

Title: Home Energy Conservation Act 1995 Lead department or agency: DECC Other departments or agencies:	Impact Assessment (IA)
	IA No: DECC0036
	Date: 01/12/2010
	Stage: Final
	Source intervention: Domestic
	Type of Measure: Primary legislation
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Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

The Home Energy Conservation Act (HECA) has been in place since 1995 and Government in the meantime has developed a wide range of policy tools that obviate the need to retain HECA. In the interest of simplifying policy delivery, the proposal is to repeal HECA.

What are the policy objectives and the intended effects?

Repeal of HECA does not constitute a change from policy's direction of travel since 1995. The underlying objective to reduce the UK's carbon emissions remains in place. What has changed since 1995 is that HECA has been overtaken by other policy tools that have been created in the meantime. The effect of repeal will be streamlining of policy delivery.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

There are two alternatives under review:

1. HECA retention
2. HECA repeal ('the preferred option')

For argumentation supporting repeal, see Evidence Base below.

When will the policy be reviewed to establish the actual cost and benefits and the achievements of the policy objectives?	It will not be reviewed
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Not applicable

Ministerial Sign-off For consultation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:



..... Date:01/12/2010.....

Summary: Analysis and Evidence

Policy Option 1

Description:

HECA Repeal

Price Base Year 2010	PV Base Year 2010	Time Period Years 5/15	Net Benefit (Present Value (PV)) (£m)		
			Low: 32	High: 82	Best Estimate: 57

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	-	-	-
High	-	-	-
Best Estimate	-	-	-

Description and scale of key monetised costs by 'main affected groups'

The repeal of HECA will affect administrators in Local Authorities and in DECC, and the effect will be a 'negative' cost, that is to say, a saving of resources.

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	-	7	32 (5 years)
High	-	7	82(15 years)
Best Estimate	-	7	57 (mid-point)

Description and scale of key monetised benefits by 'main affected groups'

Benefits consist of savings to administrative costs in Local Authorities and in DECC.

Other key non-monetised benefits by 'main affected groups'

Key assumptions/sensitivities/risks

Discount rate applied to future cash flows: 3.5%.
Administrative costs

Impact on admin burden (£m):			Impact on policy costs (£m):			In scope	
Costs: .0	Benefit: 57	Net: 57	Costs: -	Benefits: -	Net: -	No	

What is the geographic coverage of the policy/option?			Great Britain		
From what date will the policy be implemented?			01/12/2011		
Which organisation(s) will enforce the policy?			DECC		
What is the total annual cost (£m) of enforcement for these organisations?			-		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			No		
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: -	Non-traded: -	
Does the proposal have an impact on competition?			No		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any specific impact tests undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, click on the link for the guidance provided by the relevant department. (Double-click to open links in browser.)

	Impact	Page ref within IA
Statutory equality duties¹? Women Equality Unit: Gender Impact Assessment (PDF) Disability Rights Commission: Disability Equality Scheme Commission for Race Equality: Race equality impact assessment: a step-by-step guide	No	
Economic impacts		
Competition? Competition Impact Assessment	No	
Small firms? Small Firms Impact Test	No	
Environmental impacts		
Carbon emissions? http://www.defra.gov.uk/environment/index.htm	No	
Wider environmental issues? Guidance has been created on the Defra site	No	
Social impacts		
Health and well-being? Health: Health Impact Assessment	No	
Human rights? Ministry of Justice: Human Rights	No	
Justice?	No	
Rural proofing? Commission for Rural Communities	No	
Sustainability? Defra: Think sustainable	No	

¹ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2010, once the Equalities Bill comes into force.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Implementation).

No.	Legislation or publication
1	The Energy Conservation Act 1996 extended the definition of residential accommodation in HECA to include houses in multiple occupation and certain house boats. Guidance was issued to Local Authorities in April 1997.
2	The Home Energy Conservation Bill 2001 proposed provisions to build on HECA. The Bill was talked out and withdrawn.
3	The Sustainable Energy Act 2003 provides a power for the SofS to issue a direction to Energy Conservation Authorities to make improvements in the energy efficiency of housing stock and requires those authorities “to take such measures as they consider to be practicable, cost effective and likely to result in achieving the improvement specified in such a direction” However, DECC lawyers confirm that section 4 of the Act which contains the power to direct Energy Authorities has never been commenced so the SoS cannot rely on this provision.
4	Consultation on the Review of the Home Energy Conservation Act 1995 (HECA): October 2007

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains a saving emissions table that you will need to fill in if your measure has an impact on Carbon emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs										
Annual recurring cost										
Total annual costs										
Transition benefits										
Annual recurring benefits	7	7	7	7	7	7	7	7	7	7
Total annual benefits	7	7	7	7	7	7	7	7	7	7

* For non-monetised benefits please see summary pages and main evidence base section



Microsoft Office
Excel Worksheet

Evidence Base (for summary sheets)

Background to Home Energy Conservation Act (HECA)

1. HECA was introduced at a time when climate change policy development had not yet evolved the breadth and width of measures aiming to achieve particular targets and to quantify progress against benchmarks. Since 1995 a succession of policies has been introduced that has had the effect of overtaking HECA.
2. Guidance on the implementation of HECA said "the Secretary of State formally regards 30% as significant and that Energy Conservation Areas should show a strategy for making at least substantial progress towards a 30% improvement in [the] energy efficiency [of the domestic building stock] in 10 – 15 years from 1 April 1996". There were no provisions for enforcing the implementation of the strategies.
3. In 1995, the emerging realization of the need for government intervention to secure climate change policy goals specifically in the domestic housing stock motivated the introduction of HECA. Policymakers at the time were still developing many of the policy tools that came to the fore in subsequent years, for upgrading the carbon efficiency of the built environment. Pertinent examples are policies such as new building regulations (Part L), the Energy Efficiency Commitment (EEC), the Carbon Emissions Reduction Target (CERT) and Warm Front. HECA was introduced at a time when none of these policies were operational.
4. HECA was an early step in energy efficiency policies that placed on Local Authorities guidelines for achieving a 30% reduction in carbon emissions from the domestic housing stock over ten to fifteen years, against a 1996 baseline.
5. Policy design envisaged a high degree of autonomy for Local Authorities to determine the pathway for achieving stated targets. This approach did not stipulate how to implement policy, in favour of letting Local Authorities adapt their approach to the particulars of the built environment in their area. Possible actions could consist of information campaigns, direct interventions in public sector dwellings, grants, or initiatives to implement multi-dwelling measures.

Rationale for HECA repeal

6. The IA asserts that the range of activities carried out under the remit of HECA has over time been addressed by policies targeting the built environment with increasing accuracy.
7. Of particular relevance in this context has been the successive introduction of Building Regulations Part L in 2002, 2006 and 2010. Policy delivery was further strengthened by the introduction of the Energy Efficiency Commitment (2002/05, Phase 2: 2005/08), and subsequently by the Carbon Emissions Reduction Target (2008/12). Each phase of EEC and CERT essentially doubled previous ambition levels of carbon reduction targets.
8. Policy tools for improving the housing stock address the underlying market failures and barriers preventing mitigation of carbon emissions from the built environment. These market failures are those shared with other sections of the economy, in particular the absence of price signals that consistently internalise the cost of carbon, but also those market failures and barriers specifically affecting the built environment.
9. Barriers addressed specifically by HECA include the cost of information search for householders in respect of suitable measures and installers, hassle costs resulting from the need to monitor installation of measures and coordination costs for plans and consents. HECA has been an

incentive for Local Authorities to deploy their specialist expertise on the built environment and select those dwellings where appropriate measures would achieve the most cost-effective results.

10. These barriers are still extant today. However, circumstances have changed and there has been a material expansion of the range of policy tools that address them. Moreover, many new avenues of delivering information on energy efficiency to householders have been developed.
11. In the 1990s there was a pressing need to take action given the dearth of information available to householders and paucity of policy tools promoting climate change mitigation. Since then, the range of climate change policies addressing the need for improvement of the built environment has grown. Many other policies now cover HECA's outcomes.

Policy objective

12. The repeal of HECA is in keeping with the government's intention continuously to evaluate whether the mix of policy tools is fit for purpose and where possible to effect simplification and to cut red tape.
13. Repeal of HECA does not jeopardise any discrete policy objective, particularly as the Green Deal is aimed at more effective delivery of home energy efficiency.
14. Repeal is recommended to streamline policy delivery and cut administrative costs.

Description of options considered (including do nothing)

15. The alternatives are
 1. HECA retention ("Do nothing option")
 2. HECA repeal ("Preferred option")
16. HECA has been in operation since 1995. Specifically, in 1995 HECA tasked Local Authorities to achieve 'significant' reductions in carbon emissions from the local housing stock. By way of clarification, 'significant' was taken to mean reductions of 30% over a period between ten and fifteen years. Since then, the policy environment has changed. When in 1995 the range of policy instruments had not been fully developed, in today's context policy aims are delivered to the built environment via a combination of trading instruments, regulation and fiscal measures. Over time many initiatives have either been superseded or overlap with new policies. It has become increasingly difficult to determine which aspects of housing energy efficiency measures are due to HECA rather than to other measures.
17. The 2007 Consultation states: "In the period 1 April 1996 to 31 March 2006, authorities have reported an overall improvement in domestic energy efficiency of the housing in their area of approximately 19.26%, as measured against a 1996 baseline." However, it is not possible to disaggregate from this figure the overlapping effect of other measures, or indeed the counterfactual of achievement in a BAU scenario. The progress of energy efficiency in households since 1995, which results from the combined effects of HECA with those of many other policies and improved householder awareness, renders impossible an assessment of effects resulting from HECA.
18. Compilation of this IA has not included the step of gathering quantitative data to demonstrate the differential benefits delivered by HECA compared with those delivered by Building Regulations Part L and by CERT. The evidence and argumentation supporting repeal rests on citing the broad spectrum of policy tools that have strengthened policy delivery since 1996, and the observation that each successive iteration and upgrade of policy design was framed with the intention to place

policies on an evidence-based footing to ensure maximum cost efficiency. With each successive introduction of policy instruments, reliance on HECA became less important. A quantitative evaluation of the respective benefits delivered by HECA in comparison with other policies would require a commitment of resources disproportional to the expected benefit of this research, given the low likelihood that benefits unique to HECA would have been overlooked during policy development since HECA's introduction.

19. Looking to the future, the implementation of the Green Deal cluster of measures should mean that there continues to be no need for HECA.

Reporting under HECA

20. HECA policy execution was monitored on a basis set by the Secretary of State, by way of returns providing progress reports from Local Authorities.
21. A 2007 consultation on the repeal of HECA presented evidence to support the view that HECA reporting was ineffective. This drew on a survey of HECA officers in 2004, sampling by a research consultancy and workshops with stakeholders. (Source: Consultation on the Review of the Home Energy Conservation Act, October 2007 (hereafter referred to as the HECA Review (2007)):
<http://webarchive.nationalarchives.gov.uk/20090908171815/http://www.defra.gov.uk/environment/cli/matechange/uk/publicsector/localauth/heca95/pdf/heca-condoc.pdf>)
22. The consultation concluded that the Act is an unreliable measure of domestic energy efficiency; that with no standard reporting methodology and with no auditing of the data, it is impossible to quantify the level of accuracy in the energy savings reported; that much of the reported improvement to energy efficiency is likely to have been delivered through other policy mechanisms; and that it has also proved to be an insufficient incentive for more local authorities to reach the levels of the best; and that the data provided under HECA might not be accurate and was not comparable between local authorities.
23. Regarding administrative burdens, the HECA Review (2007) stated: "Authorities have been reluctant to allocate funding for monitoring HECA progress. 62% of local authorities have not allocated any financial budgets to HECA officers for their annual HECA reports. Limited financial resources have resulted in limited monitoring methods." (Para 5.13). The Consultation stated further: "52% of local authorities have allocated under 0.4% of a full time employee's time for undertaking HECA activities." (Para 5.14)
24. A 2004 consultation survey by CAN of administration expenditure incurred by Local Authorities in relation to HECA found: "Annual Budgets for collecting data for HECA reporting are generally non-existent or at best modest. Almost two thirds of local authorities (62%) appear to have no budget for this at all; 30% have no more than £5,000 (and most have less than £2,000); very few (8%) have more." (HECA Review (2007)).
25. Given these limitations, administrative costs cannot be quantified with accuracy. The lapse in time since reports last have been submitted obscures an assessment further. Reporting records are incomplete.

Administrative burden calculations

26. Costs and benefits of abolition of HECA are as follows.
27. For the purpose of calculating the counterfactual administrative burden, a figure of £6 million per annum (2004 prices) has been used, adjusted to £7 million for inflation in 2010. This is the figure quoted in the HECA Review (2007) as the estimated total cost incurred by Local Authorities in England per annum for undertaking HECA activities. The figure used in the 2007 Review references a 2004 survey of 197 HECA officers.

28. In the absence of any information on the likely length of time for which HECA would be retained, these costs have been extrapolated with lower and upper bounds of five and fifteen years (2011 to 2016 or 2026, respectively).

Estimated administrative burden from retention of HECA	
Costs 5 year period (2011-2016)	Costs 15 year period (2011-2026)
PV: £32 million	PV: £82 million

29. Regarding benefits, there are further positives in respect of simplification of the policy landscape. HECA was introduced at a time when our spectrum of policy tools was narrow. In the meantime, the cluster of policies affecting the housing stock cover all aspects of carbon efficiency. Government is committed to localism and to reducing burdens on Local Authorities.

Summary and preferred option with description of implementation plan

30. The repeal of HECA contributes to ensuring the range of policy tools is kept up to date with current requirements and does not include redundant measures.
31. Implementation will occur through repeal and no further action will be needed subsequently.

Statutory Impact Tests

32. The statutory tests of equality in respect of gender, race, and disability have not been specifically undertaken. HECA had no impact in respect of any of these three areas of concern; the repeal of HECA likewise has neutral impact.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added to provide further information about non-monetary costs and benefits from Specific Impact Tests, if relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their actual costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

<p>Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review];</p>
<p>Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]</p>
<p>Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]</p>
<p>Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]</p>
<p>Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]</p>
<p>Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review]</p>
<p>Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]</p> <p>It is not intended to undertake a PIR of HECA's repeal.</p> <p>The purpose of a PIR would be to make adjustments to policy. Given that HECA will no longer be in place and no evidence on HECA's performance will be available, there would be no basis for evaluation.</p>

Add annexes here.