

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

9 MARCH 2021

REPORT OF THE CHIEF EXECUTIVE

DOMESTIC ENERGY EFFICIENCY PROGRAMME, CAERAU WARD 2012 AND 2013

1. Purpose of report

- 1.1 The purpose of this report is to update Cabinet on the engagement that has taken place with relevant stakeholders involved in external wall insulation / internal wall insulation work, as part of domestic energy efficiency programmes in Caerau in 2012 and 2013.

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 A report to Cabinet in November 2020 set out the detail of historical domestic energy efficiency programmes that were promoted in the Caerau ward of the county borough in 2012 and 2013. Specifically, Cabinet were advised that following an independent survey commissioned by the Council, and carried out by NuVision Energy (Wales) Ltd, that all of the 32 properties in Caerau ward that were surveyed by NuVision, had some evidence of defective work, some of it significant. In the main this related to homes that had external (EWI) or internal (IWI) insulation work carried out. In view of that, the report concluded that it was fair to assume that poor workmanship and

damage would also be found in those properties where similar work had been carried out but had not been part of the survey.

- 3.2 However, the Cabinet report also made clear that the funding mechanisms and implementation of domestic energy efficiency programmes in Caerau in 2012 and 2013 were complex and that the Council only had involvement in administering the funding for a relatively small percentage of the total number of homes where work was implemented. There was evidence of 104 properties having external or internal wall insulation in Caerau during that period. Only 25 of those properties had the work paid for by funding through the Arbed scheme administered by the Council. For the avoidance of doubt, the Council had no involvement at all in the work on the other 79 properties where EWI and/or IWI was carried out.
- 3.3 In view of this, Cabinet approved a recommendation to delegate authority to the Chief Executive to engage with other relevant stakeholders involved in the wider programme in Caerau and to explore options, with a view to bringing a further report to Cabinet for consideration.
- 3.4 In particular, Cabinet were keen that ideally an holistic solution would be developed for all properties where poor work had been carried out. This was deemed important, as the same contractor and sub contractors carried out the work regardless of where the funding for the work was administered from. Some funds were administered through the Council as part of the Welsh Government funded Arbed scheme; other work was promoted and carried out independently by the contractor, Green Renewable Wales Ltd and sub contractors, and paid for by the energy companies as part of the Community Energy Saving Programme (CESP) and Carbon Emission Reduction Target (CERT) national schemes. These schemes were established by the UK Government, which required the main energy companies to pay for 'carbon savings' in areas of the country identified as the most at risk of fuel poverty.
- 3.5 Cabinet were informed that, based on the evidence of the NuVision survey, often the householders were unaware of how and by which scheme their work had been funded. This is further evidenced by the fact that since the report to Cabinet in November 2020 the vast majority of correspondence to the Council with regard to this matter has come from householders where the work on their homes was not carried out using funding administered by the Council. In addition, Cabinet were also informed in the November Cabinet report that all of the contractors and sub contractors that had carried out the work had now gone out of business and that seemingly there was no valid warranty or insurance in place for any of the work. Therefore, whereas ordinarily the householders would have been able to approach the contractor to repair and put right any poor workmanship, that was not an option now open to them. This matter is however being explored further as while there does not seem to be any evidence of any insurance on the Arbed funded schemes administered by the Council, more recently some evidence has emerged of certificates issued to homes where the work was funded through the CERT and CESP schemes. It is not clear however whether they are still valid and would offer any recourse at this stage.
- 3.6 It is clear that the Council had no involvement in any of the work on the majority of homes, so if the Council chose to approve remedial measures for only the homes where the Council had administered the Arbed funding, other homes very close by and potentially even next door, would not fall within the scope of the remedial

measures as they were not funded via the Council administered fund. It was therefore deemed appropriate to engage with the Welsh Government, UK Government, the relevant Energy Companies (N Power, Scottish Power and EDF Energy) and OFGEM the energy regulator, as relevant stakeholders, with the aim of developing a solution for all home owners affected.

4. Current situation/proposal

- 4.1 Following the Cabinet report in November 2020 letters were sent to energy companies where, based on evidence from its investigations, the Council was aware they had been involved in CERT and CESP funded work in Caerau. A response has now been received from each of the companies. In view of the historical nature of the schemes a variable amount of detail and knowledge of the specific schemes in Caerau seems to exist within each company. However, the responses received from all of the companies consistently advised that they had no direct involvement in promoting or procuring work in Caerau and that the nature of the UK Government sponsored schemes at the time (CESP and CERT) required them to 'buy back' carbon savings by paying for work on energy efficiency schemes in some of the poorest areas of the country, where the potential for fuel poverty was at its most acute. As such they are all clear that they believe they have no liability for any poor workmanship. It has also been confirmed that these schemes were concluded and signed off many years ago by UK Government and the regulator.
- 4.2 In addition to the above engagement, two meetings have been held with senior Welsh Government officials to seek to secure their support for a solution that would address all of the EWI / IWI issues in homes in Caerau as a result of the various energy efficiency schemes. Welsh Government's position is that the Arbed scheme in Caerau was administered by the local authority and it was the local authority who commissioned the contractor to carry out the work.
- 4.3 The Council has confirmed to Welsh Government officials that only a small percentage of homes in Caerau had EWI / IWI work funded through the Council administered scheme. The majority of the affected properties had the work carried out by the same contractor under the UK Government's CERT and CESP schemes. It was therefore suggested that a further meeting should be arranged together with OFGEM the energy regulator to explore whether they may have the means to intervene in this matter.
- 4.4 That further meeting between officials representing the Council, Welsh Government and OFGEM has also now taken place. The key points that emerged were; the CESP and CERT schemes were closed and signed off many years ago and so it would be difficult to now pursue the energy companies for any redress, particularly as OFGEM confirmed the indirect role they had played in the work. Subsequent UK Government schemes had adopted the learning from these early schemes and now far greater checks and balances are in place to ensure the quality of work and relevant insurances were in place. OFGEM were the administrator, but not the regulator of the CESP and CERT schemes and therefore believed they had no power of further intervention with regard to this matter. There was a possibility, to be explored further, that current UK Government energy schemes such as 'Eco' could be bid for, but could only be used to implement new energy efficiency measures and not to put right previous poor workmanship.

- 4.5 In view of the above, a number of actions were agreed; firstly for Welsh Government to approach the UK Government so that there was full understanding of the current issues, in particular with regard to historical CERT and CESP schemes, and to request their intervention to address the issues. Secondly, Welsh Government officials would formally raise the matter with Welsh Government Ministers by means of policy advice to determine the appetite of the Welsh Government to intervene, particularly with regard to those homes funded through the Arbed scheme. Finally for OFGEM to explore more fully the potential for current schemes such as 'ECO' to be focused on offering energy efficiency measures in areas such as Caerau.
- 4.6 In conclusion, there is clearly more work to carry out before a final position and options can be presented to Cabinet with regard to this matter. While all organisations have expressed their sympathy and concern for those households affected, the nature of the various schemes and funding methods by which the EWI and IWI work in Caerau was carried out means it is inevitably proving difficult and complex to establish an agreed and comprehensive way forward.
- 4.7 While it is acknowledged that the ongoing delays in resolving this matter will be both frustrating and potentially distressing to those affected homeowners in Caerau, the Council are continuing to work towards an holistic solution for all properties, regardless of how their work was funded. With continued representations to both UK Government and Welsh Government it is hoped that a further report can be presented to Cabinet with the goal of an agreed comprehensive solution. However, if that fails to materialise the Council will consider available options specifically for the 25 properties where the Council were involved in administering the funding.

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 Procedure Rules and procurement processes, as they relate to external funding, have been considered by internal audit and their findings have been reported to the Governance and Audit Committee in January 2021.

6. Equality Impact Assessment

- 6.1 As reported to Cabinet in November 2020, 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 There are no financial implications at this stage but, following further engagement with the relevant stakeholders involved in the wider EWI and IWI domestic energy efficiency schemes and exploration of available options, the financial implications of each to the Council will need to be considered further and additional reports presented to Cabinet and / or Council as necessary.

9. Recommendation(s)

- 9.1 Cabinet is recommended:
- i) To note the engagement that has taken place with Welsh Government, OFGEM and the energy suppliers since the previous Cabinet report in November 2020.
 - ii) To approve further ongoing liaison with relevant stakeholders involved in the wider external wall insulation/ internal wall insulation works in Caerau.
 - iii) To note that a further report will be presented to Cabinet outlining the outcome of the continued engagement and outlining any solutions that have been agreed.

Mark Shephard
Chief Executive
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Contact officer: Mark Shephard
Chief Executive

Telephone: (01656) 643380

Email: mark.shephard@bridgend.gov.uk

Postal address: Civic Offices, Angel Street, Bridgend CF31 4WB

Background documents: Report to Cabinet 17 November 2020, Arbed Programme in Caerau