

## **DEVELOPING WARMZONE TO MAXIMISE FUTURE OPPORTUNITIES**

**Submitted by:** Mike O'Connor

**Portfolio:** Environment and Recycling

**Ward(s) affected:** All

### **Purpose of the Report**

The Government is changing the way in which assistance is given to people to improve the energy efficiency of their home. In October the national Green Deal will be launched which is intended to assist home owners to improve their home through financial assistance in the form of a loan or grant. To complement Green Deal finance additional (ECO) grant funding can be targeted on five designated low income areas as well as low income households in rural settlements of fewer than 10,000 inhabitants. This report outlines the types of assistance that are planned and the mechanisms that the Council may consider to support local delivery.

### **Recommendation**

**That Scrutiny considers the issues and gives direction as to if the Warm Zone should be supported to develop a local offer.**

### **Reasons**

It is appropriate that the Council considers the opportunities that are likely to exist when the Government launches the Green Deal and specifically the Eco element which supports vulnerable residents.

It is worth noting that one key aspect of considering supporting a local scheme is the Economic Development aspects as delivery of energy efficiency measures could support local installers.

## **1. Background**

1.1 The North Staffs Warm Zone (NSWZ) was established in 2006 as a partnership principally comprising Stoke-on-Trent City Council (SOT CC), Newcastle Borough Council and Warm Zones Limited (WZL). WZL is a not-for-profit company limited by guarantee which provides financial management and support services. Since the establishment of the NSWZ the Council has been a member of the Steering Group, which is responsible for the overseeing, challenging, advising and supporting the NSWZ Management Team.

1.2 The Warm Zone has delivered:

- 31500 home energy assessments.
- Over 8,000 measures( principally loft and cavity wall insulation).
- The average energy efficiency of homes in the Borough has improved from a SAP of 48 to 57.
- £840,000 in annual fuel bill savings for residents + £600,000 in new benefits income equates to **£1.44 million** into the pockets of Newcastle under Lyme residents every year.
- The expected savings of the energy efficiency measures installed over their lifetime is **£25million** (based on today's fuel prices).

- Similarly, the benefits income gain for householders will add up over the years, with estimated total gains over the next 15 years of **c£4.5 million**.
- This equates to a total lifetime economic boost of **£29.5 million** for Newcastle under Lyme.
- This additional income directly boosts the local economy and supports local jobs.
- For every £1 invested by Newcastle Borough Council the Warm Zone partnership levers in **an additional c£5.17**.

1.3 The Warm Zone has provided a platform for improving energy efficiency in the majority of homes in the Borough. To improve further it is necessary to target the more problematic dwellings which are not suitable either because they were built before cavity walls became the norm or after building regulations required cavity walls and lofts to be insulated on new buildings, in addition it is necessary to address poor heating systems.

## 2. Issues

2.1 The Government is committed to reduce carbon emissions by 80% by 2050, alongside this there is a Climate Change Committee target for 2022 that 90% of all lofts and cavity walls will be insulated. There is also recognition that insulation needs to be applied to older properties which have solid walls and that such work will be more expensive and more difficult than filling cavity walls.

2.2 To assist with meeting these commitments the Government is introducing Green Deal. It has been described by ministers as the biggest home improvement programme since the second world war. The aim to make 14m homes more energy efficient by 2020 and another 12m by 2030, with the potential to create 250,000 "green jobs", Consumers will be able to make energy efficiency improvements to their properties without upfront costs, this is in effect a loan whereby the consumer will have the ability to pay via electricity bills over the long term (e.g. 25 years), making use of the money saved on fuel. Further help will be available to low income households. It is anticipated that Green Deal funded measures will commence in earnest in April 2013.

2.3 Alongside this the Government is introducing a new Energy Company Obligation (ECO) to replace the existing Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP). This ECO funding is intended to be launched in October 2012 and will be directed to several streams of support:

(A) Carbon Saving Obligation (nationally £760m = 58%)

Available to all tenures with a focus on solid wall insulation and non-standard hard to treat cavities. There are indications that obligation funding will pay for 48% of cost of works

(B) Carbon Saving Communities Obligation including Rural (nationally £190m = 15%)

Available in all tenures in the 15% most income deprived Lower Super Output Areas with a focus on solid wall, loft and cavity wall insulation. Of this funding 15% of the obligation nationally must be delivered in rural areas. There may be 100% funding available. Areas identified so far are indicated in the Appendix.

(C) Affordable Warmth Obligation (nationally £350m = 27%)

Available in the private sector only and measures for eligible households on benefits, focus on cavity wall and loft insulation plus heating (homes on wider SPG-type benefits).

Further information on these is outlined in the appendix.

2.4 Whilst there is Government commitment to invest in home energy efficiency and to reduce carbon usage there is no direct funding to particular local authority areas. This means that subsidised funding could all be allocated to proactive areas which seek to work with energy suppliers thus leaving residents of areas with no additional local support scheme unlikely to receive any kind of Green Deal/ECO support. There is also a chance that left to market forces private companies from outside of the region will come in to form brokerage services and will charge significant referral fees. If this was the case then the benefits of the funding may be taken out of the area and local businesses may not have a chance to deliver the installations. It is therefore considered advantageous for a local partnership to be developed to deliver the Green Deal to benefit local communities and businesses.

2.5 Should the Council consider supporting the development of a local Green Deal and ECO Brokerage Service there may be a range of benefits:

- Working across several local authority boundaries will create economies of scale.
- Having one agency with qualified experienced advisors will enable the delivery of a better service through a one stop shop approach. If this service has the backing of the local authorities it is also more likely to be trusted by customers.
- Providing customers with a choice of 3 quotations from local installers will provide choice and reassurance on the costs of the works.
- Developing local installers panels linked to the Centre of Refurbishment Excellence (CORE) service will mobilise the local supply chain and provide training opportunities in the sub-region. This will be important in driving forward the development of local 'green' companies to be able to compete with national suppliers.
- The development of local supply chains and the use of a non-for profit brokerage will ensure that the benefits of Green Deal and importantly ECO funding will be retained within region.
- Through the existing Warm Zone scheme there is a track record of working with vulnerable people across our local communities. This means that there is some understanding within the community of the Warm Zone and the power of word of mouth recommendation alongside marketing of an identified brand can be utilised.
- The current mechanisms of assessing customers can also be enhanced so that customers are directed to the most suitable options to match their individual needs. Warm Zone will be able to offer advice on the full range of options including Green Deal and ECO funding, other services may only provide part of this service. Private companies may for instance only assess residents where they know there is a financial profit to be made leaving others with no service. Subject to securing additional funding from other partner agencies Warm Zone may also be able to offer an integrated benefits advice service. To date Warm Zone have been able to advise many vulnerable residents on available benefits and complementary services.

### 3. **Options Considered**

3.1 The Council could

- decide to cease any support for this type of work and leave delivery to the market
- establish a new partnership structure to take forward plans
- or extend the current Warm Zone programme.

### 4. **Proposal and Reasons for Preferred Solution**

4.1 As outlined earlier the current arrangements with Warm Zone has delivered substantial benefits for the residents of the borough. It should be noted that schemes developed in

other authorities have not been so successful and that other authorities are now considering joining Warm Zone.

- 4.2 Should the Council consider leaving the Warm Zone partnership there would be programme closure costs and in particular there would be redundancy costs should the company close. It is recognised that establishing new partnerships takes considerable resources, particularly where there are employment issues. It is therefore beneficial to develop the existing partnership and in doing so also save the costs of closing one partnership and establishing another. It is therefore recommended that the Council continues to support Warm Zone.
- 4.3 The North Staffs Warm Zone could be tasked to maximise uptake in the local authority area(s) through the removal of barriers such as price, acceptance and concerns regarding quality. Warm Zone has also achieved great success in targeting resources to areas or customers believed to be in the greatest need. By removing risk to investment and achieving economies of scale, energy suppliers are able to deliver their obligation cost effectively and therefore increase the level of ECO funding.
- 4.4 If Members agree to the proposal to continue support for Warm Zone it is appropriate that that further work is undertaken with the Portfolio Holder to establish the financial implications of support.

## 5. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 5.1 Assisting residents to improve the energy efficiency of their home clearly contributes to the priority of Creating a Cleaner, Safer and Sustainable Borough. The establishment of mechanisms to aid local businesses to secure contracts to install energy efficiency measures will also contribute to the priority of Promoting a Borough of Opportunity.

## 6. **Legal and Statutory Implications**

- 6.1 Stoke City Council as the major partner in the Warm Zone partnership has taken legal advice on procurement. This advice has stated that the partnership continues to meet the Teckal test and that the existing arrangements can be extended rather than going out to full tender. It is worth noting however that this only applies to the Warm Zone partnership and that the contracts for the Green Deal Providers and installers would be competitively tendered. As the lead authority Stoke CC are intending to utilise specialist procurement advice to ensure that these contracts are effectively procured.
- 6.2 The Home Energy Conservation Act 1995 (HECA) places a statutory obligation on the Council to identify practicable and cost-effective measures likely to result in significant energy reduction in all residential accommodation in their area. New guidance requires local authorities to publish a report on their plans to achieve improved energy efficiency by 31 March 2013. Proactive action in relation to the Green Deal, will be significant in helping local authorities to achieve their aims.

## 7. **Equality Impact Assessment**

- 7.1 The Government has completed an impact assessment on the national Green Deal. They recognise that the scheme particularly the ECO funding element is aimed to assist the equality strands such as the disabled, those on benefits and elderly. It is worth noting that they recognise that the Green Deal loans may not be suitable for residents of all religious beliefs; however they highlight that the legislation is not too restrictive and Green Deal Providers may offer suitable products to comply with a range of religious beliefs.

## 8. **Financial and Resource Implications**

- 8.1 Each year the Council allocates a moderate level of funding from the Housing Capital Programme to the Warm Zone. This funding assists in the operation of the scheme and to date has enabled residents to access free cavity wall and loft insulation. The Warm Zone model works on securing additional funding to match funding the Council contribution, this funding varies but can come from utility companies and other national schemes.
- 8.2 Going forward there will be a requirement for the Council to contribute to the operation costs of Warm Zone. Subject to Members views it is recommended that the officers continue discussions within the Warm Zone partnership to establish what level of funding is required. It may then be appropriate for the Council to consider the level of funding as part of the 2013/14 Housing Capital Programme, which is normally established in January prior to the new financial year.

## 9. **Major Risks**

- 9.1 There are no major risks. In supporting the option to extend the Warm Zone partnership the risks associated with developing new projects will be minimised and any future financial contribution will be below the triggers for a major risk.

## 10. **Key Decision Information**

- 10.1 If the proposals are taken forward the scheme would be available within all wards.

## 11. **Earlier Cabinet/Committee Resolutions**

- 11.1 In 2006 the Council agreed to become a partner in the North Staffordshire Warm Zone and allocated £85,000 per year over 3 years (£255,000) financed from the Council's Housing Capital Programme. In subsequent years a reduced level of funding was allocated from the Housing Capital Programme to ensure continued delivery.

## 12. **List of Appendices**

- 12.1 Papers to show the details of areas eligible for Carbon Savings Community Obligation(CSCo), Energy Company obligations and the types of ECO support available for a range of households, how the Green Deal process will operate, and property types and how the Green Deal ECO Brokerage Service may operate.

## 13. **Background Papers**

None.