

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

16 MAY 2013

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Environment – Lead Cabinet Member – Cllr David Rose

GREEN DEAL ENERGY COMPANY OBLIGATION

1. Summary

This report explains the Government's Green Deal Scheme, how the Energy Company Obligation aspect of it can be rolled out in Stockton, and the progress on selection of a partner to deliver on the energy efficiency measures. Cabinet previously considered an update report on the Community Energy Savings Programme (CESP) at the meeting on 29 November 2012. At that time around 1,000 private sector homes had benefited from energy efficiency measures in the Borough, saving 180,000 tonnes of carbon along with substantial reductions in residents energy bills, improvements in comfort levels and in health.

CESP came to an end in December 2012 and is now replaced by the Government's new initiative "Green Deal", the National CESP scheme only applied to 17 lower super output areas in the Borough. Under the new energy company obligation a further 8 lower super output areas become eligible and measures will be available to all solid walled properties in the Borough totalling around 5,500 homes.

2. Recommendations

1. Cabinet notes the changes to the national domestic energy efficiency support measures.
2. Cabinet authorises the Head of Technical Services to complete the selection process of a partner to deliver Energy Company Obligation measures as 'preferred installer'.

3. Reasons for the Recommendations/Decision(s)

Delivery of the ECO programme in the borough will tackle fuel poverty within the borough on a scale that has not been achievable previously. Around 5,000 home will see measures applied to the properties to significantly improve their energy efficiency.

Carbon emissions will be reduced which will contribute to tackling climate change, energy bills for households will be reduced and around 300 jobs created, coupled with a £20m investment making a significant contribution to the economic performance of the area.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, 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 and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

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SUMMARY

This report explains the Government's Green Deal Scheme, how the Energy Company Obligation aspect of it can be rolled out in Stockton, and the progress on selection of a partner to deliver on the energy efficiency measures.

RECOMMENDATIONS

1. Cabinet notes the changes to the national domestic energy efficiency support measures.
2. Cabinet authorises the Head of Technical Services to complete the selection process of a partner to deliver Energy Company obligation measures as 'preferred installer'.

DETAIL

1. The national grant schemes for domestic energy efficiency improvements – Warmfront, Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP), came to an end on the 31st December, to be replaced with a new national initiative - Green Deal.
2. In November 2011, the Council went into partnership with Community Energy Solutions CIC (trading as GoWarm) to deliver a scheme of insulation and heating measures aimed at solid wall (i.e., non-cavity) private sector properties in Parkfield – some of the most hard to heat homes in the Borough. This scheme, largely funded by Eggborough Power under the national CESP obligation, expanded into some Lower Super Output Areas in Newtown, Stockton Town Centre, and Thornaby. The scheme quickly established itself as the largest CESP scheme in the country – social housing or private – and with a final tally of 1,669 homes receiving full external wall insulation (in many cases heating systems or improvements too). This will result in substantial reductions on household energy bills, help tackle fuel poverty, improve health and well-being, provide visual regeneration, as well as enabling lifetime carbon savings of 250,000 tonnes. The total external investment in the scheme has been over £10m.

Green Deal

3. Coming into effect early in 2013, Green Deal is a pay-as-you-save scheme whereby a homeowner has an energy efficiency assessment carried out on the property and a package of measures installed by a registered Provider, via a Green Deal loan at a fixed rate of interest. The cost of the measures is repayable via a fixed charge against the electricity bill over 25 years. Under the 'Golden Rule', the cost of the repayments cannot exceed the calculated savings made via the increased energy efficiency.

Energy Company Obligation

4. For many householders the cost of the measures will unfortunately either exceed the savings made, or will be beyond the ability of them to pay. In order to enable these people to also benefit, the Green Deal loan can either be partly or fully covered by a renewed obligation upon energy companies. This Energy Company Obligation (ECO) has a number of targets:-
5. The Household Carbon Reduction Obligation (HCRO) replaces the previous Warmfront initiative and supports those householders on low income in receipt of a defined series of benefits.
6. The Carbon Emissions Reduction Obligation (CERO) supports those householders in hard to treat properties e.g. those with solid walls which are too expensive to treat within the Golden Rule.
7. The Carbon Saving Communities Obligation (CSCO) replaces CESP and is aimed at installing mainly external wall insulation to streets or communities. These are defined as being within the lowest 15% of Lower Super Output Areas on the income element of the index of multiple deprivation. There are 25 such LSOAs within Stockton on Tees, 8 more than with CESP, which targeted the lowest 10%. This should enable many properties that could not be treated under CESP now to given the opportunity for these energy company funded measures. Note that a difference from CESP is that heating measures are not included.

Implications for Stockton on Tees

8. There are 5,500 further untreated solid wall properties within the Borough that are owner occupier or private rented and fall within the remit of CSCO and CERO.
9. The great success of the GoWarm/Stockton BC CESP scheme was in part due to the street by street, area-based roll-out. This encouraged high levels of buy-in by residents and also enabled the essential economies of scale for GoWarm and its contractors to be able to operate the scheme.
10. A similar approach can be made with CSCO, however under this new scheme there is a significant change: with CESP there was a requirement for the local authority to approve the scheme. This meant that we could allow only one installer to be working in an area at a time, ensuring a consistent approach. Under CSCO there is no requirement for local authority authorisation, meaning that it is now an open market for installers - any installer who can make a funding agreement with one of the energy companies can approach owners of solid wall properties within the qualifying LSOAs and offer insulation work. Early experience from Middlesbrough is that this has the potential for a mixture of piecemeal installations, of differing systems and designs and with considerable variance in quality. Where adjacent properties have different installed systems there are examples of these not being tied and sealed together, storing up problems for the future. In this new free market house-owners are entitled to make their own choices however they are also likely to come to the local authority to help sort out future problems. We have also been informed that some of these early installations have taken place without Building Control certificates or scaffolding licences. We are aware that property owners in Stockton on Tees are being similarly approached.
11. For these reasons it would be sensible for the Council to engage a partner to deliver the area-based insulation measures. The benefits would be:

- To the partner: the Council's endorsement to residents and support in area-wide promotion to try to ensure a high take-up.
- To the resident: peace of mind that the installation will be to a high quality and consistent with others in the area, and delivered to a planned timetable.
- To the Council: that there is a high level of take-up and quality control, to a planned and known timetable agreed with various Council services e.g. Care For Your Area, Building Control, street works coordination.

12. It is clear therefore that there are benefits to be gained for the Council by entering into a further partnership.

Partnership Procurement

13. Discussions have taken place with 4 potential partners on various aspects of ECO to determine what would be the most appropriate arrangement. A fundamental principle within this is that any scheme would need to be fully funded by the energy company, via its installer i.e. with no cash input from the Council for top-up or remedial works.

14. Based on our experience with the CESP scheme,

What the Council would offer:

- Endorsement of the partner as a 'trusted brand' to the residents;
- Office space for local operations management by the partner and resident drop-in centre;
- Access to housing stock data to enable effective programming.

What the Council would require:

- To work with the partner to develop a targeted promotion and installation programme;
- To work with the partner to coordinate building control, street works, scaffolding and cleansing;
- Detailed data from the partner on measures completed
- A partnership review at 6 months, 12 months and then annually thereafter.

15. It is recommended that partnership selection is determined as soon as possible based upon the information from the 4 sets of discussions and proposals and that this decision be made by the Head of Technical Services via a delegated decision.

FINANCIAL IMPLICATIONS

16. There is no requirement to contribute any funding to the delivery of the scheme. There is the opportunity to generate significant additional private sector investment in the region of £20m, funded from the Energy Company Obligation (ECO) to provide energy efficiency measures to around 5,500 homes over the next three years, and create 300 jobs, however this will require the Council to invest in some infrastructure improvements alongside any scheme and £500,000 is required

LEGAL IMPLICATIONS

17. A Deed has been drafted which will be utilised to formalise the partnership arrangement. This involves no financial commitment on either party but sets out the obligations upon each party to assist delivery of the programme.

RISK ASSESSMENT

18. Low risk to the Authority.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

19. Contributes to a number of strategic objectives that include tackling climate change, reducing family and fuel poverty, securing employment, regeneration of lower super output areas and improving the borough housing stock.

EQUALITIES IMPACT ASSESSMENT

20. This report is not subject to an Equality Impact Assessment because it is not a programme that excludes any households within the borough and is delivered and managed by a third party.

CORPORATE PARENTING

21. Not applicable

CONSULTATION INCLUDING WARD/COUNCILLORS

22. All wards will be included within the programme with a ward by ward approach the briefings will be delivered as the programme moves forward.

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Education related?

No

Background Papers

None

Ward(s) and Ward Councillors:

All

Property

N/A