
Insulation and Clean Heating Assistance

1. Purpose of Report

- 1.1 To consider whether Council should provide assistance to Nelson residents and ratepayers to upgrade insulation and install clean heating devices in homes.

2. Delegations

- 2.1 As outlined in section 6.3.3 of the Delegations Register 2014 Council has delegated to the Planning and Regulatory Committee the power to recommend to Council development or review of policies and strategies relating to areas of responsibility.

3. Recommendation

THAT the report *Insulation and Clean Heating Assistance (A1248604)* and its attachment (A1276842) be received.

Recommendation to Council

THAT Council allocate \$40,000 this year (2014/2015) to partner with Canterbury Community Trust to jointly apply to EECA to provide additional funding to Nelson City residents for insulation upgrades;

AND THAT This sum be funded from unspent 2014/2015 Framing our Future and emission budget in the environmental area;

AND THAT Council support the \$100,000 budget line in the draft Long Term Plan for non-regulatory programmes around the Nelson Air Quality Plan for the 2015/2016 year with the view that this money be used to partner with Canterbury Community Trust to support the Warmer Healthier Homes Project programme for 2015/2016;

AND THAT at the completion of the 2015/2016 year a report be obtained from the Warmer Healthier Homes Project Steering Group on the outcomes and effectiveness of the scheme, to consider the reconfirmation of funding for subsequent years.

4. Background

- 4.1 Generally speaking New Zealand's housing stock is poorly insulated and can be difficult to heat – a widely recognised problem across the country. The fuel and energy costs required to heat houses to acceptable temperatures can be particularly high, and is increasingly difficult for many households to afford¹.
- 4.2 EECA estimates \$300 million per annum in unnecessary energy costs to the country due to under-insulated homes. Under-insulated houses are uneconomic to heat.²
- 4.3 There have been a number of assistance programmes/subsidy schemes provided by both Council and Government agencies over the years to assist homeowners to upgrade insulation and install clean heating devices in homes. Most of those programmes have now finished.
- 4.4 The Woodburner Working Party reviewing the woodburner provisions of the Nelson Air Quality Plan identified gaps in the assistance packages currently available to homeowners grappling with the home heating/cold and unhealthy homes issue, however these issues fall outside the terms of reference of the Woodburner Working Party.
- 4.5 The dearth of financial assistance currently available has left sections of our community unable to improve the performance of their homes unless they fund the total cost themselves. This is beyond the means of some households and leaves them trapped in a hard to heat, high energy cost, cold and damp home conundrum.
- 4.6 Housing is one of the key determinants of health and there is a strong link between asthma, respiratory and contagious illness, the exacerbation of conditions such as arthritis from damp, cold homes. EECA estimates \$400 million per annum in unnecessary health costs could be addressed through insulation alone.
- 4.7 Retrofitting New Zealand homes with insulation and clean heat options has been shown to increase indoor temperatures, decrease relative humidity, reduce energy use and has also been associated with an improvement in the self-reported health of occupants and reduced mortality among older persons.
- 4.8 Other interventions can be undertaken include moisture control, ventilation and behaviour change advice on occupant behaviour.

¹ Expert Advisory Group on Solutions to Child Poverty (2012).

² EECA presentation November 2014

- 4.9 When funding is limited and all the required interventions cannot be implemented, the question arises as to what should be tackled first, or which will give the biggest improvement/ best value for money?
- 4.10 Based on Beacon Pathway research³, installing and upgrading insulation should take priority before installing efficient sustainable heating.
- 4.11 This report gives a snapshot of assistance packages previously provided, assistance currently available, the gaps that currently exist and provides options for consideration to assist in addressing those gaps.

5. Discussion

Previous Assistance Packages

- 5.1 In 2003 Council ran a scheme where 141 fires in the Nelson South area were replaced with heat pumps or flued gas fires. This work was done at no cost to the homeowner.
- 5.2 Council ran a "Clean Heat: Warm Homes" financial assistance scheme from 2004 to June 2012. Under this scheme 1370 Nelson homes had insulation installed/upgraded and 433 open fires and 1546 old burners were replaced with either clean air approved burners or other forms of clean heating. The funding was a mix of Council and Government money.
- 5.3 EECA ran their Warm Up New Zealand: Heat Smart (WUNZ:HS) programme, that part funded insulation and clean heat retrofits for New Zealand homes. It began on 1 July 2009 and finished June 2013.
- 5.4 MOTU⁴ analysis of the WUNZ:HS scheme reported a benefit/cost ratio of 3.9:1; that increased to 6:1 for children.
- 5.5 Under WUNZ:HS scheme 2494 Nelson homes had insulation installed and 873 homes also had clean heating devices fitted.
- 5.6 The WUNZ:HS programme finished June 2013 and was replaced with the current Warm Up New Zealand: Healthy Homes scheme, which is discussed below in the Current Assistance packages section.
- 5.7 According to the last census, Nelson had 18,699 private occupied dwellings, of which approximately 14,900 of these houses were built before the year 2000. The WUNZ:HS scheme focuses on these pre 2000 houses.
- 5.8 3,864 of these 14,900 homes have had insulation upgrades through the above previous assistance schemes and 2,907 homes have had assistance to install clean heating devices. There are other houses that have been upgraded by the owners at their own cost, but there are a large number of these pre 2000 houses that still require upgrading.

³ Beacon Pathway Making your Home Homesmart, a homeowners manual

⁴ http://www.motu.org.nz/news-media/detail/reports_on_warm_up_new_zealand_heat_smart_now_available

Current Assistance Packages

- 5.9 The only financial assistance package currently available in Nelson is the EECA Energywise Warm Up New Zealand: Healthy Homes Scheme. Under this scheme EECA provide 60% of the funding, with the other 40% required to be contributed by other organisations, to upgrade ceiling and under-floor insulation in homes.
- 5.10 Home owners or tenants may be eligible if they have a Community Services Card and the house is occupied by someone under 17 years or over 65 years. In Nelson, people are referred to the programme by the health sector if they are at risk from illness linked to cold, damp housing eg a respiratory condition and meet the required conditions.
- 5.11 This financial year \$275,000 (\$165,000 from EECA, \$110,000 from Canterbury Community Trust) has been made available targeting homes across the whole region (Nelson and Tasman districts combined). This money will be enough to insulate approximately 100 homes.
- 5.12 The scheme is being managed by a Warmer Healthier Homes Project Steering Group which includes representatives from Canterbury Community Trust, Nelson Tasman Housing Trust, Nelson Marlborough District Health Board and Absolute Energy. The available funding is currently being targeted for health related referrals via the NMDHB. These initial referrals are based on specific criteria being met.
- 5.13 Once these initial NMDHB referrals have progressed through the programme, referral pathways will be available via GP's, and later these will then be followed by referrals from other non-health organisations, Meeting the criteria at this point however does not confer acceptance to the scheme and there is a risk that all the funding may be fully subscribed by the time of acceptance.
- 5.14 The Canterbury Community Trust has another \$40,000 they are prepared to contribute this financial year (2014/ 2015) subject to EECA or other organisations partnering with them to also contribute funding.
- 5.15 There is an opportunity for Council to partner with Canterbury Community Trust's \$40,000, to jointly apply to EECA to provide further funding to Nelson City residents for insulation upgrades. This would provide \$140,000 of funding for a \$40,000 commitment from NCC.
- 5.16 The advantage of partnering with the Warmer Healthier Homes Project Steering Group is that the systems, processes and service providers are already in place and operational, delivering the desired outcome with minimal input of time or resources required from Council. The steering group have indicated that they would welcome a Council representative to join the steering group.
- 5.17 The Canterbury Community Trust has also committed a further \$25,000 to cover the management of the scheme this year.

- 5.18 For the 2015/ 2016 financial year, the Canterbury Community Trust has committed a further \$150,000 to support the Warmer Healthier Homes Project, however at this stage there is no commitment from EECA to match that.
- 5.19 The Warmer Healthier Homes Project Steering Group plan to target other local supporters to bolster their contribution and therefore leverage the amount that can be accessed for our region under the current 40% local/ 60% EECA funding model.
- 5.20 Council provides the Eco Building Design Advisor home assessment service which provides residents with a range of no cost and low cost practical advice and solutions, as well as identifying other measures that should be undertaken to improve the performance of homes. With very limited financial support packages currently available, some residents will be unable to implement some of the recommended improvements.

Gaps in Current Assistance Packages

- 5.21 As mention above, Nelson has many pre 2000 houses that still have either no insulation or have insulation below recommended levels.
- 5.22 Many of these un-insulated/poorly insulated homes are occupied by low income families, but because they do not meet the current eligibility criteria of the Warmer Healthier Homes Scheme, there is no financial assistance available to assist them in improving the performance of their homes. They do not have the ability to fund the cost of upgrading the insulation themselves, so are trapped in a cold home/high heating cost situation.
- 5.23 The current Warm Up New Zealand: Healthy Homes Scheme only covers insulation. As previously stated upgrading insulation should take priority before upgrading heating, so this stance is understandable. As it stands, there is no assistance for home owners wanting assistance to upgrade to more efficient or cleaner heating devices.
- 5.24 If a decision was made to provide financial assistance to install more efficient or cleaner heating devices, a scheme would have to be designed, implemented and administered, as there is no scheme currently available that council could partner with. There is also no secondary funding or subsidies available to support any contribution that council would make. Setting up and running a heating assistance scheme would involve considerable time and resources, compared to the relative ease of partnering into an existing scheme such as the current Warmer Healthier Homes Project for insulation.
- 5.25 No research has been undertaken as to the likely uptake of such a scheme.

5.26 At this stage staff do not recommend the provision of a financial assistance package to install more efficient or cleaner heating devices due to:

- The likely high cost of implementing and running the scheme;
- The non-availability of any additional funding to bolster councils contribution.
- No certainties of the likely uptake of such a scheme (whether it would achieve adequate uptake to make it economic to run);
- It is recommended that installing insulation should be addressed first before upgrading heating.

6. Options

For the Current Financial Year 2014/ 2015

6.1 Council could allocate \$40,000 this year (2014/2015) to partner with Canterbury Community Trust's committed \$40,000 to jointly apply to EECA to provide additional funding to Nelson City residents for insulation upgrades. This would provide \$140,000 of funding for a \$40,000 commitment from NCC and would fund the insulation of approximately 45 homes.

6.2 This sum could be funded from unspent 2014/2105 framing our future and emission inventory budget.

6.3 This recommendation would help move us towards the Nelson 2060 goals and is also in line with the 2060 sustainability principles (refer to section 8.3 for additional comment on these aspects).

6.4 Eligibility criteria would be in accordance the current Warm up New Zealand: Healthy Homes requirements (Attachment 1) which are:

- Your home was built before the year 2000; *and*
- The home owner or main tenant has a Community Services Card; *and*
- You have children under 17 years, adults over 65 years or someone with high health needs living in your home; *or*
- You are a landlord with eligible tenants.

6.5 Although insulation will be free for eligible homeowners and tenants, landlords of the eligible tenants will be asked to make a contribution.

For the Next Financial Year 2015/2016

6.6 This section sets out options for consideration of what assistance could be provided in the 2015/2016 financial year and beyond.

- 6.7 Partner with the Canterbury Community Trust plan to support the Warm Up New Zealand: Healthy Homes programme to leverage the amount that can be accessed for our region under the 40% local/ 60% EECA funding model. If the Canterbury Community Trust is successful in bringing other local funding on board this will further bolster the funding available to our region. A combined CCT, NCC, EECA pool of \$500,000 would insulate another 160 homes.
- 6.8 It is recommended that Council support the \$100,000 budget line in the draft LTP for non-regulatory programmes. Some of this money could be used to partner with Canterbury Community Trust to support the Warm up New Zealand: Healthy Homes programme for 2015/2016. The amount available would depend on whether Council decides to implement a behaviour change programme as part of the Nelson Air Quality Plan review.
- 6.9 Some council's have implemented voluntary targeted rates (VTR) schemes to assist property owners with the cost of certain improvements. EECA have been encouraging councils to consider implementing VTR schemes and submitted to our annual plan to that effect.
- 6.9.1 The term "voluntary targeted rate" describes situations where a council funds specific activities (clean heating, insulation upgrades) on behalf of an individual ratepayer because the activity meets council policy objectives as well as benefits the ratepayer.
- 6.9.2 Homeowners who take up the offer repay the financial assistance through the targeted rate (with interest) over a nine or 10 year period.
- 6.9.3 The Clean Heat: Warm Homes and the Solar Saver schemes, that Nelson City Council previously ran were both VTR schemes. The difference between the two was that the Clean Heat: Warm Homes scheme was interest free, where as the Solar Saver scheme included interest and an administration fee.
- 6.9.4 In theory, the cost (interest and administration) of running the VTR scheme is borne by the participant ratepayers, however in practice if uptake is low, the administration costs fall onto the wider general ratepayer base.
- 6.9.5 If the uptake is small, the administration costs to Council outweigh the benefits of running such a scheme. It appears that where there is no financial assistance in the form of subsidies to assist people with the cost of the improvements, uptake is likely to be very small. Based on the current situation, staff do not recommend that Council implement a VTR scheme at this time.
- 6.9.6 If more financial assistance becomes available in the future in the form of government subsidies which makes VTR schemes more attractive, then the situation could be revisited at that time.

7. **Assessment of Significance against the Council's Significance Policy**

7.1 This decision is not a significant decision in terms of the Council's Significance Policy.

8. **Alignment with relevant Council Policy**

8.1 There are unspent funds in the 2014/2015 budget that could be used towards achieving these outcomes.

8.2 There are funds allocated for this work in the draft 2015-2025 Long Term Plan.

Fit with Nelson 2060

8.3 The recommendations in this report move us towards the 2060 goals of:

- Everyone in our community has their essential needs met; and
- We reduce our consumption so that resources are shared more fairly.

8.5 It is also in line with the 2060 sustainability principle:

- We meet human needs fairly and efficiently.

8.4 Home retrofits contribute to the 'how we get there' aspects of Nelson 2060.

8.5 Insulating homes can provide multiple benefits to our community. These benefits include:

- **Job creation/economic growth:**
 - This is because insulation is a labour-intensive process, and companies tend to employ and up skill local labour to meet demand.
- **Warmer, drier, healthier homes:**
 - Cold damp homes mean more problems like asthma in children and adults, and so resolving the causes of this problem through insulation and improved heating creates positive health outcomes;
 - Warmer, drier homes can result in fewer hospital admissions;
 - Warmer drier homes can also improve productivity through reduced days off work, and reduced days off school.
- **Insulation helps to reduce energy bills:**
 - A well-insulated house requires less heating. This can reduce energy costs for the customer.

- **Increased potential for older people to “age in place”**
 - A well-insulated and heated house can allow for older people to live in their homes for longer, and with better health. This reduces hospital and rest homes costs, and also builds more resilient communities.
- **Improved health for homeowners and families:**
 - An independent survey (Motu Report 2011) has demonstrated that the insulation programme shows a cost-benefit ratio of '5.2 to 1' with the majority of the benefits coming from improvements in health and wellbeing.

9. Consultation

9.1 Staff have consulted with EECA, Canterbury Community Trust, Nelson Tasman Housing Trust and Public Health Service and Nelson Marlborough DHB over these proposals. The responses are positive/ supportive.

10. Inclusion of Māori in the decision making process

10.1 There has been no consultation with Maori to date. There will be opportunity for Maori to be involved during the LTP consultation process.

11. Conclusion

11.1 The Woodburner Working Party reviewing the woodburner provisions of the Nelson Air Quality Plan identified gaps in the assistance packages currently available to homeowners grappling with the home heating/cold and unhealthy homes issue.

11.2 When funding is limited, upgrading insulation gives the biggest improvement/ best value for money.

11.3 Insulation upgrade programmes are the one area that can currently attract additional external funding, compounding the value of council funding.

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References

Expert Advisory Group on Solutions to Child Poverty (2012), Solutions to Child Poverty in New Zealand: Evidence for Action.

Attachments

Attachment 1: ECCA: Insulate now to keep your family warm & healthy brochure
[A1276842](#)