

## Bath & North East Somerset Council

MEETING:	<b>Cabinet</b>	
MEETING DATE:	<b>05 December 2012</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 2484</b>
TITLE:	<b>Approach to Retro-fitting &amp; the Green Deal</b>	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
<b>1. Executive Summary of the Green Deal Scoping Study Final Report</b>		
<b>2. Equalities Impact Assessment</b>		

### 1. THE ISSUE

#### 1.1.

- The domestic housing sector represents 41% of Bath & North East Somerset's carbon footprint;
- Latest fuel poverty statistics for Bath & North East Somerset show that 17% of the population are currently suffering from fuel poverty;
- Modelling indicates that locally the NHS could be paying around £3.8 million a year in healthcare associated with excess cold in homes;
- Household energy prices are predicted to rise by between 30% and 40% by 2020;
- The Administration wants the Council to play a leading role to ensure that maximum benefit is gained from Green Deal delivery for local residents – particularly the vulnerable – the local economy and carbon reduction.

### 2. RECOMMENDATION

The Cabinet agrees that:

2.1. In principle, the proposed approach to the Green Deal in Bath & North East Somerset will be pursued. The proposed approach is through the development of a Community Delivery Partnership, initially led by the Council in partnership with Curo Group and other relevant community and private sector organisations;

2.2. This approach will be supported through:

- partnership development, including cross-service and with partners in Bath & North East Somerset and, potentially, beyond;
- implementation of the starter projects (Housing Services);
- procurement strategy development for a partner Green Deal provider or providers;
- exploring potential for moving to a CIC model;
- development of the business case for potential capital investment and income generation (including from referral fees);
- building community engagement in energy efficiency retro-fitting;
- setting up an advice line to provide advice to all residents, including the vulnerable and the fuel poor, on home energy efficiency and the Green Deal;

2.3 A new Green Deal/Retro-fitting budget line for 2013-14 will be set up for £35,000 to cover the last two points in 2.2: community engagement work and the setting up and running of the advice line, whilst the detailed approach is developed, subject to the approval of the Budget by the Council in February 2013;

2.4 The Council and its partners will communicate these 'in principle' intentions early in 2013, in order to send a signal to the market and to inform local residents of future options.

### 3. FINANCIAL IMPLICATIONS

3.1 Project management and expert advice costs up until autumn 2013 of around £50,000 are proposed to be funded from a carry forward of remaining one-off Green Deal set-up funding; this will be requested in the out-turn report to Council in July 2013.

3.2 The unfunded elements that need to be in place regardless of the shape of the proposed Delivery Partnership are: community engagement work and the advice line. These are estimated to cost £35k, revenue, and will be a one-off bid to be considered by Council as part of the 2013/14 budget report in February 2013. How these will be funded in the future will depend on how the model is developed and what is included in the procurement of a Green Deal provider or providers.

3.3 Any further costs will require approval through the Council's normal approvals process.

### 4. CORPORATE OBJECTIVES

- *Promoting independence and positive lives for everyone:* Successful delivery of the Green Deal to trigger widespread home energy efficiency improvements and ensuring that the most vulnerable benefit the most will enable more people to move out of fuel poverty, will reduce the health impacts of cold homes and improve well-being.
- *Creating neighbourhoods where people are proud to live:* This work is directly relevant to creating resilient communities, by helping people to make their homes warmer, more comfortable and cheaper to run. Community groups and local champions have a key role to play in promoting energy efficiency action.

- *Building a stronger economy:* It is estimated that the domestic retrofit market could be worth £10 to £20 million per annum in Bath & North East Somerset, in order to meet government carbon targets. Successful delivery of the Green Deal should kick start that bigger retro-fit market, but local leadership is needed to ensure that the economic value is retained locally.

## **5 THE REPORT**

### ***The Green Deal and the Council***

- 5.1 The Green Deal is the government's flagship scheme designed to kick-start mass home energy efficiency retrofitting to make the country's housing stock comfortable, cheap to run and low carbon.
- 5.2 The scheme will work by enabling householders to have energy efficiency work undertaken in their homes without having to pay any upfront costs. The costs are then paid back through a charge on the energy bill for the home at a rate not more than the savings on that energy bill gained by the energy efficiency measures (the Golden Rule). The pay-back liability remains with the house and passes on to the next occupant, who benefits from the work. Once the cost of the work has been paid off, the occupant will benefit from the savings and be protected from energy price rises.
- 5.3 The pilots across the country have demonstrated very strongly that the key issue will be persuading householders to participate and that local authority leadership and involvement will be key to the success of the scheme and to ensuring that local benefits are maximised. These local benefits are: alleviation of fuel poverty; economic benefits through reduced energy bills and increased work for local builders and other trades, including potential new jobs; reduction of carbon emissions.
- 5.4 The Administration wants the Council to play a leading role to ensure that maximum local benefit is gained and the Green Deal Scoping Project was set up to explore the best way for this to be done, in conjunction with our partners. The Council recognises that this will include partnership with local community and voluntary sector groups, who will be vital to successful roll-out of the Green Deal.

### ***Timing, Starter Project & Service Links***

- 5.5 The Green Deal is likely to be actively promoted to households by registered Green Deal providers from as early as late January 2013, although the main source of finance, The Green Deal Finance Company, will only be partly operational at this time. It is expected to become fully operational by September 2013;
- 5.6 Housing Services are developing a 'starter project' to be delivered in parts of Twerton and Southdown, targeting the areas that fall within the bottom 15% super output areas for the Index of Multiple Deprivation (IMD) in England. The project will use Energy Company Obligation (ECO – part of the Green Deal) funding to fund free and subsidised energy efficiency measures for this demographic. This project will deliver energy efficiency improvements to homes in these areas and enable us to test various aspects of the recommended model. The project is expected to start work in these areas from February 2013;

- 5.7 The emerging Sustainable Construction and Retrofitting Supplementary Planning Document is intended to provide support to householders to facilitate implementation of energy efficiency measures, including the Green Deal;
- 5.8 A separate piece of work is also underway to respond to the Secretary of State for Energy and Climate Change's request to local authorities to find ways to help their residents reduce their energy bills now through group energy supplier switching and bulk energy purchasing. A motion was passed at the 8 November Cabinet meeting that this should be investigated and we are currently in discussion with Peterborough City Council about joining their scheme alongside a dozen other local authorities, in conjunction with Curo Group. It is hoped that the emerging Community Delivery Partnership will be able to launch a switching scheme to residents in March 2013, as part of its offer.

### ***Retro-fitting/Green Deal Local Opportunities***

- 5.9 Local action to stimulate and support demand is needed to ensure that the Energy Company Obligation (ECO) is drawn down to provide free energy efficiency measures to the fuel poor – worth £4 million per annum in B&NES;
- 5.10 The housing retro-fit market in B&NES, if successfully stimulated through the Green Deal initiative, could be worth between £10 and £20 million a year (if we could achieve a rate of home retrofit sufficient to meet the government's carbon reduction target of 80% by 2050);
- 5.11 A successful retrofit programme would deliver new jobs and safeguard existing jobs; improve health & well-being; save millions on annual health costs; reduce fuel poverty if targeted correctly; help to mitigate the impact on vulnerable people of the reduction in other services due to budget cuts and welfare benefit changes; future proof residents against inevitable steep energy price rises; enhance local energy security and build community resilience.

### ***Research Brief and Council Objectives***

- 5.12 External funding was obtained to commission a Green Deal Scoping Study to determine how the Green Deal might best be delivered through a community based partnership in pursuit of the following objectives:
- Maximise uptake of Green Deal in order to maximise carbon reduction;
  - Ensure the most vulnerable, those in fuel poverty or at risk of fuel poverty, gain maximum benefit;
  - Ensure that the Green Deal strengthens the local economy by creating local business opportunities and local jobs – keeping the value within the local economy;
  - Develop a role for community enterprise and other community interests;
- 5.7 During the course of the research, it has become clear that there is the potential for income generation through referral fees and return on capital investment, which the consultants were asked to explore further.

## **Research Findings and Senior Advisory Group/SMT Recommendations**

5.8 The research has demonstrated that the best way for a local authority of our size and make-up to meet the above objectives is through a Delivery Partnership model, involving the procurement of a specialist Green Deal provider or providers to deliver the core financing and installation stages, with the Council and other partners providing the promotion & marketing (through enhanced community engagement and through existing front-line services) and aftercare (to ensure householders maximise energy reduction);

5.9 In this model, the partnership is rewarded by referral fees paid by the Green Deal provider or providers and there is the potential for return on capital investment in the Green Deal Finance Company;

5.10 The research, which included a number of focus groups with key sectors, and market testing amongst a range of registered Green Deal providers demonstrated that:

- Green Deal providers are very keen to work in partnership with local authorities because they know that this will lead to much greater uptake from householders;
- There are a wide range of providers out there with very different approaches, including many that would be compatible with our desired approach;
- Most Green Deal providers do not yet know exactly how they are going to do all aspects of the process and would be keen to work in partnership with a local authority and its partners to develop their approach;

5.11 The Senior Advisory Group (Tim Richens for Andrew Pate; Jane Shayler; Mike Grist) met on 5 October and agreed that the Delivery Partnership model was the best option and that more work should be done to develop the model and explore how it could be done with or without income from capital investment;

5.12 The Senior Advisory Group's recommendations were taken to the Senior Management Team on 6 November and agreed;

5.13 Alongside this, it was agreed that a parallel process be undertaken to understand how the Green Deal Finance Company will work and what the options for local authority investment are, with preparation of a business case for investment by mid-summer 2013.

## **6 RISK MANAGEMENT**

6.1 The report author and Lead Cabinet member have fully reviewed the risk assessment related to the issue and recommendations, in compliance with the Council's decision making risk management guidance;

6.2 There is potential reputational risk if the Green Deal attracts negative publicity, or fails, which can be mitigated by promoting the work under the Retrofit banner and recognising that the Green Deal is just one part of the overall strategy;

- 6.3 A key risk, if we do not develop a robust approach to Green Deal delivery is that we will fail to generate sufficient referrals to draw down the Energy Company Obligation (ECO – part of the Green Deal) to provide free energy efficiency measures to the fuel poor – worth £4 million per annum in Bath & North East Somerset;
- 6.4 If we fail to communicate our intentions to the market and to residents, whilst we are developing our approach, there is a risk that local people will have a poor experience of the Green Deal through unscrupulous providers getting into the local market early; there is also a risk that businesses will lose trade to those providers moving into the area;
- 6.5 If we do not set up an advice line for the public, there is a risk of confusion through lack of independent energy efficiency advice to the public;
- 6.6 There is a risk of losing momentum in the work to engage the community on home energy efficiency that has been built up over the last two years, which is crucial to the development of Green Deal referrals, if funding for 2013-14 is not allocated.

## **7 EQUALITIES**

- a) An Equality Impact Assessment (EqIA) has been completed. Adverse impacts were identified in the event that the Council does not take a leadership role and leaves retrofitting delivery to the open market. Taking a leadership through the Community Delivery Partnership approach gives us the best chance of ensuring that all groups in our community benefit appropriately from the Green Deal and any other retrofitting initiatives.
- b) It is understood that further EqIAs will need to be undertaken as decisions are made on specific delivery mechanisms.

## **8 RATIONALE**

- 8.1 The recommendation to support the development of the proposed approach – through a Community Delivery Partnership - enables us to have real influence locally in pursuit of our objectives, whilst insulating us from risk and cost by procuring a partner to fulfil the ‘Green Deal Provider’ role. This option gives us maximum flexibility, enabling us to pull-out at any stage, whilst keeping the door open should the Council or any of its partners wish to become a ‘Green Deal Provider’ in the future.

## **9 OTHER OPTIONS CONSIDERED**

- 9.1 The consultants examined two other possible options, both of which have been rejected by the Senior Advisory Group.
- 9.2 The first alternative option would be to simply allow the market to run its course with no action taken by the Council or its partners. This was rejected because it does not enable the Council to provide any leadership, as required by the Administration, and provides no opportunities to ensure any of the Council’s specific objectives were met. It was judged that, if left solely to the market, take-up would be very low. The consequence of this would be: that we would not draw down the full entitlement of free funding for more vulnerable residents; that we

would not be able to ensure the local economy benefitted or that carbon emissions from the domestic sector were cut.

9.3 The second alternative option would be for the Council or one of its partners to take on the role of 'Green Deal Provider', which includes providing finance, contracting with householders, administering the requirements of the Consumer Credit Act and more besides. This was rejected because at this stage neither the Council nor any of its partners is prepared to take on the risks and responsibilities this would entail. This may change in the future, once the Green Deal market has developed

9.4 The recommended option of a Community Delivery Partnership enables us to have real influence locally in pursuit of our objectives, whilst insulating us from risk by procuring a partner to fulfil the 'Green Deal Provider' role. This option gives us maximum flexibility, enabling us to pull-out at any stage, whilst keeping the door open should the Council or any of its partners wish to become a 'Green Deal Provider' in the future.

## **10 CONSULTATION**

10.1 *Cabinet members; Staff; Other B&NES Services; Service Users; Community Interest Groups; Youth Council; Stakeholders/Partners; Other Public Sector Bodies; Section 151 Finance Officer; Chief Executive; Monitoring Officer*

10.2 The Steering Group includes members from: Housing Services; Corporate Sustainability; Economic Development; Corporate Procurement; Curo Group; Bath & West Community Energy and the Member Climate Change and Energy Champion. The Senior Advisory Group consists of Andrew Pate; Strategic Director, Resources & Support Services; Jane Shayler, Programme Director, Non-Acute Health, Social Care & Housing; Mike Grist, Director, Asset Management and Tim Richens, Divisional Director for Finance has attended this group. Briefings and discussions have been held with Cllr Crossley; Cllr Allen; Paul Scott, Acting Director of Public Health. Further services are now being involved in the Steering Group including Planning; Customer Services; Public Health; Building Control, Trading Standards.

10.3 The Senior Management Team, chaired by the Chief Executive, discussed these recommendations at their meeting on 6 November and approved them.

10.4 The Section 151 Officer and Monitoring Officer have seen this report.

## **11 ISSUES TO CONSIDER IN REACHING THE DECISION**

11.1 *Social Inclusion; Customer Focus; Sustainability; Property; Young People; Health & Safety; Impact on Staff;*

## **12 ADVICE SOUGHT**

The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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<b>Sponsoring Cabinet Member</b>	<i>Councillor Paul Crossley</i>
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	