

**NEW GUIDANCE FOR LOCAL AUTHORITIES ON THE HOME ENERGY
CONSERVATION ACT 1995 (HECA) AND DELIVERY OF THE GREEN
DEAL IN HUNTINGDONSHIRE**

(Report by Head of Environmental Management)

1. INTRODUCTION

- 1.1 The purpose of this report is to provide a briefing on guidance recently published by the Secretary of State for Energy and Climate Change requiring all local authorities with housing responsibility to prepare reports by 31st March 2013, setting out plans to implement practical, cost effective energy conservation measures to achieve significant improvement in the energy efficiency of residential accommodation in their areas.
- 1.2 The report also gives details of the Government's flagship environmental initiative the 'Green Deal', outlining options for the delivery of the Green Deal in the district and recommending continued work to establish a preferred approach designed to maximise take up and provide a revenue income for the Council, whilst promoting local jobs, skills and apprenticeships.

2. BACKGROUND

- 2.1 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.
- 2.2 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.
- 2.3 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.
- 2.4 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).
- 2.5 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.

- 2.6 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.

3. DELIVERY OF THE GREEN DEAL IN HUNTINGDONSHIRE

- 3.1 The Green Deal has huge potential to stimulate energy efficiency improvements in the building stock of the District. Although it has largely been devised with housing in mind, it will also be available for commercial and public buildings.
- 3.2 An initial assessment of Huntingdonshire's housing stock suggests that about 70% of houses are likely to have some potential for green deal measures. The greatest potential lies in semi-detached and detached homes, where heat loss potential is more substantial than in flats or terraced houses.
- 3.3 The Green Deal can be provided by commercial companies, social enterprises and local authorities acting alone or in partnership. To deliver the Green deal locally there are basically three approaches local authorities might choose to adopt:
- Provide – the Green Deal directly to their local residents and businesses, co-ordinating finance and delivery;
 - Partner – work in partnership with commercial Green Deal providers and community partners to deliver and facilitate delivery; or
 - Promote – by acting as advocates for the Green Deal locally
- 3.4 The Council is currently participating in a county wide study to assess the size of the opportunity for the take up of the Green Deal in Cambridgeshire and to provide an options appraisal of the various delivery mechanisms.
- 3.5 There are a number of issues local authorities need to consider in deciding what role/s they might play in delivering the Green Deal but the study has indicated that the maximum benefits for a District Council such as Huntingdonshire (in terms of scheme viability and potential revenue returns) will come from partnering with a commercial provider either alone or with other Cambridgeshire Local authorities.
- 3.6 Indications from Central Government are that the Green Deal will be most efficiently delivered by local authorities on a county wide scale and that Local Authorities partnering early are likely to be at an advantage when it comes to attracting investment from Green Deal providers and energy companies.
- 3.7 The joint procurement of a Green Deal offering for Cambridgeshire is likely to take up to 6 months. An option under the procurement is that participating local authorities will seek referral fees from the Green Deal provider for every household benefitting from the installation of Green Deal measures under the scheme to provide an ongoing revenue benefit for the Council.
- 3.8 Alternatively the District Council could seek to procure its own Green Deal offering, however there is evidence that a smaller scheme such as this may be less attractive to commercial partners, will be more difficult to promote effectively and could have a reduced take up as a result.

4. FINANCIAL/RESOURCE IMPLICATIONS

- 4.1 The main costs associated with the development of a local authority Green Deal scheme either for Huntingdonshire or Countywide are the costs of the procurement process necessary to secure a Green Deal provider partner and the officer time to promote the scheme once it is up and running to ensure that take up is maximised and therefore revenue potential.
- 4.2 Running a single joint procurement exercise Countywide is likely to be more cost effective for the public purse than operating five almost identical processes district by district.
- 4.3 Revenue potential is likely to be higher under a Cambridgeshire wide Green Deal scheme as there is evidence that take up will be greater because of increased brand awareness and market penetration.
- 4.4 Once any procurement exercise is complete the management of the scheme will largely be undertaken by the Green Deal provider and local authority investment will be limited to start up costs for marketing and officer time spent promoting the scheme for lead generation. As such there will be no long term balance sheet exposure from this partnership approach.

5. CONCLUSIONS

- 5.1 The Council has the option of entering a joint procurement exercise to deliver a single Green Deal offering for Cambridgeshire. All Cambridgeshire districts have expressed support for this course of action.
- 5.2 Joint procurement is likely to be more cost effective and a joint scheme is likely to have greater take up through the added media profile and publicity that will be generated leading to greater revenue income.
- 5.3 Further work is necessary to develop a business case and support the development of an action plan to deliver the procurement and implementation of a joint Green Deal offering for Cambridgeshire.

6. RECOMMENDATIONS

It is recommended that:

- 6.1 further work is undertaken by Officers of the Council's Environment Team (in conjunction with Officers from other Cambridgeshire authorities) to develop an outline business case for and action plan to deliver the procurement of a joint local authority Green Deal offering for Cambridgeshire.
- 6.2 when completed the outline business case is presented to Members for consideration including a full appraisal of the work streams and resources required to procure and deliver a Green Deal scheme for Cambridgeshire.

BACKGROUND INFORMATION

Contact Officer: Chris Jablonski (Environment Team Leader)
Tel: Ext. 8368