

## AFFORDABLE WARMTH & GREEN DEAL ISSUES

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### **Summary and Recommendation:**

**The report describes the extent and impact of affordable warmth and energy efficiency programmes in the Borough. It also further informs members of the Green Deal and Energy Company Obligation as it rolls out. The report is for members' information.**

## **1. INTRODUCTION**

- 1.1 The issues addressed in this report are fuel poverty, affordable warmth initiatives, current and future schemes and their impact on Copeland, including the Green Deal.

## **2 CUMBRIA WARM HOMES PROJECT**

- 2.1 The project has operated since November 2011. It offers private sector households a free "whole house" energy survey and access to discounted insulation installations. The Council's role was to promote the scheme, make referrals and direct providers to targeted areas where fuel poverty, "hard to treat" homes and other indicators showed "cold spots." The data came from a variety of primary and secondary sources, including our private sector stock condition surveys.
- 2.2 Most recent outcomes show that 942 Copeland residents took up the offer of a free energy survey and 438 insulation measures (loft and cavity wall insulation) were installed. 34% of customers were in the "able to pay" category and the remaining 66% were not required to contribute because they were what are called "priority group" or "super priority group" households.
- 2.3 The scheme is scheduled to cease in January 2013 but negotiations are in progress to extend it until May 2013. It is funded from the energy provider, EON's Carbon Emissions Reduction Target (CERT). The project has to date attracted funding of £175,201 and is estimated to have saved 5812 tonnes of carbon.

### **3 SANDWITH WARD COMMUNITY ENERGY SAVINGS PROGRAMME (CESP)**

- 3.1 This refers to Greenbank and Woodhouse estates. The programme is a partnership between British Gas, Home Housing Group and specialist contractors. It has mainly covered social housing but eligible owner occupiers can opt in (some have). The programme will cease at the end of the 2012 calendar year, having been extended beyond its initial closure of 31 October.
- 3.2 By then over 430 homes will have received variously: replacement boilers; heating controls; draft proofing; loft insulation; cavity wall insulation; external wall insulation.
- 3.3 The project is funded by British Gas from their carbon saving obligations and targeted on low income areas known in statistical jargon as lower super output areas. Home Group has also contributed some funding.
- 3.4 The scheme follows a “whole house” method by which a package of measures best suited to the individual property are installed. The Council provided some data at the beginning and has supported the scheme throughout. Both ward Councillors have attended the regular monitoring meetings, supported by the two authors of this report.

### **4 WINTER WARMTH FUND & WARMER HOMES, HEALTHY PEOPLE FUND**

- 4.1 Copeland have also supported a Cumbria County Council-led funding application to the government’s 2012/13 Warm Homes, Healthy People fund. The bid replicates the work done under the successful bid in 2011/12, which delivered the Winter Warmth Fund administered by the Cumbria Community Foundation.
- 4.2 The Winter Warmth Fund makes individual grants of between £125 and £250 to people who cannot afford to heat their homes to a safe temperature. Grants can be made by Cumbria Community Foundation, AgeUK or Children’s Centre providers. Smaller grants are also available to community groups with the aim of creating the capacity to advise and assist people experiencing fuel poverty.
- 4.3 In 2011/12 790 grants were made to individuals, of whom 454 were resident in Copeland. The second element of the Warmer Homes, Healthy People project is the “Hot Spots” scheme, delivered by the Cumbria Rural Enterprise Agency, which provides grants to repair boilers, funding for boiler maintenance contracts and energy efficiency surveys.

- 4.4 If the 2012/13 bid is successful the project must be delivered by end March 2013. Copeland's role will be raise awareness of the scheme, make referrals and maintain communication with project managers.

## **5 DEPARTMENT OF CLIMATE CHANGE (DECC) LOCAL AUTHORITY FUNDS 2012**

- 5.1 Copeland submitted a bid by the 30 November deadline for an initiative to alleviate rural fuel poverty. Funding of £9,120 is being sought from DECC and £910 will come from the Neighbourhood Forum. If the bid succeeds the proposal will deliver a programme of advice and support to vulnerable households in the Borough's rural locations on how to reduce their domestic energy costs.
- 5.2 This was chosen because many residents in rural and remote areas of the Borough are off the gas grid and live in older, hard-to-treat homes with poor or non-existent broadband access to advice and information. Locally based sessions will give one to one advice on how to obtain lower energy deals (including by switching fuel, tariffs or providers) and signposting help with issues such as fuel debt and benefit entitlement. They will also raise awareness of the Green Deal.
- 5.3 The programme will be delivered by Copeland Citizens Advice Bureau who have previous experience of the Energy Best Deal initiative, which was mainly targeted at urban areas. The extension to rural areas is timely because the project plans to complete by 31 March 2013 and we are now entering the most expensive season for domestic fuel consumption.
- 5.4 The Cumbria Affordable Warmth Partnership also submitted a bid. This is a development from the Cumbria Warm Homes Project and includes Copeland along with the other 5 Districts, the County Council and a range of other stakeholders.
- 5.5 Further information on the Cumbria-wide bid is expected to be available when the Panel meets on 14 December 2012 but in the meantime Members should note that it is ambitious, including (but not limited to):
- establishing a register of 5000 householders who have expressed an interest in Green Deal options;
  - establishing a register of 400 businesses with an interest in Green Deal options;
  - installing insulation measures for over 2000 low income households;
  - promoting a Fuel Switching Co-operative county-wide with ambition to register over 2500 low income households.

## **6 THE GREEN DEAL**

- 6.1 Attached as Appendix A is a briefing/options paper written by Tom Barlow, Project Development Officer, based in Carlisle, for the Cumbria Affordable Warmth Project.
- 6.2 It is mainly self-explanatory but Members' attention is drawn to the middle of page 5 of the Appendix and the reference to the local authority role, which could be one of three:  
provider,  
partner, or  
promoter.  
The rest of the paper explores each of those three options.

## **7 RESOURCE (INCLUDING FINANCE) IMPLICATIONS**

- 7.1 This report commits no additional revenue or capital expenditure from the Council's internal resources.
- 7.2 Given current and future expected reductions in revenue and staffing capacity it is not possible to foresee the Council undertaking more than a role that lies between a Green Deal promoter and a partner (paragraph 6.2 and Appendix A refer). That is also why the report contains no recommendation.

# A Green Deal Fit for Cumbria

## “The Ambition for Warmer Homes “

### Options Paper

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## Introduction

### **For the first time, the UK will soon have a national policy framework to encourage investment in energy efficiency**

- The Government's new Green Deal policy is due to be launched in October 2012.
- The Green Deal provides a national framework for investing in energy efficiency and will promote and regulate good practice in the energy efficiency industry. The Green Deal concentrates on cost-effective energy efficiency measures which can pay for themselves through reductions in the energy bill.
- The Green Deal overcomes a number of key barriers to energy efficiency by:
  - providing upfront capital specifically for energy efficiency (helps remove the barrier of competing uses for available capital, e.g. a householder may prefer to spend available money on a holiday rather than energy efficiency)
  - It links repayments to the property rather than the owner or householder (helps circumvent householder resistance to taking on personal debt for measures with a long payback when they might move home)
  - Removing confusion and miss-information about energy efficiency by ensuring all companies follow a common approach to estimating energy savings from proposed measures and by providing a kite mark for energy efficiency installations.

### **1.2 There is huge scope for Local Authorities to use this national policy framework to improve building energy efficiency and stimulate the associated job opportunities**

- The scope for improving the energy efficiency of households and commercial buildings is vast. The potential for installing cost effective energy efficiency measures, as required under the Green Deal, is also substantial and the total investment opportunity has been estimated at £800 Million.
- The supply and installation of these insulation products, efficient heating systems and micro-generation technologies (such as solar power and heat pumps) could stimulate local industry and provide a substantial number of local jobs.

- Local Authorities can utilise the national Green Deal framework to stimulate local energy efficiency activity and realise this latent potential then the corresponding environmental, social and economic benefits could be significant.

## **BACKGROUND**

The Home Energy Conservation Act (HECA) has been in force since 1996. It requires local authorities with housing responsibilities to periodically report improvements to the energy efficiency of the housing stock in their area.

The Energy Act 2011 amended HECA by supplementing the definition of an 'energy conservation measure' to include 'any available financial assistance'. This amendment enables local authorities to report measures installed through the Governments forthcoming Green Deal initiative.

The Green Deal is a new finance framework that will provide householders with up-front loan finance for installing cost effective energy efficiency measures in their homes.

Green Deal loans will be available for a full range of measures (45 in total) including such things as loft and cavity wall insulation, boiler replacement, heating controls, double glazing, secondary glazing, solid wall insulation, flat roof insulation and micro-generation (solar thermal and PV).

Green Deal loans will not operate as personal loans but will be repaid through savings achieved in household energy bills. The 'Golden Rule' of the Green Deal is that loan repayments must be less than the expected savings from the measures installed.

There is also potential to bring in top-up grant funding from what is known as the Energy Company Obligation (ECO). Around £1.3bn per annum is to be invested by the major energy companies to cover a combination of the more expensive measures (e.g. solid wall insulation) and the delivery of affordable warmth to priority of householders who may be suffering from fuel poverty.

## **Opportunities for Cumbria**

### **Cumbria Households and Business**

- Impacts on Personal Health & Wellbeing
- Warmer Safer Homes
- Reduced current Energy Costs
- Safeguarding against Rising Energy Prices
- Help with Home Improvements
- Reducing overheads and helping business become more competitive.

## Cumbria Districts

- Reducing Fuel Poverty
- Growth and economic development
- Contributing to community building
- Opportunities to changing the built environment (Stock Condition)
- Climate Change (meeting our CO2 commitments)
- Skills development and developmental learning
- Job creation and apprentice training
- Improving business efficiencies

## The Green Deal & Energy Company Obligation

A short study of the Green Deal shows that it has several component parts: -

- I. The Green Deal (Pay as You Save scheme)
- II. Energy Company Obligation 1.9 billion (Energy Bill Levies)
  - a. Carbon Savings 790M
  - b. Community Carbon Savings 190M
  - c. Affordable Warmth 360M

These component parts provide effective cover across our communities, they are though not stand alone products, for example any given household may be able to access one or all of these funding streams in order to improve the overall energy efficiency of their home, dependant on the outcome of their Green Deal Assessment.

The socio-economic mix for Cumbria, and the challenges that come from its rural expanse with isolated populations, makes the targeting of any one specific group of households very difficult.

Recent research around poverty in Cumbria demonstrated significant pockets of poverty existing cheek by jowl with affluent households.

As such this gives emphasis on the need to consider a formal and structured approach to Green Deal and in particular in the case of the Energy Company Obligation, of an Area Based Approach to delivery on the ground, supported by community marketing and support



Districts may wish to consider an approach similar to that used by Social Housing Providers when delivering their Decent Homes Programs throughout their stock.

By putting in place a program of delivery across the district councils can ensure that they approach the delivery of Green Deal & ECO, in such a way that its impact is effective, timely, and cost effective for Residents, as well as Green Deal Providers, Assessors, Installers.

## Local Authorities and Green Deal

Government produced guidance notes for Local Authorities which identified three possible options around which they may seek to build a Green Deal offer to households and businesses in their area.

To deliver the Green deal in their districts there are basically three approaches local authorities might choose to adopt:

1. **Provide** – the Green Deal directly to their local residents and businesses, co-ordinating finance and delivery.
2. **Partner** – work in partnership with commercial Green Deal providers and community partners to deliver and facilitate delivery.
3. **Promote** – by acting as advocates for the Green Deal locally

This options paper seeks to investigate the possibilities of each of these three options, highlighting the opportunities and the challenges that each may present to the district authorities.

## 1 Local Authorities - Green Deal Providers

As a Green Deal Provider Local Authority will play a central role in the Green Deal process, enabling the implementation of Green Deal works for the customer.

Its main functions are to:

- Offer a Green Deal plan to the customer based on recommendations from an authorised assessor;
- Provide a finance package that spreads the cost of measures over time;

- Contract with the customer for the Green Deal measures to be installed by an authorised installer, and;
- Be the counter-signatory to the Green Deal Plan, and the CCA agreement.

There are a number of other on-going obligations, including: -

- Dealing with customer complaints
- Sending out annual statements that meet CCA requirements
- Providing information when the bill payer changes.

All Green Deal Providers must: -

- Comply with the Green Deal Code of Practice.

This can be found as a PDF document at: -

<http://www.greendealorb.co.uk/code-of-practice>

and

- Meet the requirements set out in the Green Deal Framework Regulations, published on the following website:

<http://www.legislation.gov.uk/ukdsi/2012/9780111525227/contents>.

### **1.1 The Green Deal Business Provider Model**

There is no set business model for delivery, authorities may choose one of the following or a hybrid mix, whichever best meets the needs of the residents: -

#### **1. The One Stop Shop**

The Local Authority could choose to carry out all aspects of the work themselves, from providing (or sourcing) the finance and carrying out the assessment, to supplying and installing the goods using their own employees.

#### **2. The Partnership Model**

The Local Authority would provide the finance package and cover all ongoing obligations to the consumer, but would work in partnership with contractors to carry out works and/or assessment.

#### **3. The Customer Face**

The Local Authority would carry out all the work and provide the finance package, but would outsource the marketing and branding to another single company (e.g. an organisation which already has a trusted brand).

#### 4. **The Counter-signatory only**

The Local Authority would be the counter-signatory to the GD plan, putting in place the finance package and retaining formal responsibility for statutory provider requirements.

However, all customer facing activities, including marketing, installation and ongoing customer services would be outsourced to other companies engaged in the Green Deal supply chain.

Under this model SMEs could become '**agents**' for providers.

### **1.2 Provider Model Opportunities**

This model gives the local authority complete control over the quality and delivery of their Green Deal offer, across area such as: -

- The targeting and style of the marketing program.
- It can use its own borrowing to support and promote the financial offer.
- It can develop a truly local supply chain.
- Its product can be supported and promoted through its own communications network and links with communities, as a trusted brand.

### **1.3 Provider Model Challenges**

Being a Green Deal Provider requires a commercial approach which will need investment in a range of consumer based business practice and procedures, such as: -

#### Commercial Marketing

Regular and efficient responsive marketing will be required, across a range of consumers,

#### ICT Investment

New and innovative IT systems will be required to record and control a complicated process which includes consumer credit, financial investment, repayment history, supplier switching, and

#### Training

Green Deal Product and Processes  
Customer Relations  
The Consumer Credit Act  
Financial Process & Procedure

## **2 Local Authorities - Green Deal Partners**

This option allows District the to exert influence over the process, seeking to ensure that local supply chains are developed, that skills training and development are encouraged. It would not be unreasonable to have expectations that providers will invest in the local communities, in terms of providing employment for local people, and investment in the area through establishing operational delivery within the county.

This approach will benefit through: -

- The ability to draw in significant new sources of finance to the local area
- By providing reassurance to local residents and businesses on delivery of Green Deal to maximise take up.

Again there is no set business model for delivery, authorities may choose one of the following or a hybrid mix, whichever best meets the needs of the residents: -

In considering any particular business model the Districts will also need to consider the option of individual agreements for their district or working together not only as groups of authorities but also with its wider community and environmental groups to establish a Cumbria wide offer.

## **1 County Wide Approach**

The districts may agree to establish a special purpose vehicle to promote the Green Deal across the County; this could be a not-for-profit, or Community Investment Company (CIC), similar the original Cumbria Energy Efficiency Advice Centre (CEEAC), with a wider remit around Fuel Poverty.

This could be an existing or developing organisation such as a Home Improvement Agency, Age UK, Citizens Advice Bureau, or any organisation that can bring additional attributes to the table which will enhance the scope and potential of the Green Deal offer, with a wider range of assistance at a local community level.

Such as: -

- Handy Persons Schemes
- Financial inclusion/support programs
- Health & Wellbeing Projects

The SPV would have responsibility for: -

- Marketing
- Area Based Project Planning
- Area Based ECO delivery, through door to door delivery
- Fuel Poverty Initiatives'

The Provider will have responsibility for: -

- Assessment of Dwellings
- Green Deal Offers
- Individual Household Financial Plans
- Customer Support

There would be an agreed framework specified by the districts, who will be partners, or representative board members of the SPV.

The Districts will play a crucial role in the planning and delivery of any Green Deal or ECO targeted programs within the districts, providing support and back up through their communications, enforcement and housing, and planning teams.

## 2. Provider Led

The provider/s will undertake all aspects of Green Deal Delivery:-

- Marketing
- Assessment of Dwellings
- Green Deal Offers
- Financial
- Customer Support
- Delivery of targeted ECO programs.

The Authority will partner with the Providers by: -

- Endorsing the Providers marketing program
- Using its internal and external communications network to promote the offer, and keep residents updated and informed
- Leading on the delivery of a joint ECO program targeted across the district.
- Helping to target Hard to Reach, Hard to Treat properties in their districts.
- Proving links and liaison to all relevant departments, planning, housing, enforcement and communications.

### **2.2 Partner Model Opportunities**

Partnering in this way allows the LA's to consider a wider range of options than those of being a LA Provider, which will be restricted through reductions in LA's budgets, and other external influences.

This model gives the local authority a strategic level of influence over the quality and delivery of the Green Deal offering in their area by: -

- Using this option, LA's will reduce any risk to the public purse.
- Reducing the demand on staff and council resources, but still delivering a high level quality service to local residents.
- Being the Trusted Brand and supporting the marketing program.
- Using its own borrowing to support and promote the financial offer.
- Assisting local business's and SMEs to access the local supply chain
- Taking advantage of the Providers own wider supply network of specialist suppliers.

- Supporting and promoting the LA brand through its own communications network and links with communities.
- Taking best advantage of the wide range of specialism's that the Provider will bring with them.

### 2.3 Promoter Model Challenges

LA's need to ensure that a robust and exacting procurement process is used to appoint any Green Deal Provider/s, and they will need to satisfy themselves that the Provider understands: -

- The culture and life styles of the residents
- The varied ranges of property build types and styles
- The rural locality of many Cumbria homes
- That clear lines of regular reporting are established
- The needs to promote local SME's and encourage local business growth
- That expectation around high quality delivery and customer service
- The vital role that local third sector, community and sustainability groups can play in effective delivery.

## 3 Local Authorities - Green Deal Promoters

Local Authorities, may act as advocates for the Green Deal Companies operating in their district, they may facilitate and/or support commercial Green Deal provision to its residents, by keeping a register of local Green Deal, Providers, Assessors, Installers.

Local Authorities may choose to seek to establish some form of paid for referral process when acting as a conduit for local commercial activity and/or providing leads on a commission basis.

Benefits from this approach might include retaining an overview of how Green Deal is being delivered and contributing to local priorities. However, the ability to influence local employment opportunities and links with other strategic objectives will be severely restricted.

This approach does not exclude LA's from seeking to deliver the Energy Company Obligation in their areas, either individually, or jointly with other LA's.

Direct agreements could be reached with the Energy Providers to establish ECO targeted area based interventions.

This action would go some way to helping LA's meet the requirements of the Home Energy Conservation Act, and their individual Carbon Action Plans.

However this option ignores the fact the Green Deal will best be promoted as a whole package, as outlined earlier.

## 2.2 Promoter Model Opportunities

- The Promoter option offers a very low risk strategy for LA's.

## 2.2 Promoter Model Challenges

- Promoters run the risk of missing out on the key economic and regeneration aspects of the Green Deal Offer.
- LA's will rely on Green Deal Providers discovering for themselves what opportunities lay within the LA's district.
- LA's inertia at this stage may be replicated by Green Deal Providers when in the future LA's decide to engage
- Engaging later may also mean that the funding levels are depleted by the activities of the more proactive go early LA's.

## 4 Supporting Comments

Green Deal is very complicated with many technical and financial elements that will be very difficult to promote to households, but there are two key unique selling points.

- The first being the offer of a comprehensive property survey that will be free at point of delivery
- Secondly that in many cases there is no capital outlay to the householder, and in some cases the work will be either no cost or low cost

## 5 Next Steps

Elected Members are asked to consider this options paper and the seek to take the Green Deal through their individual political process in order that they can consider the best way forward for their districts and Cumbria as a whole.

Senior members of the Housing Teams in each of the districts, with representation from the County Council will be meeting to discuss the options paper.

This will ensure that should members have any questions, or require any further information, so that they will be on hand to support them.