

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

17 NOVEMBER 2020

REPORT OF THE CHIEF EXECUTIVE

ARBED PROGRAMME IN CAERAU

1. Purpose of report

- 1.1 The purpose of this report is to update Cabinet on an independent survey, commissioned by the Council and undertaken by NuVision Energy (Wales) Ltd (NuVision), on Arbed 1 funded properties in Caerau, and for Cabinet to further consider the findings.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective/objectives under the **Well-being of Future Generations (Wales) Act 2015:-**

1. **Supporting a successful sustainable economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focussed on raising the skills, qualifications and ambitions for all people in the county borough.
2. **Helping people and communities to be more healthy and resilient** - taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
3. **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

3. Background

- 3.1 In 2011 the Welsh Government (WG) introduced a domestic energy efficiency programme which ran until 2013. This was known as the Arbed 1 Programme and had two primary objectives: to reduce carbon emissions and lower fuel bills within properties to alleviate the effects of fuel poverty. More than 6,000 homes across Wales were included in the Arbed 1 Scheme.
- 3.2 The initial programme involved a £30m investment from WG which enabled a further £30m to be leveraged from Registered Social Landlords (RSLs) and energy supply companies. The funding can be broken down to the following sources:

- £30 million from the Strategic Capital Investment Fund (SCIF) from the Welsh Government (WG) and the UK Department of Energy and Climate Change (DECC) under the Strategic Energy Performance Investment Programme;
- £10 million from energy suppliers through carbon saving obligations (Carbon Emission Reduction Target (CERT) and Community Energy Saving Programme (CESP));
- £20 million from RSLs and local authorities' brought forward budgets for maintenance, housing renewal and neighbourhood support to take advantage of the cost savings and economies of scale.

- 3.3 In the early part of the scheme work was being undertaken in Caerau which was neither funded by, administered, or involved the Council. At this time RSL's sought funding from energy companies to undertake CESP work in social housing in Caerau. In addition Wales Co, a Community Interest Company, were working with private sector home owners to gauge interest in accessing energy efficiency schemes.
- 3.4 In August 2012 Welsh Government provided the Council with an opportunity to bid for additional funding to complement existing Community Energy Saving Programme (CESP) projects. Funding of £56,050 was approved for the installation of boilers and insulation of lofts. In January 2013, additional funds were made available by Welsh Government to progress CESP schemes. The Council made a joint bid with Green Renewable Wales (GRW) Ltd for external wall insulation at 25 owner occupied properties in Caerau. The Council were advised that the bid for £259,825 was successful in early February 2013 and completion had to be by 31st March 2013. Therefore, total funding of £315,875 was received by Bridgend Council from Welsh Government. The funding for both projects was paid to Green Renewable Wales Ltd by Bridgend Council.
- 3.5 GRW Ltd project managed both schemes and appointed sub contractors to carry out the work, including WalesCo. The same contractors and sub contractors were also appointed by GRW Ltd and WalesCo to utilise funding (CESP) they gained via energy companies to work on additional properties in Caerau. This resulted in properties having similar work being undertaken by the same contractors regardless of the funding stream. It is evident that the property owners were unaware which funding stream was used on their property.
- 3.6 It is estimated that 150 properties in the Caerau ward had boiler replacement, loft insulation, external wall insulation (EWI) and internal wall insulation (IWI) works undertaken during 2012 to 2013, utilising money from different funding streams. 70 of these properties had work undertaken via the funding administered by the Council, of which 25 properties had EWI and IWI work. Based on information gathered, a total of 104 of the 150 properties had EWI and IWI work undertaken in Caerau at this time, so 79 of these were not funded or administered by the Council.
- 3.7 The work was completed in 2013. Subsequently there have been numerous complaints over the standard of work carried out by the contractors. Trading Standards were involved in 2014 and some issues were satisfactorily resolved by the contractors. The majority of the complaints related to the external and internal wall insulation undertaken via all funding streams.

3.8 In view of ongoing concerns brought to the attention of the Council, in 2018, Bridgend's Internal Audit Service were requested to carry out a review by the then Chief Executive to ascertain the extent to which the Council's policies and procedures had or had not been applied in respect of the Arbed funding scheme for the period September 2012 to April 2013 in Caerau. Particular concerns were raised by the then Chief Executive relating to an apparent absence of an audit trail. The findings of Internal Audit highlighted a number of internal procedural issues relating to the governance, decision making, procurement, monitoring and control aspects of the funding that the Council administered for this scheme at this time. There is no evidence that these issues were widespread in the Council and to provide assurance Internal Audit have recently undertaken a review of the procurement and governance aspects of 10 externally funded schemes from 2018 onwards. No issues were identified. Audit Wales have been appraised of the findings throughout this work.

4. Current situation/proposal

4.1 The Council and WG agreed to evaluate the work undertaken in Arbed 1 in the Caerau ward. It was anticipated that a jointly commissioned survey would be undertaken, The joint commission did not materialise and so the Council subsequently commissioned NuVision Energy (Wales) Ltd (NuVision) to undertake a study on a sample of homes within the whole programme in Caerau.

4.2 A non-invasive investigation and evaluation was carried out by NuVision with the objectives of ascertaining:

- Have the measures lowered energy bills for residents?
- Have the measures achieved carbon savings?
- Could the properties currently transition away from a gas boiler to a heat pump?
- What is the current condition of the measures installed?

4.3 For the UK to meet its ambitious decarbonisation targets domestic properties will need to transition away from gas boilers, with the likely transition technology being heat pumps. For the heat pumps to deliver effective levels of warmth it is generally considered necessary for the property to have thermal insulation applied to its fabric. For this reason the focus of the study was centred on the wall insulation measures to gather evidence around their effectiveness in saving carbon, reducing energy bills and current condition to understand the longevity of the insulation product. Excluded from the study were issues relating to the installation of other measures such as gas boilers.

4.4 The NuVision report (a copy of the report is attached at Appendix 1) surveyed a total of 32 properties (as a sample) but due to a lack of baseline information it was not ultimately possible to accurately quantify either the carbon or cost savings generated by the measures. However, when assessing the current condition of the measures that were installed, defects were identified in each. Seven of these properties surveyed by NuVision had work carried out through the funding stream administered by the Council. The remaining properties had worked carried out utilising funding from other non Council administered funding streams.

4.5 The NuVision report concludes that some of the work is defective, some of it significantly so. It further states that whilst there is a case for remedial action to be undertaken to every property surveyed, it is possible that not all homeowners will

want further work to be undertaken in view of the inevitable disruption. The NuVision report has provided an estimated cost per property of £16,000 which will involve removing the wall insulation, making good and redecorating where necessary. However, these costs are indicative only and will vary between properties. Whilst only a sample of homes were surveyed it is considered a reasonable sized sample and there is a degree of uniformity in the defects identified. It is therefore reasonable to assume that defects would be identified in most or all of the 25 properties where funding was administered via the Council where internal and external wall insulation was installed. It is however evident from the NuVision report that the same defects were present regardless of how the work was funded.

- 4.6 In summary, the funding mechanisms and implementation of the whole Arbed 1 programme in Caerau during 2012 and 2013 are reasonably complex. The passage of time with regard to this historical matter, and the fact that the Council officers involved in the delivery of the scheme no longer work for the Council, has made the investigation and compilation of this report more difficult. However, it is clear from the work undertaken and the independent survey carried out, that the Council was involved in administering funding for 70 properties in the Caerau ward. Of these 25 mainly focused on external wall and internal wall insulation. It is apparent from the non invasive survey of building condition that much of the wall insulation work, whether it was on properties where the Council administered the funding or when other parties were responsible, is not of a standard that homeowners would expect. It is important therefore that the Council now seeks to liaise as quickly as possible with other relevant stakeholders involved in the wider EWI / IWI programme in Caerau to explore available options and determine if a collective and consistent approach can be agreed to address the matters raised in this report.

5. Effect upon policy framework and procedure rules

- 5.1 There is no direct impact on the policy framework and procedure rules. The current Council's Contract Procurement Rules and procurement processes have been considered by Internal Audit and their findings will be reported to the Governance and Audit Committee.

6. Equality Impact Assessment

- 6.1 An initial Equality Impact Assessment has been carried out. The purpose of the Equality Impact Assessment is to ensure that the Council has understood the potential impacts of the proposal in terms of equality so that it can ensure that it is making proportionate and rational decisions having due regard to its public sector equality duty.

7. Well-being of Future Generations (Wales) Act 2015 implications

- 7.1 The Well-being of Future Generations (Wales) Act 2015 provides the basis for driving a different kind of public service in Wales, with five ways of working to guide how the Council should work to deliver wellbeing outcomes for people. The Council "must act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs". Accordingly, before making any decision, Cabinet must take account of the following five ways of working:

- Involvement
- Long Term
- Prevention
- Integration
- Collaboration

Should Cabinet approve the recommendations in this report the five ways of working will continue to be taken into consideration when the Chief Executive engages with relevant stakeholders and further explores available options. Cabinet will have further opportunity to consider their duties under the Act when they receive further reports.

8. Financial implications

8.1 Following engagement with relevant stakeholders involved in the wider EWI /IWI scheme, and exploration of available options, the financial implications for each will be considered further.

9. Recommendations

9.1 Cabinet is recommended:

- to note the content of the NuVision report and that the Council was responsible for administering the funding for 70 properties, of which 25 properties had external wall insulation/ internal wall insulation work.
- to delegate authority to the Chief Executive to engage with relevant stakeholders involved in the wider external wall insulation / internal wall insulation programme in Caerau, and to further explore available options with a view to bringing a further report to Cabinet for consideration.
- to note that the recently completed Internal audit report on the current Council Contract Procedure Rules and procurement processes for externally funded schemes will be presented to the Governance and Audit Committee.

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Background documents: None