



## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### CABINET

6<sup>th</sup> SEPTEMBER 2022

### A REPORT PROPOSING THE INTRODUCTION OF A NEW SOLAR PANEL GRANT AND THE EXTENSION OF THE DOMESTIC HEATING GRANT

REPORT OF THE DIRECTOR OF PROSPERITY AND DEVELOPMENT, IN DISCUSSIONS WITH THE RELEVANT PORTFOLIO HOLDER CLLR NORRIS

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#### **1.0 PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to seek approval from Members to:
- 1.2 Establish a new solar panel grant scheme for residents of RCT, which supports the Council's Affordable Warmth Strategy 2019 – 2023 and the RCT 2022-25 Plan [‘Think Climate RCT’ - Making Rhondda Cynon Taf Carbon Neutral by 2030](#).
- 1.3 Extend the current domestic heating grant scheme until 2025 for residents of RCT, in order to repair, replace or install a new heating system and energy efficiency measures in line with the Council's Affordable Warmth Strategy 2019 – 2023 and the RCT 2022-25 Plan [‘Think Climate RCT’ - Making Rhondda Cynon Taf Carbon Neutral by 2030](#).

#### **2.0 RECOMMENDATIONS**

It is recommended that:

- 2.1 Members approve the creation of a new solar panel grant up until 2025.
- 2.2 Members note the positive impact that the domestic heating grant has had on residents of RCT and agree for the grant to be extended until 2025.

#### **3.0 REASON FOR RECOMMENDATIONS**

- 3.1 To support the Council's commitment to mitigating the impacts of fuel poverty and enabling warmer homes by improving the energy efficiency of homes within the county borough and reducing carbon emissions.

- 3.2 To address the need for financial assistance for households that could be affected by fuel poverty, due to low income, who are not in receipt of means tested benefits, in order to replace inefficient/broken heating appliances or installation and/or install more energy efficient measures to a person's home.
- 3.3 To provide financial assistance for households to install solar panels to their home in order to make the home more energy efficient and reduce energy bills.

#### **4.0 BACKGROUND**

- 4.1 In Wales, a household is defined as being in fuel poverty if it spends more than 10% of its income to heat their home to a satisfactory comfort level.
- 4.2 However, this definition of fuel poverty does not capture families that 'under heat' their homes due to the inability to afford a comfortable heating standard. These families can be at greater risk of suffering further consequences of cold related illnesses from living in cold homes.
- 4.3 There are three main factors that contribute to fuel poverty:
1. Household income
  2. Energy prices
  3. The energy efficiency of homes
- 4.4 When faced with fuel poverty, households often react in the following ways:
- They use less energy than they need, potentially making existing health problems worse and making them more vulnerable to other cold related illnesses.
  - They try to meet their energy needs by rationing other essential items such as food (heat or eat).
  - They borrow money to pay their energy bills and/or fall into debt.
- 4.5 New fuel poverty figures released by Welsh Government highlight that 14% of households in Wales are estimated to be living in fuel poverty with a further 3% in severe fuel poverty. It has also been estimated that 11% of homes are at risk of living in fuel poverty (October 2021).
- 4.6 The increase in the domestic energy price cap announced by Ofgem on the 3<sup>rd</sup> February 2022 means that typical average dual fuel energy bills increased on the 1<sup>st</sup> April 2022 by almost **£700 a year, a 54% increase**. Taking the 2021 estimates of fuel poverty, and revising them using fuel prices, since the 1<sup>st</sup> April 2022, assuming all households are on the price cap, up to 45% of households could be in fuel poverty, a 31% increase, with a further 8% in severe fuel poverty. It has also been estimated that 15% of households could be at risk of falling into fuel poverty. Further increases in the energy price cap are now expected and based on data from various energy analysts, the average annual

energy bill could be as high as £3850 in January 2023 resulting in more people be at risk of falling into fuel poverty.

- 4.7 In October 2019, 'Warmer Homes: A Fuel Poverty Strategy' was approved by Cabinet. The strategy identifies three main objectives to help mitigate the effects of fuel poverty for Rhondda Cynon Taf residents. These are:
1. Provide advice and assistance to maximise household disposable income
  2. Reduce energy prices
  3. Improve the energy efficiency of homes and decarbonisation
- 4.8 The strategy sets out the Council's objectives and actions in order to have maximum impact for residents whilst also achieving value for money. One of the key actions set out in the strategy was to consider developing a heating grant to target households who are not eligible for other types of grant assistance, but may still be in fuel poverty i.e. no working heating systems.
- 4.9 Since the Strategy was approved, the Council has delivered a range of approaches and interventions to help mitigate the number of households living in fuel poverty. This includes promoting external grant assistance that is currently available through the Welsh Government's fuel poverty schemes such as 'NEST' which provides a range of fully funded energy efficiency measures and 'Arbed am Byth' which is a fully funded area based scheme to private homes regardless of income levels if properties have an EPC rating of E or lower. There is also the UK Government's Energy Company Obligation (ECO) efficiency programmes; the 'ECO4' programme was implemented in April 2022 and is currently being rolled out. ECO funding primarily targets the 'affordable warmth' group which are those in receipt of means tested benefits.
- 4.10 In 2021/2022 RCT residents received **527 energy efficiency measures from the NEST scheme**, a total of 518 (98%) of these were for boiler replacements/central heating systems.
- 4.11 In September 2021 an Arbed scheme was targeted in the Penrhiwceiber area due to its high levels of fuel poverty. The scheme ended in November 2021 **supporting 142 homes, delivering 570 energy measures**. Of the 142 homes, 68% of these had Solar PV installed. On average each home received £4.5k of energy measures, which resulted in an approximate £292 savings to the home owners energy bills per year.
- 4.12 However, the Covid-19 pandemic and the current cost of living crisis has further impacted on households through a reduction of incomes, increase in energy bills, increase in utility debts from people generally spending more time at home due to lockdowns, loss of employment and/or poor health.
- 4.13 The impact of this is significant. Not being able to afford heating bills could result in people under heating their homes. Living in cold homes has a detrimental impact on health and well-being generally, but in particular, spending extended periods exposed to the cold can exacerbate or induce respiratory and

cardiovascular conditions that increase the risk of contracting Covid-19, and its severity (Homes, Health and Covid 19: Centre for Ageing Better and the King's Fund Report - Sept 2020).

- 4.14 As such, the 2 grants proposed in section 5 of this report will provide vital assistance to households, supporting them to move out of fuel poverty and/or prevent them falling into fuel poverty. The grants will help households to heat their homes affordably and therefore improve their health and wellbeing.

## **5.0 GRANT PROPOSALS**

### **EXTENDING THE CURRENT DOMESTIC HEATING GRANT SCHEME TO 2025**

- 5.1 The current RCT heating grant is available to owner occupiers to help them either install first time central heating or upgrade existing heating systems. The Grant provides assistance for either boilers under 10 years old that are not working or condemned or to upgrade the efficiency of those over 10 years old or with a SEDBUK rating of less than 86% (SEDBUK is the Seasonal Efficiency of Domestic Boilers in the UK, which is an industry approved assessment of the energy efficiency of a boiler. It is identified in many national fuel poverty schemes that a rating of less than 86% is considered inefficient).
- 5.2 The grant provides funding of up to **£5,000**, with no contribution required, unless the costs exceed the grant maximum and the household wishes to 'top up' the costs themselves.
- 5.3 All options for external funding are sourced first before any award of internal grant funding. In cases where partial external funding may be sourced, (windfall opportunities or changes to external grant funding) the grant has contributed towards the shortfall up to the grant maximum.
- 5.4 Heating systems available under the grant include not just conventional A rated condensing boilers, but other low carbon or more sustainable heating options. This includes fuel sources of gas, electric, LPG, biomass, and oil but preference is given to those that offer the most energy efficiency and environmental improvements.
- 5.5 Heating options include;
- Boiler replacement or first time installation (wet and dry systems as required and suitable to the property)
  - Boiler repair
  - Radiators and pipework upgrades/ repair (where required)
  - System flush – magnacleaner (where required)
  - Minor insulation work
  - Electric heating options paired with solar panels i.e. Infrared heating systems (once measures approved for RdSAP ratings)

- Hybrid heating options
- 5.6 In order to measure the impact of the grant Pre and Post Energy Performance Certificates are completed.
- 5.7 The below sets out the grant criteria:
- Household Income under £30,576 after rent or mortgage costs. This sum is based on ONS average income levels for RCT, which was used for the ECO flex criteria. Therefore, the grant will assist those with below average income for RCT.
  - Owner Occupiers only.
  - Boiler not working or condemned if under 10 years old.
  - If boiler is working it must be either
    - over 10 years old or;
    - less than 86% efficiency (SEDBUK ratings) or;
    - a recommended measure on a valid Energy Performance Certificate.
  - Grant funding will not be eligible for households with more than £16,000 savings but they will instead be signposted towards Home Improvement Loans (This will be validated by households providing evidence of savings account statements following the same process as other grant applications).
  - External funding will be sourced and utilised, if available in the first instance with the proposed funding used to provide any shortfall funding up to the grant maximum.
  - Any additional costs of works above the grant maximum are to be met by the home owner but can be met by other assistance i.e. loans or other grant assistance if meets eligibility criteria.
- 5.8 Since the implementation of the heating grant the following outcomes have been achieved:
- 41 heating grant applications have been completed, with £135k of grant awarded to residents (approximately £3,300 per household).
  - Of the 41 grants, 64% of homes saw an uplift of at least one EPC band. With 14 (34%) of homes increasing to an EPC C rating.
  - The average SAP score increased by 13 points.

The outcomes above demonstrate the impact this grant is already having on making homes more energy efficient. It has also been estimated to have saved the resident approximately **£280 per year**.

## **THE NEW SOLAR PANEL GRANT SCHEME**

- 5.9 Solar Photovoltaic (PV) panels harness the Sun's energy and converts this into electricity that can be used inside the home. Solar panels consist of cells made from a semi conducting material, which when exposed to light, becomes energized, producing (DC) electricity. This then travels through an inverter to create usable (AC) electricity for the home. The cells do not have to be exposed

to direct sunlight to produce power, however, the stronger the sunlight, the more electricity produced.

5.10 Solar panels have many advantages for households:

- **Save money on energy bills**

For example, based on an average property size in Penrhiwceiber, if a home was to have 3.5kWp solar panels installed, which would cost approximately £5k, the home owner could receive an annual saving of around **£464 a year** on their energy bills. This is calculated using the Energy Saving Trust Solar Panel Calculator 2022 and based on a home having a 35 degree, south facing roof, with the resident signing up to the Smart Export Guarantee at a rate of 4.1p/kWh. The Smart Export Guarantee allows you to sell back any excess energy generated directly to an energy supplier - 4.1p is the average sell back rate. Based on data from various energy analysts, the average annual energy bill could be as high as £3850 in January 2023. If adjusted to this rate, Solar PV could save the same home owner approximately **£701 a year on their energy bills**. The potential CO2 savings would also be significant at around 715kg/year.

- **Cash in on electricity that is not used**

The Smart Export Guarantee (SEG) requires licensed electricity suppliers to offer tariffs to small-scale, low-carbon generators, this would include homes with solar panels. Any solar-generated electricity that doesn't get used by the household is sent back to the National Grid, and the household receives money in return. A 3.5kWp system (with a 35 degree, south facing roof) could expect to earn the home owner an average of £80 annually (based on an average SEG rate of 4.1p/kWh).

- **Shrink the Carbon Footprint**

The primary reason solar panels are good for the environment is down to their carbon-busting technology. According to Eco Experts, the average residential solar PV system in the UK saves between 1.3 and 1.6 tonnes of carbon dioxide from entering the atmosphere each year.

- **Low maintenance**

Whilst the panels need to be kept clean and unobstructed, since they are smooth-surfaced and installed at an angle, the majority of dirt and debris will slide off. Regular rainfall also helps to keep things clean. The majority of solar panels come with a 25-year warranty and will be operational for upwards of 40 years.

5.11 To support our residents to take advantage of these benefits, it is proposed that the solar panel grant scheme will provide funding of up to 25% towards the purchase and installation of the solar panels, this will be capped at a maximum **£1,000 grant**. It is also important to note that homeowners having green

measures like solar panels, heat pumps, or insulation installed, will no longer have to pay VAT. This change came into effect in April 2022 and last for five years, until 2027.

5.12 As an example, if a resident was to install solar panels to their home at a value of £4,500 inclusive of VAT, the resident will now make an initial saving of £215 as they will not be required to pay the 5% VAT. This means the same array of solar panels would now cost £4,285.

5.13 Furthermore, against this cost of £4,285 an additional saving of £1,000 through the new solar panel grant scheme will be provided by the Council. This would leave the resident with a remaining balance of £3,285 to fund themselves, having received an overall saving of £1,215.

5.14 The proposed grant criteria includes:

- Owner Occupiers only.
- Any additional costs of works above the grant maximum are to be met by the home owner but can be met by other assistance i.e. loans or other grant assistance if they meet the eligibility criteria.
- The selected installer must be registered with the MCS or Flexi-Orb certification bodies.

5.15 In order to measure the impact of the grant, Pre and Post Energy Performance Certificates will be completed.

## **6.0 EQUALITY AND DIVERSITY IMPLICATIONS/ SOCIO-ECONOMIC DUTY**

6.1 An Equality Impact Assessment (EqIA) screening form has been prepared for the purpose of this report. In summary, there are many positive impacts to groups that are covered in the equality impact assessment through the offer of both the domestic heating grant and the solar panel grant schemes. A more energy efficient home will help to safeguard residents from fuel poverty through helping residents live in safe and warm homes. Following the completion of the screening form, it was found that a full report is not required at this time.

## **7.0 CONSULTATION/INVOLEMENT**

7.1 There are no formal consultation requirements arising from these proposals

## **8.0 WELSH LANGUAGE IMPLICATIONS**

8.1 A Welsh Language Impact Assessment has been prepared for the purpose of this report. In summary, there are many positive impacts to residents of RCT through offering a solar panel grant and heating grant schemes. The grants will be published on the Council's website and therefore information on the grants

and the online grant application process will be in both English and Welsh. This process will also allow RCTCBC staff to review applications through the Welsh language and use or improve their Welsh Language skills to approve applications and communicate with service users.

## **9.0 FINANCIAL IMPLICATION(S)**

- 9.1 The grant schemes have been included in the Council's Shared Prosperity Fund investment plan and will be fully funded from the fund with no match funding requirements. The investment plan was submitted to UK Government on 1<sup>st</sup> August, and it is anticipated that the plan will be approved in the autumn.
- 9.2 The total allocation over 3 years from 2022/23 to 2024/25 is £1.780M which will be managed as one budget to cover both grant schemes to allow flexibility to accommodate fluctuations in demand between the two schemes.
- 9.3 Subject to the recommendations being approved, preparations to launch the schemes will commence, however no grant awards will be made before the Shared Prosperity Fund is approved and the funding secured.
- 9.4 The schemes will be included in the Council's capital programme and reported to Cabinet as part of the Council's quarterly performance reports.

## **10.0 LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 10.1 The delivery of the grants will be provided from within the existing Capital Housing Grants Framework of contractors. Further advice will be sought from Procurement and Legal Services if required.

## **11.0 LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT**

- 11.1 Investment in housing provides an ongoing stimulus to the local economy by encouraging spending and local supply chains. Reducing energy bills also creates more disposable income for residents that could be spent in local economies.
- 11.2 Maximising income helps improve prosperity of residents while also making them more resilient to future rises in energy bills/fuel poverty. Improving the energy efficiency of homes helps reduce the impact of climate change by reducing carbon emissions.
- 11.3 As such, both the solar panel grants and the heating grant will contribute to the delivery of the Council's Affordable Warmth Strategy 2019-2023 and contribute to the delivery of the Council's aims in the Net Zero Plan. It will also positively contribute to the Council's Corporate Plan priorities of People, Places and



Prosperity and contribute to all seven wellbeing goals in the Well Being of Future Generations (Wales) Act 2015.

## **12.0 STRATEGIC OR RELEVANT TO ELECTORAL WARDS**

- 12.1 Successful implementation of the new solar panel grant scheme and the extension of the current domestic heating grant scheme are of strategic significance to Rhondda Cynon Taf.

## **13.0 CONCLUSION**

- 13.1 This report proposes to establish a new solar panel grant scheme for residents of RCT and extend the current domestic heating grant scheme until 2025.
- 13.2 The grants will provide vital assistance to households, supporting them to move out of fuel poverty and/or prevent them falling into fuel poverty. They will also help households to heat their homes affordably, improving their health and wellbeing and reduce carbon emissions.

**Other Information: -**

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