

**Report to** Cabinet  
12 June 2013

**Item**

**Report of** Head of property services, NPS Norwich Ltd  
**Subject** Award of contract for the Energy Companies Obligation funded energy efficiency upgrade works to council housing properties and tenant applications for "Green Deal" initiatives

14

## **KEY DECISION**

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### **Purpose**

To advise Cabinet of the procurement process for the Energy Companies Obligation (ECO) funded insulation and energy efficiency upgrade works to council housing properties , and seek approval to award the contract to the selected supplier for the duration of the ECO funding initiative; and

To consider the implications of externally provided "Green Deal" initiatives for tenants of council housing.

### **Recommendations**

- (1) To award a 3 year contract to Foster Property Maintenance Ltd for ECO funded insulation works to housing properties.
- (2) To approve the commitment to spend up to £1m from the housing capital and revenue budgets in the current year (2013/14). Amounts in years 2 and 3 will depend on availability of future funding authorised by Council.
- (3) That, in view of funding arrangements for the Green Deal, and the liability this could place on the Council and subsequent occupiers, the Council temporarily does not allow housing tenants to take up Green Deal initiatives offered by external agencies until the wider strategy for the Green Deal is considered later this year; and
- (4) The Council continues to include the provision of similar energy saving and carbon reduction measures as part of the Norwich Standard for investment in the housing stock.

### **Corporate and service priorities**

The report helps to meet the corporate priority "Decent housing for all" and the service plan priority to deliver the "Norwich Standard".

## **Financial Implications**

The financial consequences of this report are awarding a contract for up to £1m to be financed from existing forecasts within the housing capital and revenue budgets.

Should tenants access Green Deal measures independently of the Council it is possible that due to the way the Green Deal loan is secured against the property there may be instances where the loan payments will need to be covered by the Council during void periods. In addition void times may increase (and therefore rent loss increases) whilst a new tenant willing to take on a property with a loan secured against it is found. It is not possible to quantify these costs at this time.

**Executive Member:** Councillor Bremner – Housing

**Ward:** All

### **Contact officers**

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## Report

### Background

1. The Energy Companies Obligation 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.
2. Parliament passed the Electricity and Gas (Energy Companies Obligation) Order 2012 on 4 December 2012 and it is now in effect. 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 Green Deal to give consumers support and funding for energy efficiency improvements in their homes.
3. The Green Deal and the ECO will help reduce carbon emissions from the UK's domestic building stock, which is an essential part of the UK's plan to meet its statutory domestic carbon emission reduction targets by 2050.

### Scope of the ECO

4. There are 3 obligations under the ECO.

#### (a) **Carbon Saving Community Obligation**

This provides insulation measures to households in specified areas of low income. It also makes sure that 15% of each supplier's obligation is used to upgrade more hard-to-reach low-income households in rural areas.

A list has been produced of eligible low-income areas and a definition of rural areas for England, Scotland and Wales (as referred to in the ECO Order) in Energy Company Obligation Carbon Saving Community Obligation: rural and low-income areas. A number of eligible low income areas are within the Norwich City boundary. Please note: this document contains a correction slip added in October 2012. You can download a separate copy of the correction slip.

#### (b) **Affordable Warmth Obligation**

This provides heating and insulation measures to consumers living in private tenure properties that receive particular means-tested benefits. This obligation supports low-income consumers that are vulnerable to the impact of living in cold homes, including the elderly, disabled and families.

#### (c) **Carbon Saving Obligation**

This covers the installation of measures like solid wall and hard-to-treat cavity wall insulation, which ordinarily can't be financed solely through the Green Deal.

5. 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. Improvements currently available for Eco funding include:

- (1) Loft insulation
- (2) Roof insulation
- (3) Cavity Wall insulation
- (4) External wall insulation
- (5) Floor insulation
- (6) Pipe work insulation
- (7) Duct work insulation
- (8) Draft proofing
- (9) Doors and windows

6. The levels of funding available are likely to change as the end of the initiative (in 2015) approaches. If the energy companies are reaching their targets then the levels are likely to decrease, if they are not reaching their targets then the levels could increase.

#### **Delivery of an ECO funded initiative**

7. NPS Norwich Ltd have identified properties that are likely to be eligible for ECO funding.

Research has shown that to get a grant approved for each individual property takes approximately 4 hours. Neither NPS Norwich Ltd nor the council currently have the knowledge or resources available to manage this.

However, a number of providers of the required works already have working relationships with the energy companies and are able to complete all of the required administration to obtain funding.

Taking all of this into consideration the most logical way forward, bearing in mind time may be of the essence (paragraph 6), would be to appoint a supplier(s) to obtain the funding and carry out the works in liaison with, and under the supervision of NPS Norwich Ltd.

#### **Eastern Procurement Consortium – Planned improvement works contract framework**

8. The Eastern Procurement Consortium (EPC), on behalf of its members, has procured a contract framework for the provision of planned improvement works to social housing. This was achieved through an OJEU compliant process. Members, which include Norwich City Council, are able to make “call-offs” against this contract until 31 March 2016 with Foster Property Maintenance Ltd was appointed as the sole provider of works for this contract.

9. All of the categories of work required for this project are available through this contract framework from the contract schedule of rates. The schedule of rates was constructed and arrived through the competitive tendering process and can therefore be assumed to represent value for money.
10. Award of this contract will not bind the authority to making any volume of orders. One of the advantages for the authority of the EPC framework contract with Foster Property Maintenance Ltd is that orders can be 'called-off' as and when required.
11. Officers have met with representatives from Foster Property Maintenance Ltd who confirm that they are able to provide the works required. They further confirmed that:
  - (1) They are able to access and administer ECO funding and already have arrangements with some of the major energy suppliers. They estimated, given our types of property, that average funding of 46% to 47% should be achievable.
  - (2) They currently employ approximately 200 staff delivering contracts for the Council through the framework with the majority of these staff being sourced locally.
  - (3) They currently have 4 apprentices from Norwich City College deployed on our contracts - a 5th is starting in September. They foresee the possible need for an additional supervisor for the project and will contact the 'Building Futures in Norwich' project with a view to sourcing the post from there if possible.
  - (4) They would like to approach all adjacent owner/occupiers to offer and support them to obtain ECO funding for similar upgrades.

### **Tenant applications for Green deal initiatives**

12. The Green Deal is a Government initiative to allow domestic property occupiers to carry out certain energy and/or carbon reduction measures through an approved installer and spread the cost over a fixed period. This is in the form of a low interest loan provided by a green deal funder, such as Centrica (British Gas), and attached to the electricity supply meter for the period of the loan. The loan does not move with the occupier it is locked to the property until paid in full. For Norwich City Council tenants the majority of eligible measures delivered through the Green Deal are already programmed and delivered through the annual capital improvement programme and the increased Norwich Standard.

### **What is a Green Deal Measure?**

13. A Green Deal Measure is an "improvement" made to a property which has been financed through the Green Deal. This can include part-financing, where a customer has chosen to pay for some of the work themselves. However, there will be no standard Green Deal measure or list of measures that are appropriate for every property. What is appropriate for a property depends on a number of factors, including the work already carried out, the characteristics of the building and in some cases geographical location.

#### 14. Typical measures include

<b>Heating and ventilation</b>	Condensing boilers Heating controls, Under-floor heating, Heat recovery systems, Flue gas recovery devices
<b>Building fabric</b>	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
<b>Lighting</b>	Lighting fittings, Lighting controls
<b>Water heating</b>	Innovative hot water systems, Water efficient taps and showers
<b>Microgeneration</b>	Ground and air source heat pumps, Solar thermal, Solar PV, Biomass boilers, Micro-CHP

#### “The Golden Rule”

15. The key to whether a measure, or package of measures, is actually financed through the Green Deal is the ‘Golden Rule’. The expected financial savings resulting from installing measures must be equal to or greater than the cost of repayment over the term of the Green Deal 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 Green Deal “plan” can be said to meet the Golden Rule and can go ahead. The Green Deal 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 new Energy Company Obligation. Alternatively a householder could choose to pay a top-up to bring down the repayment cost.

#### The Norwich Standard

16. A significant number of the measures offered by the Green Deal are already included within the Councils ‘Norwich Standard’ (the improved standard to which Council properties are now improved) such as high efficiency boilers, energy efficient glazing, insulation upgrades etc, at no additional costs to the tenant. In addition to this ECO funding will provide additional some opportunities to reduce the running costs of properties using technologies not included within the Norwich Standard for low income tenants in certain areas.

#### Possible issues

17. There is a view held by some that the non ECO elements of the Green Deal are more aimed at private owners rather than social landlords. Also following the completion by most social landlords (including the Council’s stock) of the “Decent Homes Standard” most properties that would benefit from Green Deal measures have already had a lot of those measures completed or it is already programmed under the Norwich Standard.

18. For social landlords such as the Council it is possible that there may be a number of issues should a tenant decide to access Green Deal initiatives:

- (1) Lack of control over what work is carried out to the authorities stock and by whom depending on the nature of any arrangements put in place
- (2) Long term loans attached to properties making them hard to relet following a void period
- (3) The authority will have to pay the loan during the void period
- (4) The property may be hard to let if a loan is attached to the supply meter

19. The actual position regarding the above issues is currently unclear and it is recommended that Cabinet agree to temporarily refuse Green Deal applications by tenants until the Council has developed an overall strategy on the approach to the Green Deal later in the year.

### **Legal Opinion**

20. NPLaw have confirmed that there is no legal conflict in terms of the tenancy agreement should a Green Deal application by a tenant be refused.

## Integrated impact assessment



**NORWICH**  
City Council

The IIA should assess **the impact of the recommendation** being made by the report

### Report author to complete

<b>Committee:</b>	Cabinet
<b>Committee date:</b>	12 June 2013
<b>Head of service:</b>	Head of Property Services (NPS Norwich)
<b>Report subject:</b>	Award of contract for the Energy Companies Obligation funded energy efficiency upgrade works to council housing properties and tenant applications for "Green Deal" initiatives
<b>Date assessed:</b>	24 May 2013
<b>Description:</b>	

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The ECO project will make the Councils housing stock more energy efficient and reduce energy costs and carbon emissions for the residents. There will be no impact of tenant applications for Green deal measures unless the decision to allow tenants to access the Green deal is made, in which case the impact may be negative.
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"/>	The majority of Foster Property Maintenance Ltd staff working on the contract live in the Norwich area. The contract will provide them with work with a proportion of their earnings being spent in the local economy.
Financial inclusion	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The initiative will be targeted at areas of deprivation. Reduced energy costs for residents will help improve their financial circumstances.
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"/>	

	Impact			
<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"/>	Reduced energy costs, leading to the potential for improved financial circumstances, can lead to improved health and welfare outcomes for children and vulnerable adults.
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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Reduced energy use will lead to a reduction in the amount of resources used.

	Impact			
<b>Pollution</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Reduced energy use will lead to a reduction in the amount of pollution caused during the energy conversion process.
<b>Sustainable procurement</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The works required to deliver this project have been procured sustainably from ethical sources.
<b>Energy and climate change</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Reduced energy use will have a positive effect on climate change.
<b>(Please add an 'x' as appropriate)</b>	<b>Neutral</b>	<b>Positive</b>	<b>Negative</b>	<b>Comments</b>
<b>Risk management</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

## Recommendations from impact assessment

### Positive

The approval of the recommendations in this report will result in a positive impact in eight areas - see details above.

### Negative

There are no negative impacts

### Neutral

<b>Issues</b>