Cabinet  
**Date of Meeting:** 22 January 2013  
31 January 2013

**Subject:** Sefton Home Energy Conservation Act (HECA) Plan 2013-27

**Report of:** Director of Built Environment  
**Wards Affected:** All

Is this a Key Decision? Yes

Is it included in the Forward Plan? Yes

**Exempt/Confidential** No

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### **Purpose**

Using powers under the Home Energy Conservation Act 1995 (HECA), the Secretary of State for Energy and Climate Change requires all English ECA's (Energy Conservation Authorities), otherwise known as local authorities with a housing obligation, to prepare a new baseline HECA plan by 31 March 2013.

The HECA plan must set out the energy conservation measures and ambitious priorities that the ECA considers practicable, cost-effective and likely to result in significant reduction in the energy consumption of all tenures of residential accommodation in our communities.

Due to the significant potential to attract external investment through Green Deal and the Energy Company Obligation (ECO) the HECA Plan represents a public declaration of intent in this respect and therefore, by acting now Sefton Council will be one of the earliest UK Local Authorities (LA) to publish its plan and thereby gain first mover early advantage in attracting external investment into Sefton.

### **Recommendation(s)**

That the Cabinet give approval for the Sefton HECA Plan to be submitted to the Secretary of State for Energy and Climate Change

### **How does the decision contribute to the Council's Corporate Objectives?**

	<b><u>Corporate Objective</u></b>	<b><u>Positive Impact</u></b>	<b><u>Neutral Impact</u></b>	<b><u>Negative Impact</u></b>
1	Creating a Learning Community		✓	
2	Jobs and Prosperity	✓		
3	Environmental Sustainability	✓		
4	Health and Well-Being	✓		
5	Children and Young People	✓		
6	Creating Safe Communities		✓	
7	Creating Inclusive Communities	✓		

8	Improving the Quality of Council Services and Strengthening Local Democracy	✓		
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**Reasons for the Recommendation:**

The Home Energy Conservation Act 1995 (HECA) represents a Statutory duty upon the Council to reduce energy consumptions, carbon emissions and reduce fuel poverty. The first period of HECA reporting ended in 2010. The Secretary of State issued revised guidance to ECA's in July 2012 using powers under section 5(1)(b) of the act, requiring further plans to be drawn up by March 2013. The further Sefton HECA Plan (2010-2027) meets the requisite policy framework response by setting out long term priorities for Sefton and requires Member Approval.

**What will it cost and how will it be financed?**

**(A) Revenue Costs** No additional costs for the Council arising from this report. Any staff resource implications to enable the delivery of investment programmes would be met from within external funding sources and would allow for use of existing Council staffing to achieve savings elsewhere.

**(B) Capital Costs:** No additional costs for the Council arising from this report. Delivery of HECA plan will in fact bring significant amounts of external capital investment funding into Sefton area as well as reduce fuel poverty, carbon emissions and offer wider economic benefits.

**Implications:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

<b>Legal:</b> Production of a baseline HECA Report by 31 March 2013 is a statutory requirement under the Home Energy Conservation Act (HECA)		
<b>Human Resources</b>	None	
<b>Equality</b>		
1.	No Equality Implication	<input checked="" type="checkbox"/>
2.	Equality Implications identified and mitigated	<input type="checkbox"/>
3.	Equality Implication identified and risk remains	<input type="checkbox"/>

**Impact on Service Delivery:**

This extended statutory obligation will put pressure on the existing staff resource which was reduced previously under 2010/11 round of Council budget savings by removal of vacant post. However, within the proposals and current externally funded programmes, the opportunity exists to upscale staffing resource to deliver on demanding targets and continue to lever external funding.

**What consultations have taken place on the proposals and when?**

The Head of Corporate Finance & ICT (FD 2060) has been consulted and notes there are no direct financial consequences for the Council. The attraction of significant potential external funding to improve energy efficiency of housing in Sefton and positive economic effects is to be welcomed.

The Head of Corporate Legal Services (LD 1376) has been consulted and any comments have been incorporated into the report.

**Are there any other options available for consideration?**

Not to produce a HECA Plan for Sefton would put the Council in breach of its Statutory obligations and impede external investment opportunities e.g. under Green Deal and ECO for which the plan is a pre-requisite.

**Implementation Date for the Decision:** immediately after call-in in period.

**Contact Officer:** Mr Ian Weller  
Section Manager – Energy and Environmental Management  
**Tel:** 0151 934 4221  
**Email:** [ian.weller@sefton.gov.uk](mailto:ian.weller@sefton.gov.uk)

**Background Papers:**

None

## **1.0 BACKGROUND**

- 1.1 Since 1996 Local Authorities have held the statutory responsibility to set out plans and report on their approaches to reduce home energy consumption in their local authority area. Initially each authority was obliged to work towards a 30% improvement target in energy consumption target by 2010.
- 1.2 Through a combination of intelligent commissioning, external funding, private sector leverage, partnerships and running investment programmes by 2010 Sefton had achieved a 30.07% savings in energy need in all tenure housing, equivalent to £330million investment and saving 700,120 tonnes of CO<sub>2</sub> per annum.
- 1.3 With powers in the Home Energy Conservation Act 1995 (HECA), the Secretary of State for Energy and Climate Change now requires all English ECA's (Energy Conservation Authorities), otherwise known as local authorities with a housing obligation, to publish further plans by 31 March 2013.
- 1.4 Department of Energy and Climate Change (DECC) guidance requires that our HECA plan should set out the energy conservation measures and ambitious priorities that the ECA considers practicable, cost-effective and likely to result in significant reduction in the energy consumption of all tenures of residential accommodation in our communities. These are summarised in Section 2.0 of this report.
- 1.5 Progress against the Council's published HECA Plan will be reported to the Secretary of State for Energy and Climate Change bi-annually. The HECA plan will now cover the period 2013 to 2027.
- 1.6 In preparing Sefton's HECA Plan, pursuant to Section 4 of HECA, the Secretary of State considers that the Council should have explicit regard to the following:
  - i. The energy savings measures that take advantage of financial assistance and other benefits offered from central Government initiatives such as the new Green Deal, Energy Company Obligation (ECO) and Renewable Heat Incentive (RHI), or other initiatives to help result in significant energy efficiency improvements of residential accommodation.
  - ii. The energy savings measures which an ECA has developed to implement energy efficiency improvements cost-effectively in residential accommodation by using street by street roll out.
- 1.7 Due to the significant potential to attract external investment through Green Deal and ECO, the new Sefton HECA Plan represents a firm declaration of intent in this respect and therefore in February 2013, Sefton Council will be one of the earliest UK LA's to publish its plan. This gives Sefton significant first mover advantage as Green Deal Provider and ECO obligated parties will

be seeking proactive partners as early as possible to focus their actions and investment.

## **2.0 NEW HECA PLAN FOR SEFTON (2010 – 2027) SUMMARY OF ACTIONS**

2.1 The previous HECA plan (1996 - 2010) required the ECA to adopt energy efficiency plans based on Gigajoules consumed by the housing stock, regardless of tenure or income. However, the revised HECA guidance now gives the ECA the freedom to choose its own priority and at the same time set ambitious programmes.

2.2 The ECA also has the flexibility to plan suitable timings for such priorities. Given that the previous HECA plan finished in 2010/11 we have used 2010 as our revised baseline year due to availability of sufficient and detailed data, which can sometimes be delayed by up to 2 heating seasons to be provided. It also brings continuation from the last plan.

2.3 The HECA Plan covers the following principle areas defined via DECC guidance:

- Sefton Council Housing Stock Profile
- Background to HECA Delivery
- Baseline Year
- Fuel Poverty in Sefton
- Headline Priorities and Targets
- Key Investment Opportunities in Sefton
  - Green Deal
  - Fuel Poverty Programme
  - ECO Programme
- Area Based Delivery
- Local initiatives
  - Local Advice
  - Collective Switching
- Links to Local and National Strategies
- Existing Partnerships

2.4 The Energy and Environment Section have considered a variety of potential HECA priorities (targets), including:

- CO<sub>2</sub> savings
- Energy efficiency improvements
- Energy Performance Certificate ratings
- Zero Carbon Homes (new build)
- Investment in low carbon goods and services
- Installed renewable energy capacity
- Fuel poverty.

2.5 In discussions with key local stakeholders preference was given to addressing fuel poverty as our key priority (Para 2.13). However, it is implicit the others will still be addressed as part of overall plan.

### Delivery of HECA

- 2.6 Whilst achievement of the published priorities is not required by the guidance, Sefton is expected to report publically on progress every 2 years. The plan can be reviewed and revised in line with ongoing developments and achievements. The HECA Plan (Annex 1) sets out how this could be achieved by the physical improvements available and policy levers currently available.

Using measures that take advantage of schemes offered from central Government initiatives

- 2.7 The HECA plan applies the Green Deal methodology to identify opportunities for the whole stock and our fuel poverty programmes and ECO schemes in the HECA plan.
- 2.8 The Green Deal (GD) is an innovative financing mechanism that lets people pay for energy-efficiency improvements through savings on their energy bills. Repayments will be no more than what a typical household should save in energy costs. Suppliers of GD works are able to recoup their investment through additional charges on energy bills. This removes any upfront costs for investment but still allows the resident to attain energy savings.
- 2.9 Applying the principles and methods of GD to our Sefton stock energy database has allowed us to identify a GD potential for the whole borough. This programme suggests that there are;
- 542,870 potential energy improvements available (an average over 5 improvements per home)
  - This equates to £1.56 billion in investment terms
  - This would equate to a 35% reduction in CO<sub>2</sub> arising from household energy use
- 2.10 The HECA plan recognises it is unrealistic to expect the full GD potential to be achieved, of even this cautious assessment. The HECA plan therefore, suggests that if 2% of that potential activity was captured per annum to 2027 this would more reflective of the commercial potential. This therefore gives us a more realistic, yet still ambitious outlook.
- 152,004 energy improvements
  - An estimated investment of £435 million
  - A 9.6% reduction in CO<sub>2</sub> emissions (this is an additional 81,448 tonnes to the 700,120 tonnes already achieved under the original HECA plan)
  - A 12.49% increase in average SAP levels across the borough
- 2.11 Even though the HECA plan is set from 2010 to 2027, Green Deal is only being fully implemented in 2013 and therefore only allows for a 14 year model. The HECA plan provides a detailed illustrative mix of actions, however it is not intended to restrict actions to a specific set of improvements and instead allow policy and funding opportunities to allow the Council to facilitate whichever systems are most favourable at the time.
- 2.12 Within the HECA plan how this 2% potential is achieved is explored within the key the priority of Fuel Poverty and funding opportunities principally via ECO.

The following sections show how Sefton can act and aim to attract the necessary investment to realise this potential activity.

### Fuel Poverty as Sefton HECA Plan Priority

- 2.13 The HECA plan identifies the depth of issues around fuel poverty and existing actions which the Council and its partners have participated in. Due to a number of policy factors the optimum metric for measuring fuel poverty is the number of properties with a Standard Assessment Procedure (SAP) score of 35 and below (SAP is a measure of the energy efficiency of a property on a scale from 1-100 and anything below 35 is considered to be almost certainly tied to fuel poverty).
- 2.14 From the 2010 baseline we calculate there to be 6,315 properties with SAP of 35 or less. Under a previous programme (Local Area Agreements Stretch Target) Sefton successfully used a targeted approach to reduce the number of properties in this category by 3% per annum from 2006/07 - 2009/10. This target was over-achieved.
- 2.15 Therefore, it is now proposed that a more ambitious plan is enacted within HECA to reduce the number of properties with a SAP of 35 or less, by removing 5% of properties from this category per annum. The table below shows the anticipated programme timescales (as per required HECA reporting dates) and progress indicators of how this should be achieved.

<b>Year</b>	<b>Number of under SAP 35 properties</b>
2010	6,315
2013	5,414
2015	4,886
2017	4,410
2019	3,980
2021	3,592
2023	3,242
2025	2,926
2027	2,640

- 2.16 The estimated investment costs for achieving all viable improvements, based on Green Deal criteria, would be £41.6 million (see table below). This would still leave 953 properties below SAP 35. As the anticipated target is to remove 3,675 properties there is significant scope to achieve the desired objectives. There is flexibility not to oblige the use some of the more expensive options, such as solar water heating and solar photovoltaic. This could mitigate the investment needed to £20.2 million for improvements and still comfortably achieve the target.

Measure	Total Number	Total Installation Cost	Mean Cost per SAP point per install	Total CO2 Reduction	Total Savings
Hot Water Cylinder Insulation	1,831	£131,102	£22.61	780	£263,136
Low Energy Lights	3,180	£74,234	£38.03	210	£93,105
Cavity Wall Insulation	1,595	£674,442	£39.06	2,008	£415,320
New Or Replacement Storage Heaters	1,523	£2,093,632	£48.20	259	£1,779,573
Loft Insulation	2,277	£763,333	£54.37	1,804	£332,260
Cylinder Thermostat	1,545	£386,161	£62.04	1,017	£179,542
Upgrade Heating Controls (For Radiator System)	838	£333,992	£72.59	533	£94,089
Change Heating To Condensing Gas Boiler (Fuel Switch)	962	£3,040,830	£78.93	3,369	£1,124,404
Change Heating To Condensing Gas Boiler (No Fuel Switch)	819	£2,395,645	£105.95	2,630	£522,198
Draughtproofing	51	£5,111	£157.60	8	£1,854
Upgrade Boiler, Same Fuel	1,822	£4,247,930	£169.52	3,172	£559,058
Biomass Room Heater With Boiler	44	£198,031	£388.74	664	£31,205
Double Glazing	819	£1,971,546	£447.14	749	£111,144
Solid Wall Insulation	451	£3,591,447	£564.29	984	£127,898
Floor Insulation	145	£341,536	£755.68	63	£9,254
Photovoltaics	2,559	£18,830,604	£847.94	2,197	£1,439,197
Solar Water Heating	1,014	£2,521,195	£1,305.48	340	£49,747
<b>TOTALS</b>	<b>21,473</b>	<b>£41,600,771</b>	<b>Average £193.11</b>	<b>20,786</b>	<b>£7,132,981</b>

2.17 The strategy for delivering the HECA priority will augment the existing affordable warmth strategy, which involves identifying those properties that are eligible for ECO and other externally funded schemes and then promoting the opportunities, enforcing housing standards in rented accommodation and seeking external funding sources to assist the vulnerable. It can be seen that achieving this alone will contribute nearly a quarter of the CO<sub>2</sub> target for the HECA plan not to mention delivering £6 million of energy savings to over 3,000 households.

ECO (Energy Company Obligation)



- 2.18 The Green Deal scheme has been developed alongside the revamping of the Energy Suppliers' license obligations to reduce CO<sub>2</sub> emissions. The latest requirement is known as the Energy Company Obligation (ECO). This means that in many cases where ECO funding is available it will dovetail with Green Deal arrangements. The ECO is designed to reduce Britain's energy consumption by funding home improvements worth around £1.3 billion every year. The funding comes from the big six energy suppliers.
- 2.19 There are 4 types of funds. The two that offer most potential are Carbon Saving element which is there to augment GD plans for Solid Wall insulation to make them cost effective. This pool of funding nationally is estimated at £760 million and will go a long way to subsidising most GD where solid wall insulation is concerned. This is estimated at over 500 homes per year for Sefton.
- 2.20 The second more locally relevant funding element of ECO is the Carbon Saving Community Obligation (CSCO). This funding is restricted to the 15% most deprived Lower Super Output Areas (LSOA) in the borough. Of the 190 LSOA in Sefton, 41 of them qualify for the CSCO scheme. Whilst the national funding allocation is more modest at £190 million it targeted nature means it is easier to access. Sefton has a good track record through past schemes that have operated in a similar manner (e.g. over 800 homes in the Knowsley /Peel Road area have had external wall insulation under Community Energy Saving Programme funding).
- 2.21 The Council would ideally seek a Green Deal and ECO partner as a single entity but due to the market situation it may be more beneficial to appoint two separate partners (one GD provider and ECO funder). The Council will test the market for both scenarios in the first half of 2013. Due to Sefton's housing stock, combined with its socio-demographic attributes, it will mean that ECO will act as the central tool to this further HECA Plan.

#### None physical measures that form part of the plan

- 2.22 The original HECA plan relied on a variety of methods and many where not actual improvements to housing but advice, information, training, attendance at events, web activity and tailored reports. The new plan will seek to maintain elements to give the support that residents' need.
- 2.23 A recent opportunity that is being revived and updated is Collective Energy switching. This involves joining interest parties together to bargain for a better energy offer from energy providers. This works best when at least 10,000 join a scheme. Sefton has already entered into dialogue with other Liverpool City Region authorities to seek a scheme that would benefit Sefton residents.

### **3.0 Final Version of HECA Plan**

The proposed HECA plan can be accessed via this link to the Council's website:

<http://sb1msmgov1:9070/ecSDDisplay.aspx?NAME=SD1364&ID=1364&RPID=6861329&sch=doc&cat=13197&path=13158%2c13197>

