

**WRITTEN QUESTION TO THE MINISTER FOR PLANNING AND ENVIRONMENT
BY DEPUTY J.H. YOUNG OF ST. BRELADE
ANSWER TO BE TABLED ON MONDAY 30th JUNE 2014**

Question

Will the Minister publish the recent Internal Audit Review of the Energy Efficiency Services Grants carried out at the request of the Environment Scrutiny Panel and, if so, when?

Further to the response given on 29th April 2014, will he provide an explanation of the system for establishing eligibility for grants to carry out improvement work to privately owned properties and explain –

- (a) how the criteria set for eligibility are applied to grant decisions;
- (b) whether all or a single criteria are applied;
- (c) whether grants have been made to home owners who fall outside the capital asset disregard limits set by Social Security?

Would he inform the Assembly what arrangements, if any, he has made to secure the cost of grant against value of the property, identify the increase in property values as a result of undertaking such works and whether the costs can be recovered from the onward sale of the property?

Answer

The recent Internal Audit Report was carried out by the Chief Internal Auditor (CIA) of the States and it is the CIA which controls the issuing and distribution of audit reports. The role of Internal Audit is to provide assurance on systems and controls in the States of Jersey, is internal to the States of Jersey and Internal Audit Reports are not published. Internal Audit presents quarterly to the Audit Committee on Internal Audit activity including reports issued. Both the Public Accounts Committee (PAC) and Scrutiny Panels can request information, including that of Internal Audit.

In response to a request by the Environment Scrutiny Panel, the CIA agreed to share the Audit Report with Scrutiny and a copy of the full report was sent to Scrutiny earlier this month in confidence.

Personally, I was satisfied that Internal Audit's thorough investigation of the energy efficiency grant schemes has shown that my Department is administering the scheme in accordance with the relevant Financial Directions. Internal Audit raised some recommendations during their review and I am pleased to say all recommendations were addressed during the audit fieldwork and this was confirmed in the report.

- (a) *how the criteria set for eligibility are applied to grant decisions;*
- (b) *whether all or a single criteria are applied;*

The eligibility criteria for all applications to the Home Energy Scheme are as follows and based on the circumstances of the applicant.

This scheme is currently available to households that meet *any* of the following criteria:

- households registered on Income Support
- individuals registered on the 65+ Health Plan (Westfield)
- individuals that receive the Food Costs (GST) Bonus

- anyone aged over 65 that currently holds less than £50,000 in savings if married / co-habiting or £30,000 savings if living alone

(Members are referred to the detailed information on the scheme available on gov.je for further information¹ and application information on the scheme)

If an individual is applying on the basis that they are registered on Income Support, the 65+ Health Plan or the Food Costs Bonus scheme, the information that the applicant provides is sent to the Social Security Department (under a secure data sharing agreement) for verification. The Department refer to their database and confirm that the applicant is in receipt of the benefit as claimed. Thus the verification process in these cases is led by the Social Security Department who has already carried out their own eligibility checks on the individuals concerned.

The Scheme has expanded since it began in 2009. Previously, the eligibility criteria have referred to smaller sub-sets of recipients of Income Support (e.g. receipt of the Cold Weather Payment) but nevertheless, the eligibility verification route through the Social Security Department was the same.

Of the 1,330 successfully complete households assisted by the scheme 1,204 have been accepted on one of the three eligibility criteria outlined above.

There is a fourth criteria for eligibility that applicants may apply under – *‘anyone aged over 65 that currently holds less than £50,000 in savings if married / co-habiting or £30,000 savings if living alone’*. This age based criteria was added after approval the Jersey Energy Trust and the Minister in 2011 and initially open to people of low savings older than 70. Later in 2013, this category was widened to reduce the age from 70+ to 65+. These criteria aim to assist people that are vulnerable by virtue of their age but that fall outside (or do not claim) of Income Support. In this case, the applicant declares their savings which does not include the value of their home. In applying for the grant, the applicant is advised that their information must be true and accurate and that the Energy Efficiency Service should be notified of any relevant change in circumstances.

Of the 1,330 of households assisted by the scheme 122 have been accepted on this last eligibility criteria.

In all cases, the application form states that the information provided may be cross checked and any person who knowingly makes any false representation for any purpose is liable to repay the amount fraudulently obtained.

There is a further route if applicants are found to be ineligible for grant assistance under the usual criteria but that they feel their circumstances mirror the eligibility of the scheme in some way. In this case, they have the opportunity to make an appeal to the Minister directly. These are considered on a case-by-case basis and further investigation is gathered in order to provide a report and recommendation to the Minister who can choose to accept an application under his discretion using a Ministerial Decision. Since the Scheme began in 2009, only 4 cases have been considered by the Minister under this route.

The verification and application of grant eligibility was a matter covered by the Internal Auditor’s sampling. No breaches of procedure were identified.

(c) *Whether grants have been made to home owners who fall outside the capital asset disregard limits set by Social Security*

1

<http://www.gov.je/SiteCollectionDocuments/Environment%20and%20greener%20living/ID%20Energy%20Efficiency%20Service%20application%20booklet%2020130829%20CS.pdf>

<http://www.gov.je/SiteCollectionDocuments/Environment%20and%20greener%20living/F%20Home%20Energy%20Scheme%20application%20form%2020130829%20CS.doc>

The Energy Efficiency Service does not consider capital asset disregard limits in evaluation of its grant applicants – the eligibility for grants is based solely on the criteria outlined. There are some specific rules on capital assets for the benefits administered by Social Security.

Depending on the type of Income Support household, a certain amount of savings and investments are completely disregarded, but benefit is progressively withdrawn above this level. However, Income Support does not recognise the capital value of a household's main home, and so many elderly people will be in the position of being "asset rich, but cash poor" as they occupy a potentially valuable property but have little or no income to fund day-to-day costs, let alone energy efficiency improvements to their home.

In terms of households qualifying for the Food Costs Bonus, the answer to the question is likely to be a qualified yes, since households who qualify for this benefit are by definition just outside the eligibility criteria for Income Support, and so some of these will be prevented from receiving Income Support due to their capital assets. That said, the Food Costs Bonus is also targeted towards low income households, as it requires that the applicant is not eligible to pay Income Tax. Therefore, a household disqualified from Income Support on the grounds of capital assets but still eligible for the Food Costs Bonus would have to be in a position that they pay no tax whatsoever on the income from their assets.

The 65+ Health Plan (Westfield), also has the requirement that a person does not pay Income Tax, but additionally has an asset threshold of £20,000 for a single person and £30,000 for a couple.

Grants to individual home owners are not secured against the value of a property. Not all applicants are owner-occupiers since in many cases they are tenants. Tenanted properties are eligible for a selection, but not all, of the available energy efficiency measures.

Energy efficiency measures carried out to a property that is applicant-occupied include: loft and/or cavity wall insulation; the provision of low energy light bulbs; draught proofing; pipe lagging and heating system improvements including potentially including a new boiler or storage heaters. Measures are only installed if deemed appropriate (by a survey) for the property in question. The benefit for the vulnerable home owner is increased comfort and a lower energy bill, the benefit to the Island is a reduction in energy use and the associated carbon emissions.

Since 2012 when applying to the Scheme applicants are advised that if their property is put up for sale during the HES process, they will no longer be entitled to any works from the EES, because the vulnerable applicant as the homeowner themselves will not benefit from these measures directly. Applicants are advised that a re-assessment can be carried out if properties are removed from the market.

If the applicants go on to sell their property once the energy efficiency service works are completed this is beyond the scope of the scheme or provision of a grant. It is worth noting that the scheme caters to some of the most vulnerable people in our community. They have often lived in their homes for their whole lives and have no wish to move. Often it would be more logical for them to 'down-size' into a smaller more modern accommodation but for many reasons they do not choose to do this. Our Scheme respects this and aims to help as many eligible vulnerable Islanders as possible.

At the inception of the Scheme it was agreed that it needed to be as simple as possible in order to assist as many eligible applicants. Claw-back provision was felt to be difficult to administer and potentially deter applications. Should treated home go on to be sold, the measures remain in place and continue to deliver the intended benefits i.e. carbon savings, financial savings and improvements in comfort to the new occupants.

Properties which are tenanted by eligible applicants can receive some of the suite of energy efficiency measures offered but not boiler or storage heater replacements. In carrying out work in tenanted properties, the Landlord gives their consent for the work to go ahead but first they are offered the opportunity to use the survey information to either do the work themselves or to pay for the Scheme to carry out the work for them. If the Landlord does not take up these options then the EES will fund the

work so that the tenant themselves still benefits from improved comfort and lower bills. It is important to remember that some of the most vulnerable Islanders are in rental accommodation that may be of a very poor standard. When developing this scheme, the Minister and the Jersey Energy Trust agreed that this group should not be excluded from the benefits that the Scheme can bring to them. Upon agreeing to works the landlord is required to sign a declaration to agree not to raise the tenants rent for one year as a result of the property improvements carried out by the Scheme.

In contrast, energy efficiency grants offered to Community Buildings are treated differently. If the eligible organisation is an owner-occupier then there is a provision that covers the onward sale of the building within a period of five years. The value of energy efficiency improvements to this category is often larger than to individual home owners. Thus these grants are underpinned with several conditions including that the organisation must confirm that it has no plans to sell or change the use of the property in question in the next 5 years. They are required to inform the Department if this position were to change. If the property were to be sold within the 5 year period, an appropriate proportion of the grant funding is required to be paid back to the Department. The Department has no need to invoke this clause since the inception of the scheme.

If the eligible community building is tenanted, then the landlord is required to agree that they will not increase the rent to the tenant as a result of the improvement in the fabric of the building as paid for by the grant. Typically, tenanted community buildings assisted by this scheme have landlords that are not within the private sector e.g. the Parishes or religious groups.

Conclusion

The Environment Scrutiny Panel has received a copy of the Internal Audit Review of the Energy Efficiency Services Grants and in his capacity as Chair of this Scrutiny Panel; Deputy Young will have seen the report. I was satisfied that the review has shown that my Department is administering the scheme in accordance with the relevant Financial Directions.

The Deputy is reminded of the open invitation that he has received to attend the Department to further discuss any queries he may have in respect of this Scheme.

The Department takes its' financial controls very seriously; if the Deputy has evidence of ineligible applicants receiving grant assistance then he should provide that to the Minister so it can be fully investigated. If it is found that an applicant provided false information/representation in order to obtain a grant then the Department will have the opportunity to recover the value of the grant back.