

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

3 NOVEMBER 2011

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

**Housing and Community Safety – Lead Cabinet Member – Councillor Nelson
Environment – Lead Cabinet Member – Councillor Rose**

COMMUNITY ENERGY SAVING PROGRAMME – STOCKTON-ON-TEES-PROJECT

1. Summary

The Community Energy Saving Programme (CESP) is a Government initiative targeting low income areas to deliver a range of home energy efficiency measures; the aim being, to alleviate fuel poverty and reduce carbon emissions. The Programme was introduced in September 2009 and is set to run until December 2012.

British Gas has approached Stockton-on-Tees with proposals to deliver a Community Energy Saving Programme (CESP) within a number of the Super Output Areas (SoAs) within the borough that meet the CESP criteria.

There are 16 areas within Stockton which are eligible for CESP projects. Initial discussions with British Gas identified seven areas within the Borough, which focussed solely on solid wall properties and which would deliver cost effective CESP schemes; Newtown, Victoria, three areas within Parkfield and two areas within Portrack and Tilery.

To take forward any of these schemes requires a level of match funding dependent upon the range of measures to be delivered and the carbon savings achievable. This requirement has been a major hurdle to deliver on CESP in the borough resulting in long and frustrating discussions with a number of the energy supply companies over the last two years.

Parkfield / Mill Lane would be the preferred area to target the CESP resources being offered by British Gas. As previously reported to Cabinet (14.7.11) this area includes the Parkfield Housing Market Renewal (HMR) project which is currently subject to a HMR Transition Fund bid. Pending a successful bid outcome, the Council has identified £400k for face lift improvement works to 80 properties which are no longer proposed for demolition. It is proposed to use this £400k as a means of part-matching the CESP funding offer from British Gas.

Newtown, Victoria, Portrack and Tilery SoAs have substantial social housing elements included where the energy efficiency of the stock is already at a level above the average within the private sector housing stock which means that delivering a CESP in those areas would not achieve the same impact on fuel poverty.

The following three schemes in Parkfield could be taken forward, which would deliver a £3.3m housing project, requiring match funding of £888,900 from Stockton Borough Council.

Area	No of Houses	Total Scheme cost	Stockton Council Contribution	British Gas Contribution	Lifetime Carbon Savings (tonnes)
Parkfield 1	350	£1,895,237	£391,672	£1,503,565	85,918
Parkfield 2	190	£1,062,723	£327,268	£735,455	42,026
Parkfield 3 (extended area B)	80	£380,000	£170,000	£210,000	33,066
	620	£3,337,960	£888,940	£2,449,020	161,010

Assuming the HMR Transition Fund bid is successful then the £400k identified by the Council for 'facelift' improvement works will leave the amount of further match funding required by the council to be approx £488,940.

British Gas would fully manage the scheme including engagement with individual house holders, full house surveys and organisation of the installation work including all legal, health and safety and customer relationship requirements.

2. Recommendations

It is recommended that:

1. Pending a successful HMR Transition Fund bid, Cabinet support the re-direction of the £400k of council resources currently approved for facelift improvement works to be used as part of the necessary CESP match funding.
2. Cabinet approve the allocation of an additional £489k resource to match the proposal for a CESP scheme in Parkfield / Mill Lane from the Council's share of the VAT shelter. If the outcome of the HMR Transition Fund Bid is unsuccessful this allocation will increase to £889k.
3. Cabinet delegate authority to obtain the most advantageous offer for the council and the community from the energy suppliers to the Head of Technical Services in consultation with cabinet members for Environment and Housing & Community Safety.

3. Reasons for the Recommendations/Decision(s)

This CESP funding provides an opportunity to carry out work to the benefit of low income residents by means of a grant before the current energy efficiency support is replaced by the new and loan based Green Deal. Enabling this work to proceed will reduce instances of fuel poverty at a time of rising energy prices and downward pressure on household incomes.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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SUMMARY

The Community Energy Saving Programme (CESP) is a Government initiative targeting low income areas to deliver a range of home energy efficiency measures; the aim being to alleviate fuel poverty and reduce carbon emissions. The Programme was introduced in September 2009 and is set to run until December 2012.

British Gas has approached Stockton-on-Tees with proposals to deliver a Community Energy Saving Programme (CESP) within a number of the Super Output Areas (SoAs) within the borough that meet the CESP criteria.

There are 16 areas within Stockton which are eligible for CESP projects. Initial discussions with British Gas identified seven areas within the Borough, which focussed solely on solid wall properties and which would deliver cost effective CESP schemes; Newtown, Victoria, three areas within Parkfield and two areas within Portrack and Tilery.

To take forward any of these schemes requires a level of match funding dependent upon the range of measures to be delivered and the carbon savings achievable. This requirement has been a major hurdle to deliver on CESP in the borough resulting in long and frustrating discussions with a number of the energy supply companies over the last two years.

Parkfield / Mill Lane would be the preferred area to target the CESP resources being offered by British Gas. As previously reported to Cabinet (14.7.11) this area includes the Parkfield Housing Market Renewal (HMR) project which is currently subject to a HMR Transition Fund bid. Pending a successful bid outcome, the Council has identified £400k for face lift improvement works to 80 properties which are no longer proposed for demolition. It is proposed to use this £400k as a means of part-matching the CESP funding offer from British Gas.

Newtown, Victoria, Portrack and Tilery SoAs have substantial social housing elements included where the energy efficiency of the stock is already at a level above the average within the private sector housing stock which means that delivering a CESP in those areas would not achieve the same impact on fuel poverty.

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British Gas would fully manage the scheme including engagement with individual house holders, full house surveys, provision of energy and benefits advice and organisation of the installation work including all legal, health and safety and customer relationship requirements.

RECOMMENDATIONS

It is recommended that:

1. Pending a successful HMR Transition Fund bid, Cabinet support the re-direction of the £400k of council resources currently approved for facelift improvement works to be used as part of the necessary CESP match funding.
2. Cabinet approve the allocation of an additional £489k resource to match the proposal for a CESP scheme in Parkfield / Mill Lane from the Council's share of the VAT shelter. If the outcome of the HMR Transition Fund Bid is unsuccessful this allocation will increase to £889k.
3. Cabinet delegate authority to obtain the most advantageous offer for the council and the community from the energy suppliers to the Head of Technical Services in consultation with cabinet members for Environment and Housing & Community Safety.

DETAIL

Background:

1. The Community Energy Saving Programme (CESP) was introduced in September 2009 and is set to run until December 2012.
2. The two main drivers of CESP are the alleviation of fuel poverty and the reduction of carbon.
3. The scheme is targeted at households to improve energy efficiency and reduce fuel bills. The Programme requires energy suppliers and generators to achieve a carbon reduction target of 19.25 million tonnes of CO₂. Delivery of the scheme is restricted to the 10% lowest ranked Indices of Multiple Deprivation (IMD) areas thus contributing to the Government's Fuel Poverty Strategy by lifting an estimated 34,000 to 40,000 people out of fuel poverty nationally.
4. A household is judged to be in fuel poverty if more than 10% of the household income is spent on heating fuel.

5. The North East of England has some of the highest rates of fuel poverty in the UK with 1 in 4 households judged to be in fuel poverty.
6. The most recent sub regional fuel poverty statistics compiled by DECC for 2008 show that Stockton has an estimated 14,325 homes in fuel poverty, which is approximately 18.4% of the total households in the Borough.
7. The 2011 Fuel Poverty Report draws a direct parallel between energy efficient homes and the reduction in fuel poverty. In 2004 the North East was the region with the highest rate of fuel poverty. However, between 2004 and 2009 the North East in particular shows a large increase in the number of houses with cavity wall insulation (rising from 43% to 70%) and loft insulation (rising from 39% to 60%), which helps to explain why the North East no longer has the highest rate of fuel poverty in the UK.
8. Stockton-on-Tees led the North East in a very successful Warm Zone campaign which installed energy efficiency measures in 15,000 properties and removed almost 3000 homes from fuel poverty. The focus of Warm Zones was to insulate lofts and cavity walls, draught-proof homes and offer energy saving advice. The legacy of this work is that homes in the Borough with a very low SAP rating of less than 30 are now at less than 1%
9. Some of the highest incidents of fuel poverty in the Borough now occur in areas of 'hard to treat' housing with low SAP ratings. These homes have not benefitted from previous insulation programmes as they are largely solid wall properties which are expensive to insulate. It is these which will be targeted under this CESP scheme.
10. The Government's Carbon Action plan sets out legally binding targets to reduce the UK's greenhouse gas emissions by 34% by 2020.
11. Stockton-on-Tees Borough Council's Climate Change Action plan was approved by Cabinet in 2008 and it is now Council policy to reduce carbon emissions in the Borough by 21% by 2020 from 2005 baseline.
12. The Council's Climate Change Action Plan is also aligned with the European Covenant of Mayors (CoM) which Stockton Borough Council became a signatory of in 2009. The target carbon reduction is again 21% by 2020. To comply with this EU directive a comprehensive Sustainable Energy Action Plan was compiled against which measureable carbon reductions are expected to be delivered against on a two yearly reporting basis.
13. Around 12% of Stockton's carbon emissions come from the Domestic Sector (439 kT CO_{2e} in 2005). Stockton Council's Action Plans sets out several areas for action to help reduce these emissions in the Borough, including:
 - Working in partnership with local partners, including Go Warm, Tadea, Eaga, to promote insulation measures to all properties.
 - Promote the uptake of 'A' rated heating systems in all homes.
 - Provide targeted energy efficiency advice to homes considered in fuel poverty.
14. British Gas has estimated that by delivering this CESP programme, there will be a saving of 161,000 tonnes of **lifetime** carbon savings achieved by these 600 properties.
15. The Parkfield schemes are recommended as:
 - The CESP Programme targets a nationally agreed set of Lower Super Output Areas showing high indices of deprivation. Sub-Regional Fuel Poverty data for Stockton,

released by DECC in 2008 show that out of some 2000¹ properties in the Parkfield area 600 are in fuel poverty – 31.67% which is one of the highest levels of fuel poverty in the area.

- Parkfield was identified as a Priority Housing Action Area with the Council's Housing Strategy
 - The CESP Programme is based on whole house solutions and therefore requires a high penetration of housing to achieve the economies of scale needed to realise the best returns on funding investment.
 - The external wall insulation work ideally requires blocks of properties to be treated at the same time, again to achieve economies of scale.
 - The 80 properties no longer proposed for demolition as part of the HMR programme would benefit from a wider range of improvements than the originally proposed Facelift scheme. The proposal to move away from a Facelift scheme and redirect council resources to the CESP project has been made on the understanding that these 80 properties would be prioritised and 'kick off' the wider CESP project.
 - To illustrate the potential improvement to the energy efficiency and heating costs of these homes, information about these 80 properties was used to calculate the potential improvements:
 - External wall insulation and topping up loft insulation to 200mm improved the average SAP rating of these properties from 51 to 64, which is the national average SAP rating for domestic properties in England and Wales.
 - The annual fuel costs for these properties could fall by an average of £276.00 and if a high efficiency boiler were to be installed then these savings could rise to £550 against an average spend on fuel of £1400 per annum.
 - Additional measures installed during the CESP project, such as draught-proofing and the installation of high efficiency boilers, will improve SAP ratings and potentially reduce running costs even further.
16. Discussions have taken place with several utility companies over the last year, however all but the most recent British Gas proposal failed to progress due to technical difficulties or the high levels of Council contributions required. The current British Gas proposal is seen as an equitable split between their CESP input and the Council's contribution. Additionally, the most recent British Gas proposals focuses on external wall insulation as the principal measure, which fits extremely well with our priorities and may be the only chance to tackle these very hard-to-treat properties.
17. A map showing the eligible area is at **Appendix 1** which shows the three areas identified for investment.
18. A number of streets within the Parkfield area have received some face lift works over the last couple of years to halt the decline in the area and to stimulate further investment by property owners. This did not include works to improve the insulation of the property and whilst the proposed external insulation measures may be perceived as duplication of work that has already been carried out, this is clearly not the case and the funding to carry out the comprehensive package of measures was not available at that time.

¹ This figure does not take into account recent demolitions

Resources:

19. Proceeding with the CESP scheme in the 3 areas of Parkfield will require a financial contribution of £888,940.00.
20. It is recommended that, should the HMR Transition fund be successful, the allocation of £400,000 be used as part match-funding for the British Gas CESP scheme reducing the shortfall in Council contributions. Confirmation of the HMR Transition Fund has been delayed but is expected imminently.
21. The precise detail of the work and therefore funding required is subject to confirmation as a result of detailed house surveys that will be undertaken by British gas.
22. Technical Services (working in partnership with other council service areas including Housing) will oversee the work programme and address any issues that may arise.
23. British Gas intended to use local labour, so far as possible. In a similar scheme in Knowsley recently 12 locals were directly employed and 15 sub-contractors involved during the life of the project.

FINANCIAL IMPLICATIONS

24. Council finance amounting to an estimated £888,940 is required to lever in British Gas CESP funding of £2.45m will be met from the VAT Shelter.

LEGAL IMPLICATIONS

25. There will be a contractual undertaking between British Gas and Stockton-on-Tees Borough Council.

RISK ASSESSMENT

26. To allow sufficient time for the CESP project to be delivered before the end of the Programme in December 2012, the project must start no later than the beginning of November 2011.
27. Failure to secure the HMR Transition Fund monies, or failure to announce the award of the HMR Transition Fund before the end of October will mean this project cannot commence within the appropriate time frame and therefore will not go ahead.
28. As there are currently no other schemes of this type to improve energy efficiency in these hard to treat homes, failure of this project to go ahead leaves the Council with no alternative measures to reduce fuel poverty in these areas.
29. British Gas will be fully managing the CESP scheme in the designated areas and therefore are taking responsibility for housing surveys and engagement with householders thus removing the risk of determining measures to be applied and assuring householder participation.
30. There will be no planning implications for the external cladding which will not protrude beyond the eaves or windowsills of the properties. None of the properties considered are within conservation area.
31. The out turn of the project may deliver fewer measures resulting in some variation in the currently estimated costs as a result of the detailed house surveys to be undertaken by British Gas.

32. British Gas carry full responsibility and associated liability for the work undertaken on each property in the scheme.

COMMUNITY STRATEGY IMPLICATIONS

Economic Regeneration and Transport

33. British Gas will be using its own contractors for the work. It is also British Gas policy to employ local businesses and tradesmen to carry out site work on CESP Projects, contributing to employment opportunities within Stockton-on-Tees.
34. The work will complement planned face-lift schemes for the Parkfield area and will contribute considerably to the regeneration of this housing area which is close to Stockton Town centre which itself is about to undergo a multi-million pound regeneration scheme.

Safer Communities

35. The work will alleviate fuel poverty and enhance the environment where external cladding is applied.

Children and Young People

36. The project will assist in alleviating child poverty by reducing household energy bills.

Healthier Communities and Adults

37. The alleviation of fuel poverty will result in improved health for householders by providing warm homes that are free from damp.

Liveability

38. This project will improve the quality of existing housing in the target areas.

EQUALITIES IMPACT ASSESSMENT

39. The project will enable work to be undertaken in all identified housing in the target areas only subject to landlord or homeowner approval.

CONSULTATION INCLUDING WARD/COUNCILLORS

40. The work is targeted at the following Wards:
Parkfield

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Background Papers

British Gas detailed proposal for CESP funding in Stockton-on-Tees
Report to Cabinet 'Housing Regeneration Scheme update include the recent announcement of Housing Market Renewal Transition Funding' 14.7.11

Property

The property benefiting from this work is domestic housing in the designated CESP areas.