

Report to Cabinet
9 October 2013
Report of Executive head of strategy, people and democracy
Subject Green Deal

Item

7

Purpose

To consider the council's role in the Green Deal and a government funding opportunity.

Recommendations

1. To take on a partner role in the application of the Green Deal in Norwich and delegate authority to the Executive head of strategy, people and democracy in liaison with the Portfolio holder for environment, development and transport to procure a suitable Green Deal delivery partner.
2. To not allow applications from council tenants for Green Deal measures that they will receive in the future through the rollout of the council's Norwich Standard or planned energy company obligations funded housing improvement works.
3. To delegate authority to the Head of housing to consider applications from council tenants for other Green Deal measures not covered by the Norwich Standard or planned energy company obligations funded housing improvement works on a case by case basis in line with the council's role as a landlord but on the presumption that any agreed would be delivered via either the council's chosen Green Deal delivery partner or ECO funded housing insulation supplier (Fosters).
4. To delegate authority to the Executive head of strategy, people and democracy in liaison with the Portfolio holder for environment, development and transport and the Chief finance officer to sign up to the government grant should the funding application be successful.
5. To agree if a government grant is received to recommend to Council the inclusion of the capital funding in the council's capital programme.

Corporate and service priorities

The report helps to meet the corporate priorities Prosperous City, Decent Housing for All and Value for Money.

Financial implications

The costs of carrying out the work described within this report would be met from referral fees and existing resources.

If successful the government funding application will result in the council receiving additional capital and revenue funding. The exact amount will depend on the amount awarded.

Ward/s: All wards

Cabinet member: Councillor Stonard – Environment, development and transport

Contact officers

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Background documents

None

Report

Background

1. In Norwich it is estimated that 17% of households, or nearly 1 in every 5, are experiencing fuel poverty. That equates to approximately 10,000 households. As such, one of the key actions within the council's corporate plan is to "reduce fuel poverty through affordable warmth activities". The council's activities to reduce fuel poverty are guided by its affordable warmth strategy and it has already carried out a large range of work including:
 - a) Helping over 300 private households last year to improve the energy efficiency of their homes through accessing government grants to install cavity wall insulation.
 - b) Becoming the first city in the country to implement a collective energy switching service to help citizens get a better deal for their gas and energy supply.
 - c) Working with partners to support the rollout of the Warm and Well campaign in Norwich in the lead up to each winter to ensure people have information and advice on affordable warmth and that vulnerable people receive Warm and Well packs with practical products to help them during the coldest months.
 - d) Launching a project with local voluntary organisations to install simple low cost energy efficiency measures into the homes of vulnerable people.
 - e) Identifying private homes with excess cold hazards and taking steps to remove the hazard through our private sector housing work including enforcement activities where necessary.
 - f) Continuing to improve the energy efficiency of the council's housing stock through the rollout of the Norwich standard.
2. In Norwich council homes are significantly more energy efficient than privately owned homes with previous work showing the average SAP rating of council homes at 70% compared to only 47% for privately owned homes. The major investment programme being progressed to deliver the Norwich Standard for council homes will continue to improve their energy efficiency.

The Green Deal

3. The Green Deal (GD) is a government initiative which operates by providing energy efficiency and other works at no up-front cost to the householder across all tenures and businesses. It is based on the simple principle that generally energy efficiency measures should be able to pay for themselves through the savings that they generate. It replaced the previous suite of government grants available for this type work which the council has helped people to access.

4. The GD works through the costs of the energy efficiency measures installed on the property being met by a GD loan attached to the property rather than the householder. This loan is repaid by the savings made from the property's electricity and heating bills as a result of having the energy efficiency measures.
5. A critical part of the GD is the 'golden rule' whereby the expected financial savings resulting from installing measures must be equal to or greater than the cost of repayment over the term of the GD plan. The repayment period may be the lifetime of the measure or a specified "pay-back" period. If the estimated annual saving is expected to be equal to or greater than the expected annual repayment costs, the GD "plan" can be said to meet the golden rule and can go ahead. The GD provider should have the flexibility to vary costs to produce the best offer for the customer. For certain measures an extra upfront subsidy could be sought via the Energy Company Obligation which is set out in paragraph 8. Alternatively a householder could choose to pay a top-up to bring down the repayment cost.
6. A large range efficiency measures are potentially available through the GD (depending on the provider). The table below sets out the typical types of measures:

Heating and ventilation	Condensing boilers, heating controls, under-floor heating, heat recovery systems, flue gas recovery devices
Building fabric	Loft insulation, flat roof insulation, internal wall insulation, external wall insulation, draught proofing, floor insulation, heating system insulation (cylinder, pipes) energy efficient glazing and doors
Lighting	Lighting fittings, lighting controls
Water heating	Innovative hot water systems, water efficient taps and showers
Microgeneration	Ground and air source heat pumps, solar thermal, solar, biomass boilers, micro combined heat and power

7. As the loan is attached to the property for citizens in private rented accommodation to benefit from the GD measures it would require their landlord as the property's owner to progress a GD application. Given that improving private rented accommodation would be an important area of focus for the council marketing the GD effectively to landlords would be a key challenge in the future.

Energy Company Obligations

8. The Energy Companies Obligation (ECO) was introduced in January 2013 to reduce the UK's energy consumption and support people living in fuel poverty. It does this by funding energy efficiency improvements worth around £1.3 billion every year.
9. The ECO will run until March 2015, supporting the installation of energy efficiency measures in low-income households and areas, and in properties that are harder to treat. It works alongside the GD to give consumers support and funding for energy efficiency improvements in their homes.
10. ECO funding is provided by the 'big six' energy companies at their discretion for insulation improvement works with the level of funding available dependent on the main heating supply for the property concerned. The funding can be used for a number of different improvements.
11. In June the cabinet agreed to award a 3 year contract to Foster Property Maintenance Ltd for ECO funded insulation works to housing properties.
12. Any approach taken to the rollout of the wider GD to private households in Norwich would need to ensure that opportunities for the use of ECO funded works are utilised.

Potential application of the GD

13. The national roll out of the GD has encountered significant problems in regards to the legislative framework relating to the consumer credit act as the loan is attached to the property rather than the householder. This means that while a significant number of assessments for GD measures have been carried out the number of measures actually installed is very low indeed. However, it is believed that these legal problems have now been overcome.
14. The GD is very different to the previous range of government grants that were available for energy efficiency measures due to the fact a loan is secured to the property. When this is combined with the national problems regarding the funding mechanism it is quite difficult to accurately predict how attractive the GD may be to citizens in Norwich.
15. Results from initial work carried out elsewhere suggest that even if the GD is marketed very well the interest in it may be quite low. However, with the end of the previous government grants regime, at present, it is really the only viable mechanism for the council to help private households to improve the energy efficiency of their homes. It is, therefore, considered appropriate for the council to play a key role in the application of the GD in Norwich as part of its wider affordable warmth work.

The options

16. There are a number of options open to the council in regards to its role in the application of the GD in Norwich including:

Do nothing – leave activity entirely to the private market (there will already be different companies offering green deal assessments and works in Norwich).

Promoter – this would be a low level of involvement where the council would just carry out a marketing campaign to make citizens more aware of the GD.

Partner – this would be an approach with a higher level of involvement. The council would procure a suitable delivery partner who the council would then promote as its preferred GD provider in the area. The delivery partner would provide both the financing and delivery of the measures. Again in this model the council would receive a referral fee from the chosen provider.

Provider – this would be the approach with the most direct involvement. The council would both finance and deliver the programme independently taking on the role of a GD provider.

17. Following work carried out by officers it is proposed that the council take on the role of a partner in the application of the GD in Norwich. The main advantage of this approach is that allows the council to promote the GD across the City whilst setting appropriate standards for the GD provider it would be recommending but without the potential financial burden/ risk that would be required if the council were to become a provider itself.
18. The GD delivery partner procured would be required to jointly promote and market the GD with the council and also ensure that opportunities for ECO funded works were offered for private households in Norwich. The targeting of this work would be informed by the stock condition survey recently carried out by the council. Also as part of the procurement and contract process the GD delivery partner would be encouraged to employ people from the 'Building Futures in Norwich' project in line with the council's wider priorities and policies. We would also ask potential suppliers to set out how the GD could be offered to commercial assets and businesses in the City.

Approach to applications from council tenants

19. A significant number of the measures offered by the GD are already included within the Councils 'Norwich Standard' (the increased standard to which Council properties are now improved to) such as high efficiency boilers, energy efficient glazing, insulation upgrades etc, at no additional costs to the tenant.
20. In addition to this the approach to energy company obligations (ECO) funding agreed by cabinet in June will provide some additional opportunities to reduce the running costs of council properties using technologies not included within the Norwich Standard for low income tenants in certain areas.
21. It is, therefore, not considered appropriate to allow applications from council tenants for GD measures that they will already receive at no extra cost as part of the Norwich Standard or planned ECO funded housing improvement works.
22. Where tenants apply to have GD measures that are not covered it is considered appropriate as part of the council's role as a landlord to consider

these on case by case basis. Where applications are agreed it would be on the presumption that these were delivered through either the council's chosen GD delivery partner or ECO funded housing insulation supplier (Fosters) to ensure the work is carried out to the appropriate standard etc.

Funding opportunity

23. In July 2013 the Department of Energy and Climate Change (DECC) announced that local authorities and their partners could apply for funding of between £1m-£3m to help drive GD energy efficiency improvements in their area with the aim being to maximise the delivery across whole communities/streets including hard to reach sectors. The funding can only be used for privately owned properties.
24. Discussions with Broadland District Council and South Norfolk Council; have resulted in a joint expression of interest being developed for just over £1.3million of funding. This is made up of a request for £925,000 capital to support GD efficiency improvements, £200,000 for the provision of local training on the GD and £200,000 for project management and promotion and marketing of the GD. Even if successful the amount of funding offered by DECC could be different.
25. If successful there would be joint marketing and promotion of the GD across Greater Norwich involving the three councils and their delivery partners. There would be also be some jointly commissioned training provided on the GD for local SMEs. In Norwich the capital funding would be used to target and subsidise solid wall works on hard to treat private properties.

Integrated impact assessment



NORWICH
City Council

Report author to complete

Committee:	Cabinet
Committee date:	9 October 2013
Head of service:	Russell O'Keefe
Report subject:	Green Deal
Date assessed:	7 September 2013
Description:	To determine the council's role in the Green Deal and consider a government funding opportunity.

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Promotion of the GD will support the local economy and should create local employment opportunities
Financial inclusion	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Improving the energy efficiency of homes in Norwich will help to reduce fuel poverty.
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Affordable warmth work has a range of benefits to health and wellbeing.

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Improving the energy efficiency of homes in Norwich will help to reduce the City's carbon footprint.

(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Recommendations from impact assessment	
Positive	
Negative	
Neutral	
Issues	