

## CABINET

THURSDAY, 20 FEBRUARY 2014

### REPORT OF THE PORTFOLIO HOLDER FOR PUBLIC HOUSING AND VULNERABLE PEOPLE

#### THE COUNCIL'S APPROACH TO GREEN DEAL AND ECO

##### EXEMPT INFORMATION

None

##### PURPOSE

To agree the Councils approach to the delivery of Green Deal and the Energy Company Obligation.

##### RECOMMENDATIONS

That Cabinet adopts a local agency model approach to deliver energy efficiency schemes for residents in Tamworth.

That authority to procure an appropriately qualified organisation to undertake the local agency role on behalf of the Council is delegated to the Portfolio Holder for Public Housing and Vulnerable People and the Director of Housing and Health.

##### EXECUTIVE SUMMARY

In line with the Councils ambitions contained within its Healthier Housing Strategy, initiatives introduced to improve the energy efficiency of homes in the Borough have consistently delivered positive outcomes in relation to a range of indicators relating to Fuel Poverty and Energy Efficiency. The excellent progress made in this area of work needs to be maintained in order to both further improve the housing stock and the health and wellbeing of residents living in the Borough.

This report considers the approach the Council could take towards Green Deal and the Energy Company Obligation (ECO) in the Borough. As outlined to Members at a seminar delivered in November 2013, these initiatives are the Governments flagship energy schemes, providing finance and funding to allow householders to improve their homes and reduce their energy bills. The report considers a series of options concerning the potential role the Council could play in relation to delivery of Green Deal and ECO as set out by Government in its Energy Bill 2011. These options are considered in more detail within the body of this report. Using the terminology provided by Government these options are:

- Adopt a “passive” approach whereby the Council relies exclusively on the market to deliver Green Deal and ECO
- Assume a “promoter” role to promote and market Green Deal and ECO without recourse to working directly with any defined organisations or delivery model
- Develop a Local Agency Model as a ‘producer’ approach by utilising existing

resources to further develop the Council's approach to energy efficiency via it's own Home energy Advice Tamworth (HEAT) brand and the procurement of an appropriately qualified organisation to act as a partner agency

- Work within a “partner” arrangement whereby a consortium of local authorities procure a single partner for the delivery of Green deal and ECO activity
- The Council establishes itself as a Green Deal “provider” with the ability to directly provide finance to residents to fund appropriate works on their properties under the Green Deal programme

Following consideration of these options this report recommends that the Council adopts an approach that establishes a Local Agency Model as a ‘producer’.

### RESOURCE IMPLICATIONS

The costs of setting up a local agency model in Tamworth would be met from existing budgets. Currently, an annual budget of £13,660 is utilised to fund the delivery of the Council's HEAT initiative. This arrangement will come to an end in March 2014 as the service Level Agreement with the current provider of HEAT services expires at that point.

Setting up a local agency model would involve a procurement process via the Council's Intend procurement tool. This would ensure an appropriately qualified partner could be identified that would further develop the Council's approach.

Additionally, referrals for work being made to ECO providers will generate fees that could be paid to the local agency that over time could see the service becoming self sustaining and with no recourse to Council funding.

### LEGAL/RISK IMPLICATIONS BACKGROUND

Risks	Controls
The Council takes a do nothing approach and misses the opportunity to access available funding to improve all housing across the Borough	The Council chooses to adopt a producer role and procures a local agency to maximise its opportunities
Under the local Agency “Producer” model take up is low and referral fees are not paid	Use of the HEAT brand, a trusted and recognised brand in Tamworth and ongoing promotion of this should maximise take up  Work by officers to identify areas or schemes where funding could be taken advantage of will assist with this  Targeted marketing campaigns and ongoing promotion of the schemes
Government alters its policies in relation to Green Deal and ECO	By utilising the Local Agency Model this gives the Council the flexibility to work with a number of providers to get the best outcomes for local residents

## **SUSTAINABILITY IMPLICATIONS**

For Tamworth the people:

- Warmer homes and better health: Improving the energy efficiency of homes in Tamworth should lead to improved health and wellbeing of Tamworth Residents
- More energy efficient homes should lead to lower utility bills resulting in people having more disposable income to spend in Tamworth
- The maintenance of Tamworth as a place that performs well against fuel poverty and energy efficiency indicators

For Tamworth the place:

- Investment in homes in the Borough at no cost to the Council improving the stock
- Where possible local companies will be procured to undertake works and this creates local jobs

Aspire & Prosper:

- Lower energy bills results in people having more disposable income to spend in the town

Healthier & Safer:

- Warmer homes should lead to improved health and wellbeing of residents of the Borough

## **BACKGROUND INFORMATION**

Tamworth Borough Councils Healthier Housing Strategy sets out the Councils commitment to improving the energy efficiency of properties across all housing stock in Tamworth. The Council recognises the benefits of this in reducing carbon emissions, enabling affordable warmth, alleviating fuel poverty and improving the condition of the housing stock as well as improving the health and wellbeing of the residents of the town.

There has been sustained action over the last 5 years with the Councils Home Energy Advice Tamworth (HEAT) service set up which offers a dedicated advice line for all residents across the Borough to access advice and energy information related to improving the energy efficiency of homes.

Until December 2012 the Council worked with partners to fully utilise the remaining Carbon Emissions Reduction Target (CERT) funding by running a project through HEAT which resulted in over 3000 Cavity Wall and Loft Insulation Measures being installed in the Borough, across all tenures, which resulted in a significant increase in the number of homes insulated in Tamworth.

The Council has additionally invested in its own stock achieving Decent Homes Standard.

Tamworth also performs well on a range of indicators relating to fuel poverty and energy efficiency with the lowest level of excess winter deaths in Staffordshire the lowest percentage of households in fuel poverty in the County and the lowest energy

bills per head of population in Staffordshire. Despite all of this the Council recognises that it still faces challenges around fuel poverty and energy efficiency in the Borough, and these are set out in the Council's Home Energy Conservation Act (HECA) plan (available on the Council's website) with clear priorities for action identified. This report looks at the opportunities provided by Green Deal and the Energy Company Obligation (ECO) and how the Council might take advantage of the opportunities provided by the government's energy policy to address the priorities set out in the Healthier Housing Strategy and meet the targets set out in the HECA plan.

The Green Deal is a financial mechanism to enable householders and organisations to undertake energy efficiency and sustainable energy measures through a loan. The loan is repaid through subsequent energy savings from installing these energy saving measures. Any loan must meet the Golden Rule which means that the cost of the loan must not exceed the savings that will be made over the lifetime of the measure. This approach aims to remove the need for upfront financing of installation of measures by householders, a key barrier to action. Importantly, the Green Deal Loan is attached to the energy supply of the property and not a householder, allowing householders to undertake measures even without the certainty of remaining in that property. The process starts with a Green Deal Assessment analysing the energy performance of the home. Where appropriate, the assessment will recommend the installation of various energy efficiency measures and offer suggestions in behavioural change that will bring about a reduction in energy bills. For those households who have had an assessment and want to move forward, some will be in a position to pay for all the recommended measures themselves, while for others Green Deal finance will require little or no upfront payment, with repayment over time as they make savings in their energy bills. Green Deal is aimed at both businesses and homes. This report is focused on the home element.

The Green Deal is accompanied by ECO, a funding scheme which helps to subsidise energy efficiency improvements for vulnerable people, those in vulnerable communities and toward vulnerable or hard to treat properties. Energy companies will be obliged to set aside funds to pay for efficiency improvements. This will replace all the existing subsidies and grants for home energy conservation measures. ECO is being delivered in three strands:

1) *Affordable Warmth ECO*: This pays for any qualifying measure that will reduce heating costs. Targeted only at vulnerable households with low incomes or on benefits;

2) *Carbon Saving ECO*: This is a subsidy towards the cost of expensive measures such as solid wall insulation. Any householder is eligible, and the measures could be installed as part of a Green Deal package. The subsidy allows these costly measures to meet the golden rule. The Carbon saving element of ECO is the most relevant for the Green Deal, as it will be used to top up the cost of some Green Deal measures;

3) *Carbon Saving Communities*: A sub-set of "carbon saving ECO" will be targeted at low income communities (the 15% most deprived Lower Super Output Areas) so measures can be installed on an area basis. There are 5 such super output areas in Tamworth which will qualify for this funding. These are located in the Amington, Belgrave and Castle wards with a further 2 areas located within the Glascote ward. Further detail on the identified areas are provided within the paper attached to this report.

To take full advantage of Green Deal and ECO when they were launched the

Government set out a number of potential roles for Councils to take in the delivery of the policy. An assessment of these roles was undertaken by cross directorate team formed of Directors, Heads of Service and Officers from housing, procurement and property services to identify how the Council could effectively maximise the opportunities arising from Green Deal and ECO for the Borough. The roles were scrutinised in turn as follows:

**Passive:** Within this role the Council would take an essentially “do nothing” strictly market led approach with Councils playing little or no role in the Green Deal leaving it to the market. This was considered to not to be an option for the Council given the important implications successful delivery of Green Deal and ECO has for Tamworth residents. It is considered the Council needs to adopt an appropriate role (rather than do nothing) to ensure the energy efficiency of the housing stock continues to be improved.

**Promoter:** In this role the Council would act purely in the role of promoter, without any relationship with any green deal associated organisations or connection to any delivery model. Resources under this model would be geared towards a general marketing campaign. As with the above option, the Council should be engaged at the appropriate level to influence the delivery of Green Deal and ECO and ensure positive, cost effective outcomes for local people.

**Producer (Local Agency Model):** This model looks to utilise the Councils knowledge and trusted brand, offering an opportunity for local authorities to play an important role in delivering Green Deal and ECO via promotion and identification of opportunities within the local community. This can be delivered in a number of ways either with the local authority working as the producer, utilising an existing entity such as the Energy Trust Advice Line or via the procurement of a partner agency to work alongside, a local agency model. This model was preferred as it provides a flexible, low cost approach that builds on the Council’s previous experience and delivery in this area of work whilst maintaining a positive, partner approach that ensures access to independent expertise to guide activity.

**Partner:** With this approach a Council or consortium of local authorities undertake a procurement exercise to select an exclusive Green Deal delivery partner allowing local authorities to take full advantage of the Green Deal and ECO and is characterised by a commitment from the Local Authority to procure and work with an exclusive partner over a specific period of time. Tamworth Borough Council has signed up to this approach with Birmingham Energy Savers but to date, evidence suggests this initiative has not been successful in delivering Green Deal and ECO. This approach also binds the Council to a single partner whereas better “deals” for local people may become available on the market which could be accessed under the more flexible local agency model.

**Provider:** This approach sets up the Local Authority as a Green Deal provider with the Local Authority providing finance via the creation of a finance vehicle, through a combination of prudential borrowing, reserves and treasury management. This would potentially be difficult to set up and would require the Council to dedicate significant resources to the delivery of uncertain outcomes.

Working closely with external support and having explored all of the above roles and undertaken a full options appraisal, it was considered (as highlighted above) that the most appropriate role for the Council to adopt would be that of the producer (i.e. the local agency model approach).

As highlighted above, this more flexible approach would utilise the HEAT brand and in partnership with a carefully procured local agency partner would deliver Green Deal and ECO opportunities in the Borough. Within the local agency model the set up would replicate the current HEAT service with the Local Agent managing a contact centre, providing advice and information to local residents and would develop relationships with ECO installers and providers, procuring where necessary to allow for works to be undertaken. Chosen installers then pay referral fees, resulting in income generation for the Council thus over time reducing the contribution the Council pays for the agency to deliver the service. This arrangement would replicate previous arrangements under now defunct financial regimes that provided funding for the installation of energy efficiency measures. For example, over 2013/14, the Council received around £3,000 in referral fees as a direct result of the free cavity wall and loft insulation offer that was available in Tamworth.

The Council's current Service Level Agreement with the service providers of the HEAT line is due to expire in March 2014, so the Council would be looking to tender again for the new service and it is proposed that the Council will tender for the service in line with the Council's procurement processes.

The benefits of this model to the council are:

- Costs to procure and set the model up will be incurred but in time referral fees should help offset some of this cost
- Once the procurement exercise is undertaken, setting this model up would be achieved within the first 3 months of the contract with the chosen provider being agreed. This would be possible as the current arrangements under HEAT will provide an effective base position from which to implement the local agency model and further develop the Council's approach.
- Within this model there is flexibility to choose between ECO providers and no long term commitment on the part of the Council

The Council retains control of the agent and can steer the direction it takes.

#### **REPORT AUTHOR**

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#### **LIST OF BACKGROUND PAPERS**

Everything you need to know about the Green Deal and ECO

#### **APPENDICES**