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Executive Summary

1. The Retrofit Opportunity for B&NES

Delivering a major programme of retrofit across the local housing stock has the potential deliver substantial social, economic and environmental benefits to Bath & North East Somerset. The introduction of the Green Deal provides an opportunity to develop a framework for a thriving local market which will continue to grow and prosper for years to come. The Green Deal should be seen as a central component in a wider retrofit market that is likely to be worth between £10-20 million a year across B&NES.

Such a programme can secure local employment, generate new jobs, improve health and well-being, save millions on annual health and social care costs, reduce fuel poverty, future proof residents against rising energy prices, improve property asset value, enhance local energy security, build community resilience, as well as substantially reducing carbon emissions.

2. The Green Deal: Making it Work

A wide cross-sector partnership will be needed to turn this vision into reality. The local authority is in a strong position to lead the establishment of such a partnership, bringing together relevant local authority departments, health and social care agencies, registered housing providers, local businesses, trade bodies, private landlords, universities and colleges, estate agents, local champions and community groups to work together and build on existing initiatives.

The Green Deal is the coalition Government's flagship policy for supporting energy efficient retrofit of the built environment, expected to be worth £1-2 billion per year. It will create a new framework for owners of homes, business premises and public and community buildings to access up front capital to carry out energy efficiency improvements, repaid through the energy bill. The Green Deal will be supported by the Energy Company Obligation (ECO), worth an expected £1.3bn/yr. The ECO obliges energy suppliers to meet targets through actions to encourage energy efficiency, and will work alongside the Green Deal by providing extra help for those most in need and for those measures that do not meet the Golden Rule.

3. Brief for this Project

Bath & North East Somerset Council commissioned a 'Green Deal Scoping Study' running from February to October 2012. Its purpose was to determine how the Green Deal might best be delivered through a community based partnership that maximises local assets, in a way which should also be accessible and relevant to other West of England Local Authorities. The project was required to determine how the four following aims could be met:

- Maximise the uptake of the Green Deal to enable large carbon reductions.
- Ensure that those in fuel poverty gain maximum benefit from the Green Deal and associated measures.
- Ensure that the Green Deal strengthens the local economy by creating local business opportunities and local jobs.



- Develop a clear role for community enterprise and other community interests within the Green Deal delivery model that can be rewarded by local income streams derived from the Green Deal value chain.

The project team was led by Verco supported by Carbon Data Resources and the National Energy Foundation. Stage I of the work focused on identifying a range of possible options while Stage II focused on one selected model in greater depth.

4. Local Delivery Options

There are three broad approaches that a local authority could take towards Green Deal delivery. These approaches draw on the roles outlined by Government for local authorities in Green Deal:

- **Promoter** – An LA could work with local organisations to promote the existence of Green Deal locally, but otherwise leave it to the market to deliver. This approach, while simple for an LA to deliver, risks low customer uptake as well as low community benefits in terms of impact on fuel poverty and the local economy. At worst, jobs could be lost or displaced and the local authority would suffer loss of reputation from being seen to ‘do nothing’.
- **Delivery Partnership** – B&NES Council could choose a more proactive role in the market whereby it selects one or a number of Green Deal Providers (GDPs) to deliver Green Deal in the local area. The Council forms a wider partnership to play an active role in promotion, rewarded by referral fees paid by the GDP. Conditions could be specified for the GDP to help maximise local benefits (such as % of local businesses used in delivery, etc.).
- **Provider** – A local organisation could become the Green Deal Provider, taking responsibility for local delivery of Green Deal in its entirety. The potential benefits are higher under this approach as it allows fuller control over local delivery and ensures profits can be captured and reinvested at the local level. However the resource requirement and level of risk is also increased under this model. Variants could include establishing a joint venture with a Green Deal Provider or forming a social enterprise.

Table ES 1 summarises the impact of the different delivery models on the four key objectives defined for Green Deal in this study, as well as the risks and rewards of the different approaches.

5. The Delivery Partnership Model

The Delivery Partnership model was selected for further study in Stage II and Figure ES 1 illustrates the recommended approach following a programme of research, market testing and local stakeholder engagement.

In this version of the Delivery Partnership model, the ‘LA-Community Partnership’ engages key local stakeholders to oversee procurement and delivery by the GDP(s) and co-ordinate local activity to stimulate Green Deal uptake. It generates customer leads which are passed on to the Green Deal Provider(s) in return for referral fees. The income from these referral fees is ring fenced and potentially combined with other sources of funding to support further promotional activity by the LA-Community Partnership. An Affordable Warmth Service is established in parallel to provide enhanced funding and customer support for certain eligible households, funded primarily through the ECO Affordable Warmth Obligation. A local assessment service and local SME procurement hub



could be established in order to maximise local economic and community benefits and to drive local uptake.

	‘Promoter’	‘Delivery Partnership’	‘Provider’
Carbon emissions and customer uptake	<ul style="list-style-type: none"> Likely to be low customer uptake as GDPs rely on national advertising routes only with no direct support from a local delivery partnership. 	<ul style="list-style-type: none"> Potential for high customer uptake due to local control over marketing and promotion. ‘Producer CIC’ model in particular has potential to build local trust. 	<ul style="list-style-type: none"> Likely to be highest uptake due to high level of control over delivery and local benefits.
Fuel poverty	<ul style="list-style-type: none"> Low impact on fuel poverty as ECO funding not maximised and GDPs might ‘cherry pick’ only most profitable projects. 	<ul style="list-style-type: none"> Potentially high impact due to local control over marketing and promotion. 	<ul style="list-style-type: none"> Likely to be highest impact as maximum level of control over local delivery.
Local economy	<ul style="list-style-type: none"> Low opportunities for local businesses to deliver as GDPs likely to rely on in-house supply chains. Jobs may be lost. 	<ul style="list-style-type: none"> Potentially high depending on choice of GDP and their willingness to use local assessors and installers. 	<ul style="list-style-type: none"> Highest impact as can ensure local businesses are used for delivery.
Role for community	<ul style="list-style-type: none"> Role for communities limited to promotion of Green Deal in general. No direct local value streams generated. 	<ul style="list-style-type: none"> Potentially strong role for communities and community enterprise, particularly if ‘Producer CIC’ approach taken. 	<ul style="list-style-type: none"> Strong role for community, particularly if a social enterprise model is used.
Rewards	<ul style="list-style-type: none"> Low reputational risk for Council & partners (i.e. of inferior quality installations under Green Deal). Low resources required. 	<ul style="list-style-type: none"> Opportunity to influence delivery to maximise community benefits. Generates local income stream that can fund promotion activity. Opportunity to test market. 	<ul style="list-style-type: none"> Maximum ‘local leadership’ and control over community benefits. Allows for the most input in terms of strategic planning for an area. Links with health and wellbeing and other agencies can be maximised.
Risks	<ul style="list-style-type: none"> No ‘local leadership’. Local jobs in SMEs displaced or lost. Lost opportunities for advice & signposting. Duplication of marketing effort as GDPs compete for same customers. Reputational risk from not taking action. 	<ul style="list-style-type: none"> Procurement process not able to deliver community benefits. Reputational risk to council & partnership if GDP does a bad job. Adoption risk if the partnership incurs set-up costs but cannot secure and deliver investment. 	<ul style="list-style-type: none"> High development costs. Highest risk of all options as responsible for consumer credit act, resolving complaints, technical failure, customer default, etc. Reputational risk if non delivery or things go wrong.

Table ES 1: Risks, Rewards and Impact of Delivery Models

The LA-Community Partnership could be established initially as a simple steering group. However, constituting it as a community interest company (CIC) would provide a stronger basis for local ownership and control and provide flexibility to leverage in a wider range of funding sources. It could be established initially on a light touch basis with staff seconded from other organisations as



necessary. In the longer term the LA-Community Partnership could expand its role, potentially developing into a local Green Deal Provider.

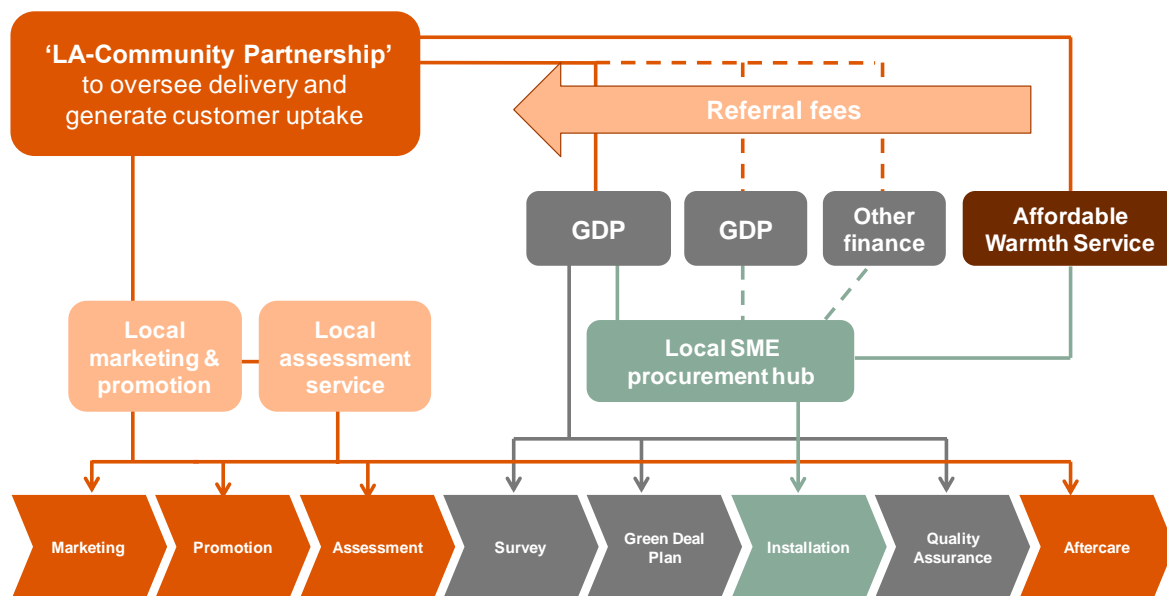


Figure ES 1: The Delivery Partnership Model

6. Resourcing the Delivery Partnership

The report outlines the core tasks likely to be involved for the local authority to support this Delivery Partnership model, as well as key roles which could be performed by a wide range of local stakeholders. There are a number of routes for resourcing activity by the local authority and the LA-Community Partnership:

- **Local authority core costs** – this might include core staff within housing or environment teams as well as a wider range of staff supporting marketing and promotion activities.
- **Referral Fees** – through income from Green Deal and ECO referral fees, as well as potentially from other sources of finance such as Feed In Tariff or the Renewable Heat Incentive.
- **Revenue stream from LA Investment in TGDFC** – the local authority could invest in The Green Deal Finance Company (TGDFC) to provide an annual return sufficient to support some or all of the operational costs of the scheme.
- **Grant funding** – local, national or even European funding could be used to support on-going operational costs or capital works (such as retrofitted show homes). This approach has greater potential where the LA-Community Partnership takes the form of a CIC, in which case other funding such as sponsorship, Section 106 Agreement income, or in future 'Allowable Solutions' funding from local Code for Sustainable Homes compliance could also be leveraged.

Combining and maximising all available funding streams to support marketing and uptake will be essential if the potential benefits from a major programme of retrofit in the B&NES area are to be realised.

Local authority seed funding will be required in order to support initial set-up costs such as procurement of the GDP and brand establishment. Since there is a time lag before referral fees are

received, seed funding is also required to cover initial working capital. Beyond this, the model has potential to be self-sustaining as well as repaying the initial seed funding through time. The exit strategy for the local authority should customer uptake not prove as expected would be to cease marketing and promotional activity, in which case the extent of losses would amount to initial set up costs plus approximately a year's working capital.

Figure ES2 shows how the different potential funding sources relate to each other in a Delivery Partnership model. The example given illustrates the local authority investing a portion (in this case 25%) of the total capital investment needed via The Green Deal Finance Company. The dotted lines indicate that this is an option which may not be available to (or preferred by) B&NES and further work will be required.

Financial modelling undertaken for this project suggests that such a model could provide sufficient return to support all necessary set-up costs and up-front working capital for a ten year programme (at 1% customer annual take-up rate, and when combined with referral fees from Green Deal and ECO), and could generate an internal rate of return in excess of 7%.

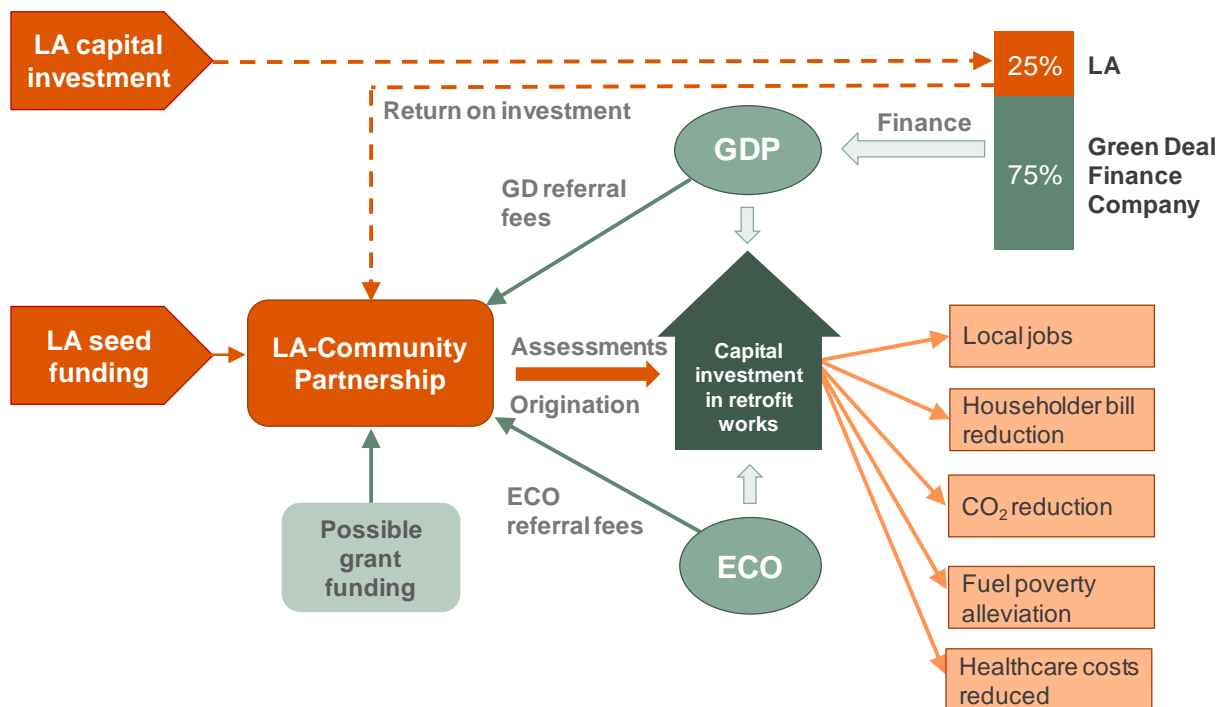


Figure ES 2: Resourcing the Delivery Partnership

7. Key Decision Points

Going forward, the key decision points for B&NES Council and its partners in relation to this Delivery Partnership model will be as follows:

- **LA leadership on Retrofit or Green Deal?** Should the Council's decision to take a leadership approach relate to Green Deal or to Retrofit more widely? A wider retrofit-based approach hedges against political and delivery risks of Green Deal.
- **RP stock in or out?** The inclusion of RP stock in the Delivery Partnership model could help drive uptake and deliver economies of scale.

- **LA-Community Partnership** – Steering group or Community Interest Company? A CIC approach requires greater set-up support but offers greater local control and engagement and provides flexibility to leverage in a wider range of funding sources.
- **LA investment in TGDFC?** LA investment could provide a valuable revenue stream to support ongoing operational costs such as marketing, promotion and co-ordination.
- **Single GDP or multiple GDPs on a panel?** – A single GDP may be able to invest more in an area and offer greater local concessions, while a panel of GDPs might increase competition and quality and allow a greater breadth of approaches and expertise.
- **Affordable Warmth Service** – A service could be delivered by the Green Deal Provider(s) or could be delivered by a separate organisation with fuel poverty expertise or local knowledge.
- **Marketing & promotion – LA-led model or GDP-led model?** An LA led model offers strong potential for maximising customer uptake and could generate referral fees as a source of local revenue, but requires local capacity and start-up funding.
- **Assessment – delivered by GDP or a local assessment service?** A local assessment service provides a strong platform for trusted, impartial and locally relevant advice, but requires start-up funding and sufficient local capacity to establish and manage it.
- **SME procurement – LA-led or GDP-led?** Local SME procurement could be left to GDPs but could deliver greater economic benefits and customer uptake rates if a wider procurement hub with integrated SME support was established.

8. Next Steps

Should a decision be taken to proceed with a Delivery Partnership approach in principle the next step would be to resolve the above key decision points and move towards procurement of one or more Green Deal Providers. While the Green Deal market is expected to be relatively slow to take off, the benefits of a local authority taking early action include:

- **ECO maximisation** – ECO funding is limited and by moving quickly a local authority can help maximise its' locality's share of ECO funding.
- **Early engagement and positioning** – A clear and early signal to the local market will help ensure that local stakeholders and businesses know what is happening and begin to align with this scheme. It will also potentially discourage other GDPs from aggressive local marketing.

One way of taking early action whilst also trialling elements of the Delivery Partnership model is to establish one or a number of Starter Projects. These could include projects on the following themes:

- **ECO Carbon Saving Communities** – this funding provides a perfect basis for an initial area-based starter project and is already under consideration in B&NES.
- **ECO Affordable Warmth Service** – this could be developed ahead of or in parallel to the full Delivery Partnership model with a GDP.
- **Council's own stock** – a local authority could demonstrate leadership on Green Deal and Retrofit by 'going early' with some of its own stock.



- **Retrofit exemplars** – available buildings such as empty shops or homes (e.g. owned by the local authority or local registered provider) could be the subject of early retrofits to inspire the public and local businesses about what is possible.

The key would be to ensure maximum opportunities for learning to be collated, shared and fed back into the action plan for the Delivery Partnership Model.

